SEC FORM – I-ACGR

INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT

1. For the fiscal year ended : **2023**

2. SEC Identification Number **A1996-10620** 3. BIR Tax Identification No. **005-038-162**

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

5. **Metro Manila, Philippines** 6. (SEC Use Only)
Province, Country or other jurisdiction of incorporation or organization — Industry Classification Code:

7. **2nd Floor, W Tower Condominium, 39th Street North Bonifacio Triangle, Bonifacio Global City** **1634**.
Address of principal office — Postal Code

8. **(+632) 864-0734/36**
Issuer's telephone number, including area code

9. **(N/A)**
Former name, former address, and former fiscal year, if changed since last report.

INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT			
	COMPLIANT/ NON-COMPLIANT	**ADDITIONAL INFORMATION**	**EXPLANATION**
The Board's Governance Responsibilities			
Principle 1: The company should be headed by a competent, working board to foster the long- term success of the corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the long- term best interests of its shareholders and other stakeholders.			
Recommendation 1.1			
1. Board is composed of directors with collective working knowledge, experience or expertise that is relevant to the company's industry/sector.	**COMPLIANT**	Provide information or link/reference to a document containing information on the following: 1. Academic qualifications, industry knowledge, professional experience, expertise and relevant trainings of directors *Please refer to pp. 32-33 , profile of the Board of Directors, contained in the 2023 Annual Report, attached as **Annex A.*** 2. Qualification standards for directors to facilitate the selection of potential nominees and to serve as benchmark for the evaluation of its performance *Please refer to pp. 4 -8, Part V. Board Governance, items C to E, which outlines the qualifications and disqualifications of Directors, of the Manual on Corporate Governance: https://www.tkcmetals.ph/sites/default/files/field/pdfpreview/2017tkcmanualofcorporategovernance.pdf*	
2. Board has an appropriate mix of competence and expertise.	**COMPLIANT**		
3. Directors remain qualified for their positions individually and collectively to enable them to fulfill their roles and responsibilities and respond to the needs of the organization.			

<table>
<tr><th colspan="4">Recommendation 1.2</th></tr>
<tr><td>1. Board is composed of a majority of non-executive directors.</td><td>COMPLIANT</td><td>Identify or provide link/reference to a document identifying the directors and the type of their directorships

<table><tr><th>Name</th><th>Position</th><th>Type</th></tr><tr><td>Ben C. Tiu</td><td>Chairman</td><td>ED</td></tr><tr><td>Ignatius F. Yenko</td><td>Vice-Chairman</td><td>ED</td></tr><tr><td>Prudencio Somera Jr.</td><td>Director</td><td>NED</td></tr><tr><td>Vicente de Villa Jr.</td><td>Independent</td><td>NED</td></tr><tr><td>Kevin G. Khoe</td><td>Independent</td><td>NED</td></tr></table>
Out of five (5) directors, three (3) are considered non-executive directors, including two (2) independent directors</td><td></td></tr>
<tr><th colspan="4">Recommendation 1.3</th></tr>
<tr><td>1. Company provides in its Board Charter and Manual on Corporate Governance a policy on training of directors.</td><td>COMPLIANT</td><td>Provide link or reference to the company's Board Charter and Manual on Corporate Governance relating to its policy on training of directors.

Please refer to pp. 3 -10 , Part V. Board Governance, part VI. Responsibilities, Duties, and Functions of the Board, and Part V II. Specific Duties and Responsibilities of a Director of the Manual on Corporate Governance: https://tkcmetals.com.ph/sites/default/files/field/pdfpreview/2017tkcmanualof corporategovernance.pdf</td><td></td></tr>
</table>

2. Company has an orientation program for first time directors.	**COMPLIANT**	Provide information or link/reference to a document containing information on the orientation program and trainings of directors for the previous year, including the number of hours attended and topics covered. *Please see pp. 9 and 15 on the Functions of the Chairman and Compliance Officer, respectively, as well as Annex "C" Corporate Governance Committee Charter, of the Manual on Corporate Governance: http://www.tkcmetals.com.ph/sites/default/files/field/pdfpreview/2017tkcmanualofcorporategovernance.pdf*	
3. Company has relevant annual continuing training for all directors.	**NONCOMPLIANT**	*There are no first-time directors. However, the Company conducts orientation-seminars upon assumption of first-time directors to their position*	*The Company has not conducted any special in-house training for directors and senior management. The directors and senior officers, however, are reminded by the Compliance Officer to undergo workshops or seminars on corporate governance to ensure that they meet the regulatory requirements of the SEC and the PSE. Fees for such are shouldered by the Company.*
Recommendation 1.4			
1. Board has a policy on board diversity.	**COMPLIANT**	Provide information on or link/reference to a document containing information on the company's board diversity policy. *Having a board diversity policy is a mover to avoid groupthink and ensure that optimal decision-making is achieved. The*	

		Corporation's diversity policy shall not be limited to gender diversity. It also includes diversity in age, ethnicity, culture, skills, competence, and knowledge. Indicate gender composition of the board. *As of December 31, 2023, the Board is composed of five (5) male directors.*	
Optional: Recommendation 1.4			
1. Company has a policy on and discloses measurable objectives for implementing its board diversity and reports on progress in achieving its objectives.		Provide information on or link/reference to a document containing the company's policy and measureable objectives for implementing board diversity. Provide link or reference to a progress report in achieving its objectives.	
Recommendation 1.5			
1. Board is assisted by a Corporate Secretary.	**COMPLIANT**	Provide information on or link/reference to a document containing information on the Corporate Secretary, including his/her name, qualifications, duties and functions. *Atty. Edson T. Eufemio, Filipino, 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. His qualifications may be found in the Profile of Board of Directors and Officers, p. 33 of* the *2023 Annual Report attached as* ***Annex A.***	
2. Corporate Secretary is a separate individual from the Compliance Officer.	**COMPLIANT**		
3. Corporate Secretary is not a member of the Board of Directors.	**COMPLIANT**		

4. Corporate Secretary attends training/s on corporate governance.	**NONCOMPLIANT**	Provide information or link/reference to a document containing information on the corporate governance training attended, including number of hours and topics covered	*Atty. Edson Eufemio was not able to attend training on corporate governance in 2023.*
Optional: Recommendation 1.5			
1. Corporate Secretary distributes materials for board meetings at least five business days before scheduled meeting.		Provide proof that corporate secretary distributed board meeting materials at least five business days before scheduled meeting	
Recommendation 1.6			
1. Board is assisted by a Compliance Officer.	**COMPLIANT**	Provide information on or link/reference to a document containing information on the Compliance Officer, including his/her name, position, qualifications, duties and functions. *Mr. Efren Realeza Jr. is the Company's Compliance Officer. He is concurrently the Chief Finance Officer and enjoys adequate stature and authority in the organization. He is not a member of the Board.* *The duties and responsibilities of the Compliance Officer may be found in pp. 16-17, Part XI Officers, of the Manual on Corporate Governance: https://tkcmetals.com.ph/sites/default/files/field/pdfpreview/2017tkcmanualofcorporategovernance.pdf* *His qualifications may be found in the Profile of Board of Directors and Officers, p. 33 of the 2023 Annual Report attached as* ***Annex A.***	
2. Compliance Officer has a rank of Senior Vice President or an equivalent position with adequate stature and authority in the corporation.	**COMPLIANT**		
3. Compliance Officer is not a member of the board.	**COMPLIANT**		

4. Compliance Officer attends training/s on corporate governance.	**NONCOMPLIANT**	Provide information on or link/reference to a document containing information on the corporate governance training attended, including number of hours and topics covered	*The Company's Compliance Officer was unable to attend any training on corporate governance in 2023.*
Principle 2: The fiduciary roles, responsibilities and accountabilities of the Board as provided under the law, the company's articles and by-laws, and other legal pronouncements and guidelines should be clearly made known to all directors as well as to stockholders and other stakeholders.			
Recommendation 2.1			
1. Directors act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company.	**COMPLIANT**	Provide information or reference to a document containing information on how the directors performed their duties (can include board resolutions, minutes of meeting) *The Board conducts itself with diligence and integrity in the discharge of its duties, functions, and responsibilities to ensure a high standard of best practices for the Company, its stockholders, and other stakeholders. In meetings of the Board, and within their respective Committees, exchange of ideas and clarifications are thrown to the table, discussions ensure and thereafter, an agreement is arrived at, at all times.*	
Recommendation 2.2			
1. Board oversees the development, review and approval of the company's business objectives and strategy.	**COMPLIANT**	Provide information or link/reference to a document containing information on how the directors performed this function (can include board resolutions, minutes of meeting) Indicate frequency of review of business objectives and strategy	
2. Board oversees and monitors the implementation of the company's business objectives and strategy.	**COMPLIANT**		

		Management regularly presents and updates the Board of the developments and concerns faced in business operations Each year, through the year-end meeting or the year-planning meeting, financial objectives and strategies are presented for approval. Periodically, in the Board of Directors' meeting, financial results and other metrics are presented to apprise the Board of the company performance in terms of its business objectives and strategies.	
Supplement to Recommendation 2.2			
1. Board has a clearly defined and updated vision, mission and core values.	**COMPLIANT**	Indicate or provide link/reference to a document containing the company's vision, mission and core values. *Please refer to the Company's website: http://www.tkcmetals.com.ph* Indicate frequency of review of the vision, mission and core values. *The review of the corporation's business objectives is done on an annual basis, upon the approval of the Corporation's financial statements.*	
2. Board has a strategy execution process that facilitates effective management performance and is attuned to the company's business environment, and culture.	**COMPLIANT**	Provide information on or link/reference to a document containing information on the strategy execution process. *The Board holds regular meetings to review the operations and financial performance of the Corporation and to consider matters brought before it for approval. The Board also*	

		periodically evaluates and monitors the implementation of its strategic policies and programs, business plans, operating budgets, including the Management's overall performance through the following multi-step strategy execution process: *1. Identify the goal, steps, framework, and schedule in order to devise an organized and detailed plan;* *2. Involve process stakeholders by communicating the plan to Management and the employees;* *3. Setting concrete goals for involved units or departments;* *4. Regularly tracking goals through periodic reports;* *5. Evaluation of achievement of goals or re-evaluation of goals.*	
Recommendation 2.3			
1. Board is headed by a competent and qualified Chairperson.	**COMPLIANT**	Provide information or reference to a document containing information on the Chairperson, including his/her name and qualifications *Mr. Ben C. Tiu is the Chairman of the Company. His qualifications may be found in the Profile of Board of Directors and Officers, p. 32 of the 2023 Annual Report attached as* ***Annex A.***	
Recommendation 2.4			
1. Board ensures and adopts an effective succession planning program for	**COMPLIANT**	Disclose and provide information or link/reference to a document containing information on the company's succession	

directors, key officers and management.		planning policies and programs and its implementation *The Corporation's senior officers work closely with the CEO and President, and under the guidance of the Board of Directors, to ensure that they are given ample training and experience in running the Corporation. This approach exposes the senior officers to the day-to-day demands of the Corporation.*	
2. Board adopts a policy on the retirement for directors and key officers.	**NONCOMPLIANT**		*Management will endeavor to propose a retirement policy for adoption and approval by the Board.*
Recommendation 2.5			
1. Board aligns the remuneration of key officers and board members with long-term interests of the company.	**COMPLIANT**	Provide information on or link/reference to a document containing information on the company's remuneration policy and its implementation, including the relationship between remuneration and performance. *All members of the Board of Directors receive per diem per meeting only.* *There are no other arrangements for compensation either by way of payments for committee participation or special assignments other than reasonable per diems.* *Compensation is provided for in page 11, Section 9 of the By-Laws: http://tkcmetals.com.ph/sites/default/files/field/pdfpreview/tkcsteelcorporationamendedby-laws.pdf*	
2. Board adopts a policy specifying the relationship between remuneration and performance.	**NONCOMPLIANT**		
3. Directors do not participate in discussions or deliberations involving his/her own remuneration.	**COMPLIANT**		

		Key officers are evaluated periodically and good performance of these officers merit review for bonuses and incentives	
Optional: Recommendation 2.5			
1. Board approves the remuneration of senior executives.		Provide proof of board approval	
2. Company has measurable standards to align the performance-based remuneration of the executive directors and senior executives with long-term interest, such as claw back provision and deferred bonuses.		Provide information on or link/reference to a document containing measurable standards to align performance-based remuneration with the long-term interest of the company.	
Recommendation 2.6			
1. Board has a formal and transparent board nomination and election policy.	**COMPLIANT**	Provide information or reference to a document containing information on the company's nomination and election policy and process and its implementation, including the criteria used in selecting new directors, how the shortlisted candidates and how it encourages nominations from shareholders. *Please refer to Annex C of the Manual on Corporate Governance regarding the Nomination and Election of Directors: https://tkcmetals.com.ph/sites/default/files/field/pdfpreview/2017tkcmanualofcorporategovernance.pdf* *Please also see pp. 3 -8 of the Company's By Laws: http://tkcmetals.com.ph/sites/default/files/field/pdfpreview/tkcsteelcorporationamendedby -laws.pdf*	
2. Board nomination and election policy is disclosed in the company's Manual on Corporate Governance.	**COMPLIANT**		
3. Board nomination and election policy includes how the company accepted nominations from minority shareholders.	**COMPLIANT**		
4. Board nomination and election policy includes how the board shortlists candidates.	**COMPLIANT**		
5. Board nomination and election policy includes an assessment of the effectiveness of the Board's processes	**COMPLIANT**		

in the nomination, election or replacement of a director.		Provide proof if minority shareholders have a right to nominate candidates to the board *Section 2 of Article III -A on page 8 of the Company's By-Laws provides that all nominations by the stockholders, without distinction as to the number of shares held by such stockholder, shall be submitted to the Nomination Committee on or before the 30th of January each year. The persons nominated who possess all the qualifications and none of the disqualifications will then be included in the List of Candidates that will be distributed to the stockholders.* Provide information if there was an assessment of the effectiveness of the Board's processes in the nomination, election or replacement of a director. *In 2023, there was no assessment.*	
6. Board has a process for identifying the quality of directors that is aligned with the strategic direction of the company.	**COMPLIANT**		
Optional: Recommendation to 2.6			
1. Company uses professional search firms or other external sources of candidates (such as director databases set up by director or shareholder bodies) when searching for candidates to the board of directors.		Identify the professional search firm used or other external sources of candidates	
Recommendation 2.7			
1. Board has overall responsibility in ensuring that there is a group-wide policy and system governing related party transactions (RPTs) and other	**COMPLIANT**	Provide information on or reference to a document containing the company's policy on related party transaction, including policy on review and approval of significant RPTs	

unusual or infrequently occurring transactions.		*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. Additional details may be found in the 2023 Financial Statements hereto attached as **Annex B.** The Company's Material Related Party Transactions (RPT) Policy is attached as **Annex C**.* Identify transactions that were approved pursuant to the policy. *In the normal course of business, the Company has the following transactions with its related parties as follows:* 1. *Trade receivables are from sale of inventories and are unsecured and noninterest-bearing. These are generally collectible in cash and on demand. Provision for ECL on trade receivables amounting to P=41.5 million was recognized 2022. No provision for ECL was recognized in 2023 and 2021.* 2. *Due from related parties are unsecured and noninterest-bearing*	
2. RPT policy includes appropriate review and approval of material RPTs, which guarantee fairness and transparency of the transactions.	**COMPLIANT**		
3. RPT policy encompasses all entities within the group, taking into account their size, structure, risk profile and complexity of operations.	**COMPLIANT**		

		advances for working capital requirements. These are normally collectible in cash and on demand. Provision for ECL on due from related parties amounting to nil, P=1,051.5 million and P=83,978 was recognized in 2023, 2022 and 2021, respectively. *Upon the sale of Billions in 2022, the Company reclassified due from ZZ Stronghold amounting to P=201.5 million to nontrade receivable from a third party* 3. *Loan receivable is noninterest-bearing, unsecured and to be collected in cash in 2022. No provision for ECL was recognized in 2022 and 2021.* *Upon the sale of Billions in 2022, the Company reclassified the loan receivable amounting to P=168.4 million to nontrade receivable from a third party* 4. *Due to related parties are unsecured, noninterest-bearing advances for working capital requirements. These are payable in cash and on demand.* *Upon the sale of Billions in 2022, due to Billions amounting to P=14.0 million was netted against nontrade receivable from a third party* *Additional details may be found in the 2023 Financial Statements hereto attached as* ***Annex B.***	

Supplement to Recommendations 2.7			
1. Board clearly defines the threshold for disclosure and approval of RPTs and categorizes such transactions according to those that are considered *de minimis* or transactions that need not be reported or announced, those that need to be disclosed, and those that need prior shareholder approval. The aggregate amount of RPTs within any twelve (12) month period should be considered for purposes of applying the thresholds for disclosure and approval.	**COMPLIANT**	Provide information on a materiality threshold for RPT disclosure and approval, if any. Provide information on RPT categories *The threshold for disclosure and approval of RPTs are indicated in the Company's Material RPT Policy approved by the Board on 21 October 2019. It provides that material transactions are those with amounts equivalent to ten percent (10%) or more of the total assets of the Company based on its latest consolidated audited financial statement. The Company's Material Related Party Transactions (RPT) Policy is attached as* ***Annex C****.*	
2. Board establishes a voting system whereby a majority of non-related party shareholders approve specific types of related party transactions during shareholders' meetings.	**COMPLIANT**	Provide information on voting system, if any. *The Corporation's Material RPT Policy provides the voting system, specifically:* *All individual material RPTs shall be approved by at least two-thirds (2/3) vote of the Board, with at least a majority of the independent directors voting to approve the transaction. In case a majority of the independent directors' vote is not secured, the material RPTs may be ratified by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock.* *For aggregate RPT transactions within a twelve-month (12) period that breaches*	

		the materiality threshold, the same Board approval would be required for the transaction/s that meets and exceeds the materiality threshold covering the same related party. *At all times, directors, officers, and/or substantial shareholders who have an interest in the material RPT under review shall abstain from participating in the discussion and from voting thereon. In case of refusal to abstain, their attendance shall not be counted for purposes of assessing the quorum, and their votes shall not be counted for purposes of determining approval.* *Additional details may be found in the Company's Material RPT Policy hereto attached as* ***Annex C.***	
Recommendation 2.8			
1. Board is primarily responsible for approving the selection of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive).	**COMPLIANT**	Provide information on or reference to a document containing the Board's policy and responsibility for approving the selection of management. *Please refer to p. 8, VI. Responsibilities and Functions of the Board of the Manual on Corporate Governance: https://tkcmetals.com.ph/sites/default/files/field/pdfpreview/2017tkcmanualofcorporategovernance.pdf* Identity the Management team appointed	

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<td>The Management Team and Officers of the Company are as follows as of 31 December 2023:

<table>
<tr><th>Name</th><th>Position</th></tr>
<tr><td>Ben C. Tiu</td><td>Chairman of the Board / CEO</td></tr>
<tr><td>Ignatius F. Yenko</td><td>Vice Chairman</td></tr>
<tr><td>Efren A. Realeza, Jr.</td><td>Chief Financial Officer / Compliance Officer</td></tr>
<tr><td>Edson T. Eufemio</td><td>Corporate Secretary</td></tr>
<tr><td>Barbara April C. Tiu</td><td>Treasurer</td></tr>
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<tr>
<td>2. Board is primarily responsible for assessing the performance of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive).</td>
<td>COMPLIANT</td>
<td>Provide information on or reference to a document containing the Board’s policy and responsibility for assessing the performance of management.

The Board assesses the performance of Management vis - à -vis the standards laid down in the Company’s Manual on Corporate Governance. They provide ample guidance and training to ensure that the officers are equipped to deal with day -to - day demands of the Company’s operations.

Provide information on the assessment process and indicate frequency of assessment of performance.

The Board periodically evaluates and monitors the implementation of its strategic policies, programs, and business plans,</td>
<td></td>
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		operating budgets, including the Management's overall performance.	
Recommendation 2.9			
1. Board establishes an effective performance management framework that ensures that Management's performance is at par with the standards set by the Board and Senior Management.	**COMPLIANT**	Provide information on or link/reference to a document containing the Board's performance management framework for management and personnel. *The Board is tasked to establish minimum internal control mechanisms for monitoring and overseeing management performance and to monitor the implementation of its strategic policies and programs, including the overall performance of management.* *Please refer to pp. 11-12 VIII. Internal Control Responsibilities of the Board of the Manual on Corporate Governance: https://tkcmetals.com.ph/sites/default/files/field/pdfpreview/2017tkcmanualofcorporategovernance.pdf*	
2. Board establishes an effective performance management framework that ensures that personnel's performance is at par with the standards set by the Board and Senior Management.	**COMPLIANT**		
Recommendation 2.10			
1. Board oversees that an appropriate internal control system is in place.	**COMPLIANT**	Provide information on or link/reference to a document showing the Board's responsibility for overseeing that an appropriate internal control system is in place and what is included in the internal control system *Please refer to pp. 11-12 Part VIII. Internal Control Responsibilities of the Board and pp. 18-19 Part XI. Officers G. Internal Auditor of the Manual on Corporate Governance: https://tkcmetals.com.ph/sites/default/files/field/pdfpreview/2017tkcmanualofcorporatego*	
2. The internal control system includes a mechanism for monitoring and managing potential conflict of interest of the Management, members and shareholders.	**COMPLIANT**		

		vernance.pdf; as well as to Annex A therein for the Audit Committee Charter.	
3. Board approves the Internal Audit Charter.	**NONCOMPLIANT**	Provide reference or link to the company's Internal Audit Charter	*There is still no formal Internal Audit Charter. Meanwhile, the Corporation abides by internal audit policies found at page 4 of Annex A for the Audit Committee Charter of the Manual on Corporate Governance: https://tkcmetals.com.ph/sites/default/files/field/pdfpreview/2017tkcmanualofcorporategovernance.pdf*
Recommendation 2.11			
1. Board oversees that the company has in place a sound enterprise risk management (ERM) framework to effectively identify, monitor, assess and manage key business risks.	**COMPLIANT**	Provide information on or link/reference to a document showing the Board's oversight responsibility on the establishment of a sound enterprise risk management framework and how the board was guided by the framework. *Please refer to pp. 8-10, Part VI. Responsibilities, Duties and Functions of the Board of the Manual on Corporate Governance: https://tkcmetals.com.ph/sites/default/files/field/pdfpreview/2017tkcmanualofcorporategovernance.pdf*	
2. The risk management framework guides the board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.	**COMPLIANT**	Provide proof of effectiveness of risk management strategies, if any. *There were no issues reported to disprove the effectiveness of the currently adopted risk management policies.*	

Recommendation 2.12			
1. Board has a Board Charter that formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary role.	**COMPLIANT**	Provide link to the company's website where the Board Charter is disclosed. *Please refer to* ***Annex D*** *for the Charter of the Board of Directors*	
2. Board Charter serves as a guide to the directors in the performance of their functions.	**COMPLIANT**		
3. Board Charter is publicly available and posted on the company's website.	**NONCOMPLIANT**		*The Board Charter is distributed to the members of the Board upon their assumption to office. Unfortunately, the Board Charter has not been posted to the website due to technical difficulties and bandwidth restrictions that has led to system failure upon its posting thereto.*
Additional Recommendation to Principle 2			
1. Board has a clear insider trading policy.		Provide information on or link/reference to a document showing company's insider trading policy. *Please refer to the Insider Trading Policy annexed to the Corporation's Code of Business Conduct and Ethics, attached as* ***Annex E***.	
Optional: Principle 2			
1. Company has a policy on granting loans to directors, either forbidding the practice or ensuring that the transaction is conducted at arm's length basis and at market rates.		Provide information on or link/reference to a document showing company's policy on granting loans to directors, if any.	

2. Company discloses the types of decision requiring board of directors' approval.		Indicate the types of decision requiring board of directors' approval and where there are disclosed.	
Principle 3: Board committees should be set up to the extent possible to support the effective performance of the Board's functions, particularly with respect to audit, risk management, related party transactions, and other key corporate governance concerns, such as nomination and remuneration. The composition, functions and responsibilities of all committees established should be contained in a publicly available Committee Charter.			
Recommendation 3.1			
1. Board establishes board committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities.	**COMPLIANT**	Provide information or link/reference to a document containing information on all the board committees established by the company. *Please refer to pp. 12-13, Part X. Board Committees and Annexes "A" to "D" of the Manual on Corporate Governance: https://tkcmetals.com.ph/sites/default/files/field/pdfpreview/2017tkcmanualofcorporategovernance.pdf*	
Recommendation 3.2			
1. Board establishes an Audit Committee to enhance its oversight capability over the company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations.	**COMPLIANT**	Provide information or link/reference to a document containing information on the Audit Committee, including its functions. *Please refer to Annex A of the Company's Manual on Corporate Governance: https://tkcmetals.com.ph/sites/default/files/field/pdfpreview/2017tkcmanualofcorporategovernance.pdf* Indicate if it is the Audit Committee's responsibility to recommend the appointment	

		and removal of the company's external auditor. *The Audit Committee Charter is directly responsible for the appointment, compensation, retention and removal of the external auditor. Please refer to page 2 of the Audit Committee Charter, annexed to the Manual on Corporate Governance: https://tkcmetals.com.ph/sites/default/files/field/pdfpreview/2017tkcmanualofcorporategovernance.pdf*	
2. Audit Committee is composed of at least three appropriately qualified non-executive directors, the majority of whom, including the Chairman is independent.	**COMPLIANT**	Provide information or link/reference to a document containing information on the members of the Audit Committee, including their qualifications and type of directorship. *The Audit Committee is composed of one executive director and two non-executive directors. Two are independent directors, and the Chairman of the Committee is an independent director.*	
3. All the members of the committee have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance.	**COMPLIANT**	Provide information or link/reference to a document containing information on the background, knowledge, skills, and/or experience of the members of the Audit Committee. *Please refer to the Profile of the Board of Directors, pp. 32-33 of the 2023 Annual Report attached as **Annex A**, for the profiles of Mr. Vicente V. De Villa, Jr., Mr. Kevin G. Khoe, and Mr. Ignatius F. Yenko.*	

4. The Chairman of the Audit Committee is not the Chairman of the Board or of any other committee.	**NONCOMPLIANT**	Provide information or link/reference to a document containing information on the Chairman of the Audit Committee	*The Chairman of the Audit Committee is also the Chairman of the Board Risk Oversight Committee. The Board shall endeavor to reorganize the Board Committee memberships to comply with good corporate governance principles.*
Supplement to Recommendation 3.2			
1. Audit Committee approves all non-audit services conducted by the external auditor.	**COMPLIANT**	Provide proof that the Audit Committee approved all non-audit services conducted by the external auditor. *There were no non-audit services that were conducted by the Corporation's external auditor.*	
2. Audit Committee conducts regular meetings and dialogues with the external audit team without anyone from management present.	**NONCOMPLIANT**	Provide proof that the Audit Committee conducted regular meetings and dialogues with the external audit team without anyone from management present.	*Management is present during Audit Committee meetings to address questions of the Committee members, if any.*
Optional: Recommendation 3.2			
1. Audit Committee meet at least four times during the year.		Indicate the number of Audit Committee meetings during the year and provide proof	
2. Audit Committee approves the appointment and removal of the internal auditor.		Provide proof that the Audit Committee approved the appointment and removal of the internal auditor.	
Recommendation 3.3			
1. Board establishes a Corporate Governance Committee tasked to assist the Board in the performance of its corporate governance	**COMPLIANT**	Provide information or reference to a document containing information on the Corporate Governance Committee, including its functions	

responsibilities, including the functions that were formerly assigned to a Nomination and Remuneration Committee.		*The Corporate Governance Committee Charter in Annex "C" of the Manual on Corporate Governance: https://tkcmetals.com.ph/sites/default/files/field/pdfpreview/2017tkcmanualofcorporategovernance.pdf.* *It provides therein that the Corporate Governance Committee is responsible to ensure that the Board has an appropriate mix of competence, expertise, and diversity and that its members remain qualified for their positions.* Indicate if the Committee undertook the process of identifying the quality of directors aligned with the company's strategic direction, if applicable.	
2. Corporate Governance Committee is composed of at least three members, all of whom should be independent directors.	**NONCOMPLIANT**	Provide information or link/reference to a document containing information on the members of the Corporate Governance Committee, including their qualifications and type of directorship.	*Please refer to the Profile of the Board of Directors, pp. 32-33 of the 2023 Annual Report attached as* ***Annex A****, for the profiles of Mr. Vicente V. De Villa, Jr., Mr. Kevin G. Khoe, and Mr. Prudencio C. Somera Jr. Only two are independent directors.*
3. Chairman of the Corporate Governance Committee is an independent director.	**NONCOMPLIANT**	Provide information or link/reference to a document containing information on the Chairman of the Corporate Governance Committee.	*Mr. Kevin G. Khoe, the Chairman of the Committee is an independent director.*
Optional: Recommendation 3.3.			

1. Corporate Governance Committee meet at least twice during the year.		Indicate the number of Corporate Governance Committee meetings held during the year and provide proof thereof.	
Recommendation 3.4			
1. Board establishes a separate Board Risk Oversight Committee (BROC) that should be responsible for the oversight of a company's Enterprise Risk Management system to ensure its functionality and effectiveness.	**COMPLIANT**	Provide information or link/reference to a document containing information on the Board Risk Oversight Committee (BROC), including its functions *Please refer to the Corporation's Manual on Corporate Governance, particularly the Board Risk Oversight Committee Charter attached as Annex B thereof: https://tkcmetals.com.ph/sites/default/files/field/pdfpreview/2017tkcmanualofcorporategovernance.pdfs*	
2. BROC is composed of at least three members, the majority of whom should be independent directors, including the Chairman.	**COMPLIANT**	Provide information or link/reference to a document containing information on the members of the BROC, including their qualifications and type of directorship *Please refer to the Profile of the Board of Directors, pp. 32-33 of the 2023 Annual Report attached as **Annex A**, for the profiles of Mr. Vicente V. De Villa, Jr., Mr. Kevin G. Khoe, and Mr. Ignatius F. Yenko. Two are independent directors.*	
3. The Chairman of the BROC is not the Chairman of the Board or of any other committee.	**NONCOMPLIANT**	Provide information or link/reference to a document containing information on the Chairman of the BROC	*The Chairman of the Board Risk Oversight Committee is Vicente V. De Villa, Jr. who is also the Chairman of the Audit Committee. The Board shall endeavor to re-organize the*

			Board Committee memberships to comply with good corporate governance principles.
4. At least one member of the BROC has relevant thorough knowledge and experience on risk and risk management.	**COMPLIANT**	Provide information or link/reference to a document containing information on the background, skills, and/or experience of the members of the BROC. *Please refer to the Profile of the Board of Directors, pp. 32-33 of the 2023 Annual Report attached as **Annex A**, for the profiles of Mr. Vicente V. De Villa, Jr., Mr. Kevin G. Khoe, and Mr. Ignatius F. Yenko.*	
Recommendation 3.5			
1. Board establishes a Related Party Transactions (RPT) Committee, which is tasked with reviewing all material related party transactions of the company.	**NONCOMPLIANT**	Provide information or link/reference to a document containing information on the Related Party Transactions (RPT) Committee, including its functions.	*The Manual on Corporate Governance contains the Related Party Transactions Committee Charter: https://tkcmetals.com.ph/sites/default/files/field/pdfpreview/2017tkcmanualofcorporategovernance.pdf* *However, this Committee has not yet been constituted.* *Taking into consideration the size of the Corporation, the Board has decided that the Audit Committee shall assume the functions of the Related Party Transactions Committee for the time being. They shall revisit the establishment of the RPT Committee when the financial situation of the Corporation*
2. RPT Committee is composed of at least three non-executive directors, two of whom should be independent, including the Chairman.	**NONCOMPLIANT**	Provide information or link/reference to a document containing information on the members of the RPT Committee, including their qualifications and type of directorship.	

			improves and business operations expand.
Recommendation 3.6			
1. All established committees have a Committee Charter stating in plain terms their respective purposes, memberships, structures, operations, reporting process, resources and other relevant information.	**COMPLIANT**	Provide information on or link/reference to the company's committee charters, containing all the required information, particularly the functions of the Committee that is necessary for performance evaluation purposes. *The Manual on Corporate Governance contains the Charters for the Audit Committee, Board Risk Oversight Committee, and Corporate Governance Committee. These have no separate charter and owe its existence and mandate to the ByLaws: http://tkcmetals.com.ph/sites/default/files/field/pdfpreview/tkcsteelcorporationamendedby-laws.pdf*	
2. Committee Charters provide standards for evaluating the performance of the Committees.	**COMPLIANT**		
3. Committee Charters were fully disclosed on the company's website.	**COMPLIANT**	Provide link to company's website where the Committee Charters are disclosed. *Please refer to the Committee Charters, annexed to the Manual on Corporate Governance: https://tkcmetals.com.ph/sites/default/files/field/pdfpreview/2017tkcmanualofcorporategovernance.pdf*	
Principle 4: To show full commitment to the company, the directors should devote the time and attention necessary to properly and effectively perform their duties and responsibilities, including sufficient time to be familiar with the corporation's business.			
Recommendation 4.1			

1. The Directors attend and actively participate in all meetings of the Board, Committees and shareholders in person or through tele-/videoconferencing conducted in accordance with the rules and regulations of the Commission.	**COMPLIANT**	Provide information or link/reference to a document containing information on the process and procedure for tele/videoconferencing board and/or committee meetings. *Please refer to p. 12, Part IX. Board Meetings and Quorum Requirement of the Manual on Corporate Governance: https://tkcmetals.com.ph/sites/default/files/field/pdfpreview/2017tkcmanualofcorporategovernance.pdf* *The Company issued an Internal Procedure for Board and Stockholders' Meeting through Remote Communication.* Provide information or link/reference to a document containing information on the attendance and participation of directors to Board, Committee and shareholders' meetings. *Please refer to the Omnibus Secretary's Certificate reflecting the attendance of the Directors in meetings of the Board attached herewith as **Annex F.***	
2. The directors review meeting materials for all Board and Committee meetings.	**COMPLIANT**	*Board and Committee members are furnished a copy of the materials at least five (5) days before the meeting.*	
3. The directors ask the necessary questions or seek clarifications and explanations during the Board and Committee meetings.	**COMPLIANT**	Provide information or link/reference to a document containing information on any questions raised or clarification/explanation sought by the directors	

		*Please refer to the Omnibus Secretary's Certificate attached herewith as **Annex F.***	
Recommendation 4.2			
1. Non-executive directors concurrently serve in a maximum of five publicly-listed companies to ensure that they have sufficient time to fully prepare for minutes, challenge Management's proposals/views, and oversee the long-term strategy of the company.	**COMPLIANT**	Disclose if the company has a policy setting the limit of board seats that a non-executive director can hold simultaneously. *As the executive profile of the Board of Directors will show, most directors of the Company have very few concurrent directorships and officerships. Please refer to the Profile of the Board of Directors, pp. 32-33 of the 2023 Annual Report attached as **Annex A**.* *The policy setting the limit of board seats that a non-executive director can hold simultaneously may be found on p. 4 of the Manual on Corporate Governance: https://tkcmetals.com.ph/sites/default/files/field/pdfpreview/2017tkcmanualofcorporategovernance.pdf* Provide information or reference to a document containing information on the directorships of the company's directors in both listed and non-listed companies *Please refer to the Profile of the Board of Directors, pp. 32-33 of the 2023 Annual Report attached as **Annex A***	
Recommendation 4.3			

1. The directors notify the company's board before accepting a directorship in another company.	**NONCOMPLIANT**	Provide copy of written notification to the board or minutes of board meeting wherein the matter was discussed.	*Some directors accepted directorships in other companies in 2023, which were only communicated verbally to the Chairman and President.*
Optional: Principle 4			
1. Company does not have any executive directors who serve in more than two boards of listed companies outside of the group.			
2. Company schedules board of directors' meetings before the start of the financial year.			
3. Board of directors meet at least six times during the year.		Indicate the number of board meetings during the year and provide proof	
4. Company requires as minimum quorum of at least 2/3 for board decisions.		Indicate the required minimum quorum for board decisions	
Principle 5: The board should endeavor to exercise an objective and independent judgment on all corporate affairs			
Recommendation 5.1			
1. The Board has at least 3 independent directors or such number as to constitute one-third of the board, whichever is higher.	**NONCOMPLIANT**	Provide information or link/reference to a document containing information on the number of independent directors in the board *Mr. Vicente de Villa Jr. is the only independent director of the Company* *Please refer to the Profile of the Board of Directors, pp. 32-33 of the 2023 Annual Report attached as **Annex A***	*At present, only one (1) out of the five (5) directors is an independent director. This is compliant with the requirement under Section 22 of the Revised Corporation Code that corporations vested with public interest shall have independent directors constituting at least 20% of such board.*
Recommendation 5.2			

1. The independent directors possess all the qualifications and none of the disqualifications to hold the positions.	**COMPLIANT**	Provide information or link/reference to a document containing information on the qualifications of the independent directors. *Please refer to the profile of Mr. Vicente V. De Villa, Jr., Profile of the Board of Directors, pp. 32-33 of the 2023 Annual Report attached as **Annex A***	
Supplement to Recommendation 5.2			
1. Company has no shareholder agreements, by-laws provisions, or other arrangements that constrain the directors' ability to vote independently.	**COMPLIANT**	Provide link/reference to a document containing information that directors are not constra ined to vote independently. *The Company's By-Laws (http://tkcmetals.com.ph/sites/default/files/field/pdfpreview/tkcsteelcorporationamendedby-laws.pdf) contains no provision constraining the directors' ability to vote independently.* *Likewise, page 11 of the Manual on Corporate Governance (https://tkcmetals.com.ph/sites/default/files/field/pdfpreview/2017tkcmanualofcorporategovernance.pdf) enumerates the exercise of independent judgment as one of the duties and responsibilities of the Directors.*	
Recommendation 5.3			
1. The independent directors serve for a cumulative term of nine years (reckoned from 2012).	**NONCOMPLIANT**	Provide information or link/reference to a document showing the years IDs have served as such.	*Reckoned from 2012, Mr. Vicente de Villa has been an independent director for 11 years.*

2. The company bars an independent director from serving in such capacity after the term limit of nine years.	**COMPLIANT**	Provide information or link/reference to a document containing information on the company's policy on term limits for its independent director *Please refer to p. 3, Part V. Board Governance A.2, of the Manual on Corporate Governance: https://tkcmetals.com.ph/sites/default/files/field/pdfpreview/2017tkcmanualofcorporategovernance.pdf. It provides that an Independent Director shall sit in the Board for a maximum cumulative term of nine years, and shall, thereafter, be perpetually barred from re -election as such in the same Company.*	
3. In the instance that the company retains an independent director in the same capacity after nine years, the board provides meritorious justification and seeks shareholders' approval during the annual shareholders' meeting.	**NONCOMPLIANT**	Provide reference to the meritorious justification and proof of shareholders' approval during the annual shareholders' meeting.	*Considering that there was no Annual Shareholder's Meeting held in 2023, the same has not yet been discussed.*
Recommendation 5.4			
1. The positions of Chairman of the Board and Chief Executive Officer are held by separate individuals.	**NONCOMPLIANT**	Identify the company's Chairman of the Board and Chief Executive Officer	*The Chairman of the Board is Mr. Ben C. Tiu while the position of the Chief Executive Officer is currently vacant considering the resignation of Mr. Domingo S. Benitez, Jr. effective 11 April 2023.*
2. The Chairman of the Board and Chief Executive Officer have clearly defined responsibilities.	**COMPLIANT**	Provide information or link/reference to a document containing information on the roles	

		and responsibilities of the Chairman of the Board and Chief Executive Officer. *Please refer to Article IV, Sections 2 and 3 of the Company's By-Laws: http://tkcmetals.com.ph/sites/default/files/field/pdfpreview/tkcsteelcorporationamendedby-laws.pdf* Identify the relationship of Chairman and CEO. *The Chairman and CEO are not related. The Chairman heads the Board of Directors. The CEO, at the end of the day, reports to the Board and its Chairman.*	
Recommendation 5.5			
1. If the Chairman of the Board is not an independent director, the board designates a lead director among the independent directors.	**NONCOMPLIANT**	Provide information or link/reference to a document containing information on a lead independent director and his roles and responsibilities, if any. Indicate if Chairman is independent. *The Chairman is not an independent director.*	*The Board shall endeavor to appoint a Lead Independent Director in order to comply with good corporate governance principles.*
Recommendation 5.6			
1. Directors with material interest in a transaction affecting the corporation abstain from taking part in the deliberations on the transaction.	**COMPLIANT**	Provide proof of abstention, if this was the case *No such transaction was discussed; hence, no abstention occurred during the period covered.*	

Recommendation 5.7			
1. The non-executive directors (NEDs) have separate periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions, without any executive present.	**NONCOMPLIANT**	Provide proof and details of said meeting, if any. Provide information on the frequency and attendees of meetings.	There has been no separate periodic meetings by the non-executive directors with the external auditor and heads of the internal audit, compliance and risk functions. Given the size of the company and the size of business operations, the directors deemed it unnecessary to hold separate periodic meetings. These shall be held when deemed necessary by any Board Committee
2. The meetings are chaired by the lead independent director.	**NONCOMPLIANT**		
Optional: Principle 5			
1. None of the directors is a former CEO of the company in the past 2 years.		Provide name/s of company CEO for the past 2 years	
Principle 6: The best measure of the Board's effectiveness is through an assessment process. The Board should regularly carry out evaluations to appraise its performance as a body, and assess whether it possesses the right mix of backgrounds and competencies.			
Recommendation 6.1			
1. Board conducts an annual self-assessment of its performance as a whole.	**NONCOMPLIANT**	Provide proof of self-assessments conducted for the whole board, the individual members, the Chairman and the Committees	*Self-assessment processes are usually carried out by the Board, the Committees, the Directors, and the Chairman.* *Unfortunately, a formal self-assessment was not conducted, reported, or discussed in any of the meetings held by the Board in 2023. The Corporation aims to formally conduct assessments processes in the future.*
2. The Chairman conducts a self-assessment of his performance.	**NONCOMPLIANT**		
3. The individual members conduct a self-assessment of their performance.	**NONCOMPLIANT**		
4. Each committee conducts a self-assessment of its performance.	**NONCOMPLIANT**		

5. Every three years, the assessments are supported by an external facilitator.	**NONCOMPLIANT**	Identify the external facilitator and provide proof of use of an external facilitator.	*No external facilitator has been engaged as of yet in any of the assessments made by the Board. The Corporation shall endeavor to enlist the support of an external facilitator for assessments made in the future.*
Recommendation 6.2			
1. Board has in place a system that provides, at the minimum, criteria and process to determine the performance of the Board, individual directors and committees.	**COMPLIANT**	Provide information or link/reference to a document containing information on the system of the company to evaluate the performance of the board, individual directors and committees, including a feedback mechanism from shareholders	
2. The system allows for a feedback mechanism from the shareholders.	**COMPLIANT**	*The Manual on Corporate Governance serves as the minimum criteria in determining the performance of the Board, individual directors, and committees. Please refer to pp. 8-12: https://tkcmetals.com.ph/sites/default/files/field/pdfpreview/2017tkcmanualofcorporategovernance.pdf* *At every shareholders meeting, shareholders are invited to give feedback on management performance. The Company's contact details are located conspicuously in the website. Shareholders are encouraged to provide feedback.*	
Principle 7: Members of the Board are duty-bound to apply high ethical standards, taking into account the interests of all stakeholders.			
Recommendation 7.1			

1. Board adopts a Code of Business Conduct and Ethics, which provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings of the company.	**COMPLIANT**	Provide information on or link/reference to the company's Code of Business Conduct and Ethics. *Please refer to the Code of Business Conduct and Ethics, attached as* ***Annex E***	
2. The Code is properly disseminated to the Board, senior management and employees.	**COMPLIANT**	Provide information on or discuss how the company disseminated the Code to its Board, senior management and employees. *The directors, members of senior management and employees were furnished copies of the Company's Code of Ethics upon their assumption of their respective positions in the Company.*	
3. The Code is disclosed and made available to the public through the company website.	**NONCOMPLIANT**	Provide a link to the company's website where the Code of Business Conduct and Ethics is posted/ disclosed.	*The Company is currently working towards updating the information uploaded on the website. Unfortunately, such have not been posted to the website due to technical difficulties and bandwidth restrictions that has led to system failure upon its posting thereto*
Supplement to Recommendation 7.1			
1. Company has clear and stringent policies and procedures on curbing and penalizing company involvement in offering, paying and receiving bribes.	**COMPLIANT**	Provide information on or link/reference to a document containing information on the company's policy and procedure on curbing and penalizing bribery *The Company desires to strengthen its integrity and the fight against corruption and related offences. The Code of Business*	

		Conduct and Ethics sets forth the conditions and procedures for investigations of allegations of corruption, fraud, and misconduct. *Please refer to the Code of Business Conduct and Ethics, attached as* ***Annex E***	
Recommendation 7.2			
1. Board ensures the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics.	**COMPLIANT**	Provide proof of implementation and monitoring of compliance with the Code of Business Conduct and Ethics and internal policies. *Management may suspend or terminate employees for violation of the Code.* Indicate who are required to comply with the Code of Business Conduct and Ethics and any findings on non-compliance. *All employees are mandated to report any violation of the Company's Code of Business Conduct to the Human Resources Department Head, Head of the Governance, Corporate Affairs and Investor Relation Department or to any member of the Audit Committee.*	
2. Board ensures the proper and efficient implementation and monitoring of compliance with company internal policies.	**COMPLIANT**		
Disclosure and Transparency			
Principle 8: The company should establish corporate disclosure policies and procedures that are practical and in accordance with best practices and regulatory expectations.			
Recommendation 8.1			
1. Board establishes corporate disclosure policies and procedures to ensure a	**COMPLIANT**	Provide information on or link/reference to the company's disclosure policies and	

comprehensive, accurate, reliable and timely report to shareholders and other stakeholders that gives a fair and complete picture of a company's financial condition, results and business operations.		procedures including reports distributed/made available to shareholders and other stockholders *Please refer to p. 23, Part XVI. Disclosure and Transparency, and XVII. Information Dissemination of the Manual on Corporate Governance: https://tkcmetals.com.ph/sites/default/files/field/pdfpreview/2017tkcmanualofcorporategovernance.pdf. All required disclosures and reports are uploaded to PSE Edge.*	
Supplement to Recommendations 8.1			
1. Company distributes or makes available annual and quarterly consolidated reports, cash flow statements, and special audit revisions. Consolidated financial statements are published within ninety (90) days from the end of the fiscal year, while interim reports are published within forty-five (45) days from the end of the reporting period.	**NONCOMPLIANT**	Indicate the number of days within which the consolidated and interim reports were published, distributed or made available from the end of the fiscal year and end of the reporting period, respectively. <table><tr><th>*Report*</th><th>*Publishing Date*</th><th>*interval*</th></tr><tr><td>*2023 Annual Report*</td><td>*30 April 2024*</td><td>*121 days*</td></tr><tr><td>*2023 1st Quarter*</td><td>*18 July 2023*</td><td>*109 days*</td></tr><tr><td>*2023 2nd Quarter*</td><td>*14 August 2023*</td><td>*45 days*</td></tr><tr><td>*2023 3rd Quarter*</td><td>*14 November 2023*</td><td>*45 days*</td></tr></table>	*The Company will endeavor to be more compliant with the regulations of the Securities and Exchange Commission and Philippine Stock Exchange as to the disclosures of its annual and quarterly financial reports.*
2. Company discloses in its annual report the principal risks associated with the identity of the company's controlling shareholders; the degree of ownership	**NONCOMPLIANT**	Provide link or reference to the company's annual report where the following are disclosed:	*The Company Annual Report does not contain all of the items in the previous column. However, the Company is compliant with*

concentration; cross-holdings among company affiliates; and any imbalances between the controlling shareholders' voting power and overall equity position in the company.		1. principal risks to minority shareholders associated with the identity of the company's controlling shareholders; 2. cross-holdings among company affiliates; and 3. any imbalances between the controlling shareholders' voting power and overall equity position in the company.	*the regulations of the Securities and Exchange Commission and Philippine Stock Exchange as to the disclosures of its annual and quarterly financial reports.*
Recommendation 8.2			
1. Company has a policy requiring all directors to disclose/report to the company any dealings in the company's shares within three business days.	**COMPLIANT**	Provide information on or link/reference to the company's policy requiring directors and officers to disclose their dealings in the company's share. Indicate actual dealings of directors involving the corporation's shares including their nature, number/percentage and date of transaction. *No dealings were made by the directors and officers of the Corporation's shares in 2023*	
2. Company has a policy requiring all officers to disclose/report to the company any dealings in the company's shares within three business days.	**COMPLIANT**		
Supplement to Recommendation 8.2			
1. Company discloses the trading of the corporation's shares by directors, officers (or persons performing similar functions) and controlling shareholders. This includes the disclosure of the company's purchase of its shares from the market (e.g. share buy-back program).	**COMPLIANT**	Provide information on or link/reference to the shareholdings of directors, management and top 100 shareholders. *Please refer to **Annex G** for the Public Ownership report and to **Annex H** for the Top 100 Stockholders.* Provide link or reference to the company's Conglomerate Map.	

		The Conglomerate Map of the company may be accessed at: http://www.tkcmetals.com.ph/officers	
Recommendation 8.3			
1. Board fully discloses all relevant and material information on individual board members to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.	**COMPLIANT**	Provide link or reference to the directors' academic qualifications, share ownership in the company, membership in other boards, other executive positions, professional experiences, expertise and relevant trainings attended. *Please refer to pp. 32-33 , Profile of the Board of Directors, contained in the 2023 Annual Report, attached as* ***Annex A.*** *For the directors' share ownership in the Company, please refer to* ***Annex G*** *for the Public Ownership report and to* ***Annex H*** *for the Top 100 Stockholders.*	
2. Board fully discloses all relevant and material information on key executives to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.	**COMPLIANT**	Provide link or reference to the key officers' academic qualifications, share ownership in the company, membership in other boards, other executive positions, professional experiences, expertise and relevant trainings attended. *The academic qualifications, membership in other boards, other executive positions, professional experiences and expertise of directors may be found on pp. 32-33 , Profile of the Board of Directors, contained in the 2023 Annual Report, attached as* ***Annex A.***	
Recommendation 8.4			

1. Company provides a clear disclosure of its policies and procedure for setting Board remuneration, including the level and mix of the same.	**COMPLIANT**	Disclose or provide link/reference to the company policy and practice for setting board remuneration *Under the By-Laws of the Company (http://tkcmetals.com.ph/sites/default/files/field/pdfpreview/tkcsteelcorporationamendedby -laws.pdf), by resolution of the Board, each director shall receive a reasonable per diem allowance for his attendance at each meeting of the Board. As compensation, the Board shall receive and allocate an amount of not more than ten percent (10%) of the net income before income tax of the Company during the preceding year. Such compensation shall be determined and apportioned among the directors in such manner as the Board may deem proper, subject to the approval of the stockholders representing at least a majority of the outstanding capital stock at a regular or special meeting of the stockholders.*	
2. Company provides a clear disclosure of its policies and procedure for setting executive remuneration, including the level and mix of the same.	**COMPLIANT**	Disclose or provide link/reference to the company policy and practice for determining executive remuneration *The Remuneration Committee is responsible for the establishment of a formal and transparent procedure to develop a policy for determining the remuneration of officers that is consistent with the Company's culture and strategy as well as the business environment in which it operates.*	

		The Board evaluates the performance of Management and Key Officers. In turn, the later evaluates the Company's employees. Evaluation is the basis of remuneration and incentives given thereto.	
3. Company discloses the remuneration on an individual basis, including termination and retirement provisions.	**NONCOMPLIANT**	Provide breakdown of director remuneration and executive compensation, particularly the remuneration of the CEO.	*The Company regularly discloses the remuneration of the top executives on an aggregate basis in its Annual Report.*
Recommendation 8.5			
1. Company discloses its policies governing Related Party Transactions (RPTs) and other unusual or infrequently occurring transactions in their Manual on Corporate Governance.	**NONCOMPLIANT**	Disclose or provide reference/link to company's RPT policies Indicate if the director with conflict of interest abstained from the board discussion on that particular transaction. *No instance requiring the above.*	*While not found in the manual on Corporate Governance, the Related Party Policy is appended as Annex 1 to the Company's Code of Business Conduct and Ethics, attached as* ***Annex E.***
2. Company discloses material or significant RPTs reviewed and approved during the year.	**NONCOMPLIANT**	Provide information on all RPTs for the previous year or reference to a document containing the following information on all RPTs: 1. name of the related counterparty; 2. relationship with the party; 3. transaction date; 4. type/nature of transaction; 5. amount or contract price; 6. terms of the transaction; 7. rationale for entering into the transaction; 8. the required approval (i.e., names of the board of directors approving, names and percentage of shareholders who approved) based on the company's policy; and	*The material RPTs are described in the Annual Report but not with all the details enumerated in the previous column. Such disclosures are still compliant with the requirements of the SEC.* *For particulars on RPT transactions disclosed, please refer to the Separate Financial Statement attached as* ***Annex B***

		9. other terms and conditions	
Supplement to Recommendation 8.5			
1. Company requires directors to disclose their interests in transactions or any other conflict of interests.	**COMPLIANT**	Indicate where and when directors disclose their interests in transactions or any other conflict of interests. *The Company requires directors to fully and immediately disclose actual or potential conflict of interest which may arise on his part. In such case, the director shall not participate in the decision -making process. This is specifically provided for in the Annex 3 Conflict of Interest Policy, appended to the Company's Code of Business Conduct and Ethics, attached as* ***Annex D*** *.* *This is specifically provided for in the Annex 3 Conflict of Interest Policy, appended to the Company's Code of Business Conduct and Ethics, attached as* ***Annex E****. Please also refer to p. 10, Part VII. Specific Duties and Responsibilities of a Director of the Manual on Corporate Governance: https://tkcmetals.com.ph/sites/default /files/field/pdfpreview/2017tkcmanual ofcorporategovernance.pdf .* *There were no matters discussed during the Board meeting where a director had the occasion or the need to disclose his conflict of interest, if any.*	
Optional : Recommendation 8.5			

1. Company discloses that RPTs are conducted in such a way to ensure that they are fair and at arms' length.		Provide link or reference where this is disclosed, if any	
Recommendation 8.6			
1. Company makes a full, fair, accurate and timely disclosure to the public of every material fact or event that occur, particularly on the acquisition or disposal of significant assets, which could adversely affect the viability or the interest of its shareholders and other stakeholders.	**COMPLIANT**	Provide link or reference where this is disclosed *The Company did not acquire or dispose any significant asset that could adversely affect the viability or the interest of its shareholders and other stakeholders.*	
2. Board appoints an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets.	**COMPLIANT**	Identify independent party appointed to evaluate the fairness of the transaction price Disclose the rules and procedures for evaluating the fairness of the transaction price, if any. *The Company did not acquire or dispose any significant asset for 2023.*	
Supplement to Recommendation 8.6			
1. Company discloses the existence, justification and details on shareholder agreements, voting trust agreements, confidentiality agreements, and such other agreements that may impact on the control, ownership, and strategic direction of the company.	**COMPLIANT**	Provide link or reference where these are disclosed. *The Company does not have shareholder agreements, voting trust agreements, confidentiality agreements and such other agreements that may impact on control, ownership, and strategic direction of the Company.*	
Recommendation 8.7			

1. Company's corporate governance policies, programs and procedures are contained in its Manual on Corporate Governance (MCG).	**COMPLIANT**	Provide link to the company's website where the Manual on Corporate Governance is posted. *Access the Company's Manual on Corporate Governance here: https://tkcmetals.com.ph/sites/default /files/field/pdfpreview/2017tkcmanual ofcorporategovernance.pdf*	
2. Company's MCG is submitted to the SEC and PSE.	**COMPLIANT**		
3. Company's MCG is posted on its company website.	**COMPLIANT**		
Supplement to Recommendation 8.7			
1. Company submits to the SEC and PSE an updated MCG to disclose any changes in its corporate governance practices.	**COMPLIANT**	Provide proof of submission. *Access the Company's Revised Manual on Corporate Governance stamped, "received" by the SEC here: https://tkcmetals.com.ph/sites/default /files/field/pdfpreview/2017tkcmanual ofcorporategovernance.pdf*	
Optional: Principle 8			
1. Does the company's Annual Report disclose the following information:		Provide link or reference to the company's Annual Report containing the said information.	
a. Corporate Objectives			
b. Financial performance indicators			
c. Non-financial performance indicators			
d. Dividend Policy			

e. Biographical details (at least age, academic qualifications, date of first appointment, relevant experience, and other directorships in listed companies) of all directors			
f. Attendance details of each director in all directors meetings held during the year			
g. Total remuneration of each member of the board of directors			
2. The Annual Report contains a statement confirming the company's full compliance with the Code of Corporate Governance and where there is non-compliance, identifies and explains reason for each such issue.		Provide link or reference to where this is contained in the Annual Report	
3. The Annual Report/Annual CG Report discloses that the board of directors conducted a review of the company's material controls (including operational, financial and compliance controls) and risk management systems.		Provide link or reference to where this is contained in the Annual Report	
4. The Annual Report/Annual CG Report contains a statement from the board of directors or Audit Committee commenting on the adequacy of the company's internal controls/risk management systems.		Provide link or reference to where this is contained in the Annual Report	
5. The company discloses in the Annual Report the key risks to which the company is materially exposed to (i.e.		Provide link or reference to where these are contained in the Annual Report	

financial, operational including IT, environmental, social, economic).			
Principle 9: The company should establish standards for the appropriate selection of an external auditor, and exercise effective oversight of the same to strengthen the external auditor's independence and enhance audit quality.			
Recommendation 9.1			
1. Audit Committee has a robust process for approving and recommending the appointment, reappointment, removal, and fees of the external auditors.	**COMPLIANT**	Provide information or link/reference to a document containing information on the process for approving and recommending the appointment, reappointment, removal and fees of the company's external auditor. *Please refer to p. 2 of Annex A Audit Committee Charter, appended to the Manual on Corporate Governance: https://tkcmetals.com.ph/sites/default/files/field/pdfpreview/2017tkcmanualofcorporategovernance.pdf*	
2. The appointment, reappointment, removal, and fees of the external auditor is recommended by the Audit Committee, approved by the Board and ratified by the shareholders.	**NONCOMPLIANT**	Indicate the percentage of shareholders that ratified the appointment, reappointment, removal and fees of the external auditor.	*The reappointment of the external auditor is recommended by the Audit Committee, approved by the Board, but was not ratified by the shareholders.*
3. For removal of the external auditor, the reasons for removal or change are disclosed to the regulators and the public through the company website and required disclosures.	**COMPLIANT**	Provide information on or link/reference to a document containing the company's reason for removal or change of external auditor. *The external auditor was not removed nor changed in the previous year*	
Supplement to Recommendation 9.1			

1. Company has a policy of rotating the lead audit partner every five years.	**COMPLIANT**	Provide information on or link/reference to a document containing the policy of rotating the lead audit partner every five years. *The external auditor or the lead partner thereof primarily responsible for the audit of the Company or the review thereof shall be rotated or changed at least once every five (5) years or as determined by the regulatory authorities. This is provided in page 2 of the Audit Committee Charter, appended as Annex A to the Manual on Corporate Governance: https://tkcmetals.com.ph/sites/default/files/field/pdfpreview/2017tkcmanualofcorporategovernance.pdf*	
Recommendation 9.2			
1. Audit Committee Charter includes the Audit Committee's responsibility on: i. assessing the integrity and independence of external auditors; ii. exercising effective oversight to review and monitor the external auditor's independence and objectivity; and iii. exercising effective oversight to review and monitor the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements.	**COMPLIANT**	Provide link/reference to the company's Audit Committee Charter *Please refer to page 2 of the Audit Committee Charter, appended as Annex A to the Manual on Corporate Governance: https://tkcmetals.com.ph/sites/default/files/field/pdfpreview/2017tkcmanualofcorporategovernance.pdf*	

2. Audit Committee Charter contains the Committee's responsibility on reviewing and monitoring the external auditor's suitability and effectiveness on an annual basis.	**COMPLIANT**	Provide link/reference to the company's Audit Committee Charter *Please refer to the Audit Committee Charter, appended as Annex A to the Manual on Corporate Governance: https://tkcmetals.com.ph/sites/default/files/field/pdfpreview/2017tkcmanualofcorporategovernance.pdf*	
Supplement to Recommendations 9.2			
1. Audit Committee ensures that the external auditor is credible, competent and has the ability to understand complex related party transactions, its counterparties, and valuations of such transactions.	**COMPLIANT**	Provide link/reference to the company's Audit Committee Charter *Please refer to the Audit Committee Charter, appended as Annex A to the Manual on Corporate Governance: https://tkcmetals.com.ph/sites/default/files/field/pdfpreview/2017tkcmanualofcorporategovernance.pdf*	
2. Audit Committee ensures that the external auditor has adequate quality control procedures.	**COMPLIANT**	Provide link/reference to the company's Audit Committee Charter *Please refer to the Audit Committee Charter, appended as Annex A to the Manual on Corporate Governance: https://tkcmetals.com.ph/sites/default/files/field/pdfpreview/2017tkcmanualofcorporategovernance.pdf*	
Recommendation 9.3			
1. Company discloses the nature of non-audit services performed by its external	**COMPLIANT**	Disclose the nature of non-audit services performed by the external auditor, if any.	

auditor in the Annual Report to deal with the potential conflict of interest.		*There were no non-audit services provided by the external auditor for the Company in 2023.*	
2. Audit Committee stays alert for any potential conflict of interest situations, given the guidelines or policies on non-audit services, which could be viewed as impairing the external auditor's objectivity.	**COMPLIANT**	Provide link or reference to guidelines or policies on non-audit services *The Audit Committee disallows any non -audit work that will conflict with the duties of the External Auditor or may pose a threat to his independence. The non -audit work, if allowed, should be disclosed in the Company's annual report*	
Supplement to Recommendation 9.3			
1. Fees paid for non-audit services do not outweigh the fees paid for audit services.	**COMPLIANT**	Provide information on audit and non-audit fees paid. *There were no non-audit services provided by the external auditor for the Company in 2023*	
Additional Recommendation to Principle 9			
1. Company's external auditor is duly accredited by the SEC under Group A category.	**COMPLIANT**	Provide information on company's external auditor, such as: 1. Name of the audit engagement partner; *Carolina P. Angeles* 2. Accreditation number; *BOA/PRC Accreditation No. 4782* 3. Date Accredited; *April 14, 2024* 4. Expiry date of accreditation; and *June 6, 2026*	

		5. Name, address, contact number of the audit firm. *Reyes Tacandong & Co.* *BDO Towers Valero 8741 Paseo de Roxas Makati City 1226 Philippines* *Phone : +632 8 982 9100* *Fax : +632 8 982 9111*	
2. Company's external auditor agreed to be subjected to the SEC Oversight Assurance Review (SOAR) Inspection Program conducted by the SEC's Office of the General Accountant (OGA).	**COMPLIANT**	Provide information on the following: 1. Date it was subjected to SOAR inspection, if subjected; 2. Name of the Audit firm; and 3. Members of the engagement team inspected by the SEC. *While not yet subjected to SOAR, Reyes Tacandong & Co. is amenable to be subjected thereto.*	
Principle 10: The company should ensure that the material and reportable non-financial and sustainability issues are disclosed.			
Recommendation 10.1			
1. Board has a clear and focused policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance (EESG) issues of its business, which underpin sustainability.	**NONCOMPLIANT**	Disclose or provide link on the company's policies and practices on the disclosure of non-financial information, including EESG issues.	*There is still no formal comprehensive policy on the disclosure on non-financial information. The Board shall endeavor to adopt a policy in order to comply with good corporate governance principles.*
2. Company adopts a globally recognized standard/framework in	**NONCOMPLIANT**	Provide link to Sustainability Report, if any. Disclose the standards used.	*Non-financial information were taken into account and disclosed*

reporting sustainability and non-financial issues.			*in the Corporation's Annual Report attached as* ***Annex A***. *It discussed regulatory, environmental, operational, social, and economic development risks and factors that affect or may affect business operations.*
Principle 11: The company should maintain a comprehensive and cost-efficient communication channel for disseminating relevant information. This channel is crucial for informed decision-making by investors, stakeholders and other interested users.			
Recommendation 11.1			
1. Company has media and analysts' briefings as channels of communication to ensure the timely and accurate dissemination of public, material and relevant information to its shareholders and other investors.	**NONCOMPLIANT**	Disclose and identify the communication channels used by the company (i.e., website, Analyst's briefing, Media briefings /press conferences, Quarterly reporting, Current reporting, etc.). Provide links, if any.	*While the Company has not made use of media and analysts' briefings as channels of communication, the Company adheres to its disclosure policy of full and fair disclosure of material information and transactions.* *The policy is found on page 1 of the Company's Code of Business Conduct and Ethics, attached as* ***Annex E***. *Required disclosures are submitted to the SEC and uploaded to PSE Edge.*
Supplemental to Principle 11			
1. Company has a website disclosing up-to-date information on the following:	**NONCOMPLIANT**	Provide link to company website *http://www.tkcmetals.com.ph/*	*The Company is currently working towards updating the information uploaded on the website.*

a. Financial statements/reports (latest quarterly)	**NONCOMPLIANT**		*Unfortunately, such have not been posted to the website due to technical difficulties and bandwidth restrictions that has led to system failure upon its posting thereto*
b. Materials provided in briefings to analysts and media	**NONCOMPLIANT**		
c. Downloadable annual report	**NONCOMPLIANT**		
d. Notice of ASM and/or SSM	**NONCOMPLIANT**		
e. Minutes of ASM and/or SSM	**NONCOMPLIANT**		
f. Company's Articles of Incorporation and By-Laws	**COMPLIANT**		
Additional Recommendation to Principle 11			
1. Company complies with SEC-prescribed website template.	**COMPLIANT**	Please refer to Company's website. http://www.tkcmetals.com.ph/	
Internal Control System and Risk Management Framework			
Principle 12: To ensure the integrity, transparency and proper governance in the conduct of its affairs, the company should have a strong and effective internal control system and enterprise risk management framework.			
Recommendation 12.1			
1. Company has an adequate and effective internal control system in the conduct of its business.	**COMPLIANT**	List quality service programs for the internal audit functions. *Internal Audit provides full audit, general audit, and spot audit.* Indicate frequency of review of the internal control system *Review of the internal control system is done annually.*	

2. Company has an adequate and effective enterprise risk management framework in the conduct of its business.	**COMPLIANT**	Identify international framework used for Enterprise Risk Management *Please refer to the enterprise risk management policy provisions as contained in Annex B of the Manual on Corporate Governance: https://tkcmetals.com.ph/sites/default/files/field/pdfpreview/2017tkcmanualofcorporategovernance.pdf* Provide information or reference to a document containing information on: 1. Company's risk management procedures and processes 2. Key risks the company is currently facing 3. How the company manages the key risks Indicate frequency of review of the enterprise risk management framework. *The Board Risk Oversight Committee annually reviews the Company's approaches to risk management and recommends to the Board the changes or improvements to key elements of its processes and procedures. After submission of the Committee's recommendation, the Board then reviews the risk management system.*	
Supplement to Recommendations 12.1			
1. Company has a formal comprehensive enterprise-wide compliance program covering	**COMPLIANT**	Provide information on or link/ reference to a document containing the company's	

compliance with laws and relevant regulations that is annually reviewed. The program includes appropriate training and awareness initiatives to facilitate understanding, acceptance and compliance with the said issuances.		compliance program covering compliance with laws and relevant regulations. *The Compliance Program covering compliance with laws and relevant regulation is outlined in the duties and responsibilities of the Compliance Officer. This is provided for in page 10 of the Manual of Corporate Governance: https://tkcmetals.com.ph/sites/default/files/field/pdfpreview/2017tkcmanualofcorporategovernance.pdf . The Company also has a legal compliance policy found in the Code of Business Conduct and Ethics, attached as* ***Annex E.*** Indicate frequency of review. *The Company's enterprise -wide compliance program is done annually.*	
Optional: Recommendation 12.1			
1. Company has a governance process on IT issues including disruption, cyber security, and disaster recovery, to ensure that all key risks are identified, managed and reported to the board.		Provide information on IT governance process	
Recommendation 12.2			
1. Company has in place an independent internal audit function that provides an independent and objective assurance, and consulting services designed to add value and improve the company's operations.	**NONCOMPLIANT**	Disclose if the internal audit is in-house or outsourced. If outsourced, identify external firm.	*Due to the limited operations of the Company, the independent audit function of the Company is performed by the Audit Committee. The Committee can provide independent and*

			objective advice since majority of its members are independent directors.
Recommendation 12.3			
1. Company has a qualified Chief Audit Executive (CAE) appointed by the Board.	**NONCOMPLIANT**	Identify the company's Chief Audit Executive (CAE) and provide information on or reference to a document containing his/her responsibilities.	*The Company currently does not have a Chief Audit Executive. Given that the Company has limited operations and its financial condition is being improved, the Board does not deem it necessary to appoint a Chief Audit Executive at this time.* *The Audit Committee currently oversees the internal audit function.* *Please refer to page 4 of Annex A in connection with pp. 11-12 and pp. 18-19 of the Manual on Corporate Governance: https://tkcmetals.com.ph/sites/default/files/field/pdfpreview/2017tkcmanualofcor porategovernance.pdf*
2. CAE oversees and is responsible for the internal audit activity of the organization, including that portion that is outsourced to a third party service provider.	**NONCOMPLIANT**		
3. In case of a fully outsourced internal audit activity, a qualified independent executive or senior management personnel is assigned the responsibility for managing the fully outsourced internal audit activity.	**NONCOMPLIANT**	Identify qualified independent executive or senior management personnel, if applicable.	
Recommendation 12.4			
1. Company has a separate risk management function to identify, assess and monitor key risk exposures.	**COMPLIANT**	Provide information on company's risk management function. *The Board Risk Oversight Committee oversees, conducts, and implements measures towards risk assessment, awareness, and mitigation in the Company. The company's risk management functions are enumerated in the Committee's Charter, appended as Annex B to the Manual on Corporate*	

		Governance: https://tkcmetals.com.ph/sites/default/files/field/pdfpreview/2017tkcmanualofcorporategovernance.pdf	
Supplement to Recommendation 12.4			
1. Company seeks external technical support in risk management when such competence is not available internally.	**COMPLIANT**	Identify source of external technical support, if any. *The Company employs consultant and legal counsels, among others, to provide support in risk management.*	
Recommendation 12.5			
1. In managing the company's Risk Management System, the company has a Chief Risk Officer (CRO), who is the ultimate champion of Enterprise Risk Management (ERM).	**NONCOMPLIANT**	Identify the company's Chief Risk Officer (CRO) and provide information on or reference to a document containing his/her responsibilities and qualifications/background.	*The Corporation currently does not have a Chief Risk Officer. Given that it has limited operations and its financial condition is being improved, the Board does not deem it necessary to appoint a Chief Audit Executive at this time.* *The Board Risk Oversight Committee currently oversees the risk management function.* *Please refer to Annex B appended to the Manual on Corporate Governance: https://tkcmetals.com.ph/sites/default/fil es/field/pdfpreview/2017tkcmanualofcor porategovernance.pdf*
2. CRO has adequate authority, stature, resources and support to fulfill his/her responsibilities.	**NONCOMPLIANT**		
Additional Recommendation to Principle 12			

1. Company's Chief Executive Officer and Chief Audit Executive attest in writing, at least annually, that a sound internal audit, control and compliance system is in place and working effectively.	**NONCOMPLIANT**	Provide link to CEO and CAE's attestation	*As disclosed earlier, the Corporation has not appointed a CAE. The Audit Committee performs functions related to the internal audit, control, and compliance systems to ensure that these are working effectively.*
Cultivating a Synergic Relationship with Shareholders			
Principle 13: The company should treat all shareholders fairly and equitably, and also recognize, protect and facilitate the exercise of their rights.			
Recommendation 13.1			
1. Board ensures that basic shareholder rights are disclosed in the Manual on Corporate Governance.	**COMPLIANT**	Provide link or reference to the company's Manual on Corporate Governance where shareholders' rights are disclosed. *Please refer to pp. 20-23, Part XIV. Stockholders' Rights and Protection of Minority Stockholders' Interests of the Manual on Corporate Governance: https://tkcmetals.com.ph/sites/default/files/field/pdfpreview/2017tkcmanualofcorporategovernance.pdf*	
2. Board ensures that basic shareholder rights are disclosed on the company's website.	**COMPLIANT**	Provide link to company's website *The Stockholders' Rights and Protection of Minority Stockholders' Interest are included in the Manual on Corporate Governance: https://tkcmetals.com.ph/sites/default/files/field/pdfpreview/2017tkcmanualofcorporategovernance.pdf*	
Supplement to Recommendation 13.1			
1. Company's common share has one vote for one share.	**COMPLIANT**	*Stocks of the same class, which in the Company's case is limited to common shares,*	

		have equal rights to vote. Each share is entitled to one vote without any distinction or limitation.	
2. Board ensures that all shareholders of the same class are treated equally with respect to voting rights, subscription rights and transfer rights.	**COMPLIANT**	Provide information on all classes of shares, including their voting rights if any. *As of December 31, 2023, there is only one class of share – Common. All shareholders have equal rights. For particulars, please refer to its voting rights in page 20, part XIV. Stockholders' Rights and Protection of Minority Stockholders' Interests of the Manual on Corporate Governance: https://tkcmetals.com.ph/sites/default/files/field/pdfpreview/2017tkcmanualofcorporategovernance.pdf*	
3. Board has an effective, secure, and efficient voting system.	**COMPLIANT**	Provide link to voting procedure. Indicate if voting is by poll or show of hands. *The By -Laws of the Company allows other methods of voting other than through ballot. In practice, however, the same is done by the raising of hands or viva voce. Please refer to the Company's ByLaws: http://www.tkcmetals.com.ph/sites/default/files/field/pdfpreview/tkcsteelcorporationamendedby -laws.pdf*	
4. Board has an effective shareholder voting mechanisms such as supermajority or "majority of minority" requirements to protect minority shareholders against actions of controlling shareholders.	**COMPLIANT**	Provide information on shareholder voting mechanisms such as supermajority or "majority of minority", if any. *All shareholders, including minority shareholders, have the right to elect, remove,*	

		and replace directors. They also have the right to vote on certain corporate acts, as provided under the Revised Corporation Code. With the use of cumulative voting, minority shareholders may vote together to secure a seat in the Board.	
5. Board allows shareholders to call a special shareholders' meeting and submit a proposal for consideration or agenda item at the AGM or special meeting.	**COMPLIANT**	Provide information on how this was allowed by board (i.e., minutes of meeting, board resolution) *Special meetings of stockholders for any purpose or purposes may be called at any time by a written request of shareholders representing a majority of the outstanding capital stock.* *Please refer to page 2, Article II, Section 2 of the Corporation's By-Laws: http://tkcmetals.com.ph/sites/default/files/field/pdfpreview/tkcsteelcorporationamendedby-laws.pdf* *As of date, there has been no call for a shareholders' meeting initiated by a shareholder.*	
6. Board clearly articulates and enforces policies with respect to treatment of minority shareholders.	**COMPLIANT**	Provide information or link/reference to the policies on treatment of minority shareholders *Please refer to pp. 20-23, Part XIV. Stockholders' Rights and Protection of Minority Stockholders' Interests of the Manual on Corporate Governance: https://tkcmetals.com.ph/sites/default/files/fie*	

		ld/pdfpreview/2017tkcmanualofcorporatego vernance.pdf	
7. Company has a transparent and specific dividend policy.	**COMPLIANT**	Provide information on or link/reference to the company's dividend Policy. *The Corporation's Shareholders have the right to receive dividends subject to the discretion of the Board.* *However, the Company shall be required to declare dividends when its retained earnings shall be in excess of 100% of its paid up capital.* *Please refer to pp. 20-23, Part XIV. Stockholders' Rights and Protection of Minority Stockholders' Interest of the Manual on Corporate Governance: https://tkcmetals.com.ph/sites/default/files/fie ld/pdfpreview/2017tkcmanualofcorporatego vernance.pdf* Indicate if company declared dividends. If yes, indicate the number of days within which the dividends were paid after declaration. In case the company has offered scrip-dividends, indicate if the company paid the dividends within 60 days from declaration *The Company has not declared dividends since incorporation.*	
Optional: Recommendation 13.1			

1. Company appoints an independent party to count and/or validate the votes at the Annual Shareholders' Meeting.		Identify the independent party that counted/validated the votes at the ASM, if any.	
Recommendation 13.2			
1. Board encourages active shareholder participation by sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least 28 days before the meeting.	**NONCOMPLIANT**	Indicate the number of days before the annual stockholders' meeting or special stockholders' meeting when the notice and agenda were sent out Indicate whether shareholders' approval of remuneration or any changes therein were included in the agenda of the meeting. Provide link to the Agenda included in the company's Information Statement (SEC Form 20-IS)	*In compliance with the Amended Implementing Rules and Regulations of the SRC, the Company observes a minimum of 15 business days for giving out of the ASM's notice.* *Unfortunately, no ASM has been conducted for 2023. Nonetheless, shareholders may still exercise their right to call for an ASM by a written request of shareholders representing a majority of the outstanding capital stock. They also have the right to participate and vote on any matter brought up in the said meeting.* *The basic shareholder rights may be found in pp. 20-23, "XIV. Stockholders' Rights and Protection of Minority Stockholders' Interests" of the Manual on Corporate Governance.*
Supplemental to Recommendation 13.2			
1. Company's Notice of Annual Stockholders' Meeting contains the following information:		Provide link or reference to the company's notice of Annual Shareholders' Meeting	

a. The profiles of directors (i.e., age, academic qualifications, date of first appointment, experience, and directorships in other listed companies)	**NONCOMPLIANT**		*No Notice of Annual Stockholders Meeting (ASM) has been sent for 2023 as there was no ASM conducted for said period. However, for the previous year, the matters enumerated in the previous column were included in the Company's Notice of ASM.*
b. Auditors seeking appointment/re-appointment	**NONCOMPLIANT**		
c. Proxy documents	**NONCOMPLIANT**		
Optional: Recommendation 13.2			
1. Company provides rationale for the agenda items for the annual stockholders meeting		Provide link or reference to the rationale for the agenda items	
Recommendation 13.3			
1. Board encourages active shareholder participation by making the result of the votes taken during the most recent Annual or Special Shareholders' Meeting publicly available the next working day.	**NONCOMPLIANT**	Provide information or reference to a document containing information on all relevant questions raised and answers during the ASM and special meeting and the results of the vote taken during the most recent ASM/SSM.	*In every ASM, shareholders are given the opportunity to raise relevant questions and assess the Company's management. These, as well as the results of the votes taken during the ASM were previously available in the Company's website. The Company is currently working towards reinstating the website and rectifying this as soon as possible.* *In future ASMs, the Company shall endeavor to disclose votes taken during the ASM in the website within the next working day.*

2. Minutes of the Annual and Special Shareholders' Meetings were available on the company website within five business days from the end of the meeting.	**NONCOMPLIANT**	Provide link to minutes of meeting in the company website. Indicate voting results for all agenda items, including the approving, dissenting and abstaining votes. Indicate also if the voting on resolutions was by poll. *The By-Laws of the Company is silent as to the method by which votes are to be counted. In practice, however, the same is done by the raising of hands or viva voce.* Include whether there was opportunity to ask question and the answers given, if any	*No Annual Stockholders' Meeting was held in 2023.*
Supplement to Recommendation 13.3			
1. Board ensures the attendance of the external auditor and other relevant individuals to answer shareholders questions during the ASM and SSM.	**COMPLIANT**	Indicate if the external auditor and other relevant individuals were present during the ASM and/or special meeting *No Annual Stockholders' Meeting was held in 2023, however, for the previous ASMs, Representatives of Reyes Tacandong & Co., the Company's External Auditor were present.*	
Recommendation 13.4			
1. Board makes available, at the option of a shareholder, an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner.	**COMPLIANT**	Provide details of the alternative dispute resolution made available to resolve intra-corporate disputes *It has been the Corporation's practice for a number of years now to have conflicts resolved through mediation between the*	

		parties. A mediator will be selected by the parties to facilitate communication and negotiation and to assist them in reaching a voluntary agreement regarding the issue involved. *Failing such an amicable settlement, the Corporation would suggest that the issue be settled by arbitration in a neutral forum and preferably in accordance with the local arbitration rules.*	
2. The alternative dispute mechanism is included in the company's Manual on Corporate Governance.	**COMPLIANT**	Provide link/reference to where it is found in the Manual on Corporate Governance *Please refer to Annex B appended to the Manual on Corporate Governance: https://tkcmetals.com.ph/sites/default/files/field/pdfpreview/2017tkc manualofcorporategovernance.pdf*	
Recommendation 13.5			
1. Board establishes an Investor Relations Office (IRO) to ensure constant engagement with its shareholders.	**NONCOMPLIANT**	Disclose the contact details of the officer/office responsible for investor relations, such as: 1. Name of the person 2. Telephone number 3. Fax number 4. E-mail address	*The Position of Investor Relations Officer is currently vacant. However, communication may be coursd through:* *Telephone number: (632) 864-0734; 864-0736* *E-mail address: corporateservices@tkcmetals.com.ph*
2. IRO is present at every shareholder's meeting.	**NONCOMPLIANT**	Indicate if the IRO was present during the ASM.	*No Annual Stockholders' Meeting was held in 2023.*

Supplemental Recommendations to Principle 13			
1. Board avoids anti-takeover measures or similar devices that may entrench ineffective management or the existing controlling shareholder group	**COMPLIANT**	Provide information on how anti-takeover measures or similar devices were avoided by the board, if any. *There were no anti-takeover measures or similar devices that was proposed or implemented during the year.*	
2. Company has at least thirty percent (30%) public float to increase liquidity in the market.	**NONCOMPLIANT**	Indicate the company's public float. *The Company's public float as of December 31, 2023 is 16%.*	*The Company is well above the current requirement of the Securities and Exchange Commission and Philippine Stock Exchange of 10%.*
Optional: Principle 13			
1. Company has policies and practices to encourage shareholders to engage with the company beyond the Annual Stockholders' Meeting		Disclose or provide link/reference to policies and practices to encourage shareholders' participation beyond ASM	
2. Company practices secure electronic voting in absentia at the Annual Shareholders' Meeting.		Disclose the process and procedure for secure electronic voting in absentia, if any.	
Duties to Stakeholders			
Principle 14: The rights of stakeholders established by law, by contractual relations and through voluntary commitments must be respected. Where stakeholders' rights and/or interests are at stake, stakeholders should have the opportunity to obtain prompt effective redress for the violation of their rights.			
Recommendation 14.1			
1. Board identifies the company's various stakeholders and promotes cooperation between them and the company in creating wealth, growth and sustainability.	**COMPLIANT**	Identify the company's shareholder and provide information or reference to a document containing information on the company's policies and programs for its stakeholders.	

		Please refer to ***Annex G*** *for the Public Ownership report and to* ***Annex H*** *for the Top 100 Stockholders.* *Please refer to pp. 20-23, Part XIV. Stockholders' Rights and Protection of Minority Stockholders' Interest of the Manual on Corporate Governance: https://tkcmetals.com.ph/sites/default/files/field/pdfpreview/2017tkcmanualofcorporategovernance.pdf.*	
Recommendation 14.2			
1. Board establishes clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders.	**COMPLIANT**	Identify policies and programs for the protection and fair treatment of company's stakeholders *Please refer to pp. 20 - 2 3, Part XIV. Stockholders' Rights and Protection of Minority Stockholders' Interest of the Manual on Corporate Governance: https://tkcmetals.com.ph/sites/default/files/field/pdfpreview/2017tkcmanualofcorporategovernance.pdf.* *Policies and programs include voting rights, preemptive rights, power of inspection, right to information, right to dividends, appraisal right, and shareholder's meetings* *Further, policies affecting other stakeholders may be found in the Company's Code of Business Conduct and Ethics attached as* ***Annex D.***	
Recommendation 14.3			

1. Board adopts a transparent framework and process that allow stakeholders to communicate with the company and to obtain redress for the violation of their rights.	**COMPLIANT**	Provide the contact details (i.e., name of contact person, dedicated phone number or e-mail address, etc.) which stakeholders can use to voice their concerns and/or complaints for possible violation of their rights. *While the Head of Corporate Services position is currently vacant, stakeholders may direct their concerns/complaints to* ***Tel. No.*** *(632) 864-0734; (632) 864-0736* ***Fax No.*** *(632) 893-3702* ***E-mail:*** *corproateservices@tkcmetals.com.ph* ***Address*** *TKC Steel Corporation Unit B1 A&C Karrivin Plaza, 2316 Chino Roces Avenue Extension, Makati City, Metro Manila, Philippines* Provide information on whistleblowing policy, practices and procedures for stakeholders *Whenever a report is made to the Compliance Officer, the Human Resource Department Head, or to any member of the Audit Committee, anonymity and confidentiality consistent with conducting a thorough and fair investigation are prioritized. Since the Corporation values people who identify issues that need to be addressed, any form of retaliation is clearly proscribed.*	
Supplement to Recommendation 14.3			
1. Company establishes an alternative dispute resolution system so that conflicts and differences with key	**COMPLIANT**	Provide information on the alternative dispute resolution system established by the company.	

stakeholders is settled in a fair and expeditious manner.		*Conflicts are usually resolved through mediation between the parties. A mediator will be selected by the parties to facilitate communication and negotiation and to assist them in reaching a voluntary agreement regarding the issue involved.* *Failing such an amicable settlement, the Company would suggest that the issue be settled by arbitration in a neutral forum and preferably in accordance with the local arbitration rules.*	
Additional Recommendations to Principle 14			
1. Company does not seek any exemption from the application of a law, rule or regulation especially when it refers to a corporate governance issue. If an exemption was sought, the company discloses the reason for such action, as well as presents the specific steps being taken to finally comply with the applicable law, rule or regulation.	**COMPLIANT**	Disclose any requests for exemption by the company and the reason for the request. *There were no requests for exemption from the Company.*	
2. Company respects intellectual property rights.	**COMPLIANT**	Provide specific instances, if any. *There were no instances where the Company needed to use a trademark and/or trade name other than their own trade name and/or trademark.*	
Optional: Principle 14			
1. Company discloses its policies and practices that address customers' welfare		Identify policies, programs and practices that address customers' welfare or provide link/reference to a document containing the same.	

2. Company discloses its policies and practices that address supplier/contractor selection procedures		Identify policies, programs and practices that address supplier/contractor selection procedures or provide link/reference to a document containing the same.	
Principle 15: A mechanism for employee participation should be developed to create a symbiotic environment, realize the company's goals and participate in its corporate governance processes.			
Recommendation 15.1			
1. Board establishes policies, programs and procedures that encourage employees to actively participate in the realization of the company's goals and in its governance.	**COMPLIANT**	Provide information on or link/reference to company policies, programs and procedures that encourage employee participation. *The Corporation provides orientation and training programs at the beginning of each project.* *The nature of the Corporation's business requires constant training of its employees for the operation of its equipment as well as substantial improvements thereto. Hence, employees have undergone various trainings during the course of the year, specifically focusing on enhancing their technical competencies.*	
Supplement to Recommendation 15.1			
1. Company has a reward/compensation policy that accounts for the performance of the company beyond short-term financial measures.	**NONCOMPLIANT**	Disclose if company has in place a merit-based performance incentive mechanism such as an employee stock option plan (ESOP) or any such scheme that awards and incentivizes employees, at the same time aligns their interests with those of the shareholders.	*While there is no formal compensation policy, the Company takes into consideration both the Company's performance and individual performance of*

			employees in determining bonus and incentives.
2. Company has policies and practices on health, safety and welfare of its employees.	**COMPLIANT**	Disclose and provide information on policies and practices on health, safety and welfare of employees. Include statistics and data, if any. *The Corporation aims to provide quality and timely health and welfare services to its employees in order to avoid interruption on their jobs and to prevent conditions (physical, mental, or social) that will preclude them from giving their full attention to their work. Corporation adopts and implements practices required under regulations of DOLE and other regulatory government agencies.* *Likewise, TSC and ZZS, subsidiaries of the company, are subject to the regulatory rules in their respective jurisdictions. Such regulations include compliance with labor standards on health, safety, and welfare of employees.*	
3. Company has policies and practices on training and development of its employees.	**COMPLIANT**	Disclose and provide information on policies and practices on training and development of employees. Include information on any training conducted or attended. *At the beginning of each project, the Corporation conducts training programs for its employees. Employee training is also conducted in instances required by government regulatory bodies.*	

Recommendation 15.2			
1. Board sets the tone and makes a stand against corrupt practices by adopting an anti-corruption policy and program in its Code of Conduct.	**COMPLIANT**	Identify or provide link/reference to the company's policies, programs and practices on anti-corruption *Please refer to the Code of Business Conduct and Ethics attached as **Annex E**.*	
2. Board disseminates the policy and program to employees across the organization through trainings to embed them in the company's culture.	**COMPLIANT**	Identify how the board disseminated the policy and program to employees across the organization *Upon promulgation of the Corporation's policies, the Company issued a company-wide memo. The Human Resources Department is tasked to implement training programs to the Company's officers and employees.*	
Supplement to Recommendation 15.2			
1. Company has clear and stringent policies and procedures on curbing and penalizing employee involvement in offering, paying and receiving bribes.	**COMPLIANT**	Identify or provide link/reference to the company policy and procedures on penalizing employees involved in corrupt practices. Include any finding of violations of the company policy. *Employees are encouraged to promptly report concerns about any illegal and unethical behavior. Reports can be made anonymously to the Corporation's Compliance Officer, Human Resource Department Head, or to any member of the Audit Committee. To enable the Corporation to verify and act on the report, employees*	

		are encouraged to make reports that contain as much information as possible, including the person involved, any witnesses, location of any other information that would assist in investigating the concerns, and any supporting documentation. All reports received are forwarded to the Risk and Audit Committee that will make the preliminary assessment of the issues raised. The Risk and Audit Committee will then determine whether there is justification for an investigation and how it should be handled, should one be necessary. *Prompt and appropriate corrective action will be taken in response to any finding of illegal and unethical behavior. If after the investigation, the Risk and Audit Committee concludes that disciplinary measures are necessary, it will recommend such measures to the Board of Directors.* *Please refer to the Code of Business Conduct and Ethics attached as **Annex E**.*	
Recommendation 15.3			
1. Board establishes a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation	**COMPLIANT**	Disclose or provide link/reference to the company whistle-blowing policy and procedure for employees. *Please refer to the Company's Whistleblowing Policy, which is Annex 5 to the Code of Business Conduct and Ethics, attached as **Annex E.***	

		Indicate if the framework includes procedures to protect the employees from retaliation. *Please refer to the Company's Whistleblowing Policy, which is Annex 5 to the Code of Business Conduct and Ethics, attached as* ***Annex E****.* Provide contact details to report any illegal or unethical behavior. *Tel. No. (632) 864-0734; (632) 864- 0736* *E-mail: corporateservices@tkcmetals.com.ph*	
2. Board establishes a suitable framework for whistleblowing that allows employees to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns.	**COMPLIANT**	*Whenever a report is made to the Compliance Officer, to the Human Resource Department Head, or to any member of the Audit Committee, anonymity and confidentiality consistent with conducting a thorough and fair investigation are prioritized. Since the Corporation values people who identify issues that need to be addressed, any form of retaliation is proscribed.* *Please refer to the Company's Whistleblowing Policy, which is Annex 5 to the Code of Business Conduct and Ethics, attached as* ***Annex E****.*	
3. Board supervises and ensures the enforcement of the whistleblowing framework.	**COMPLIANT**	Provide information on how the board supervised and ensured enforcement of the whistleblowing framework, including any incident of whistleblowing. *The Board has already approved a whistleblowing policy and a framework found*	

		in Annex 5 of the Code of Business Conduct and Ethics, attached as ***Annex E****. Whistleblowing concerns are reported to the Audit Committee. Thus, the Board, through the Audit Committee, ensures enforcement and compliance with the whistleblowing framework of the Corporation.*	
Principle 16: The company should be socially responsible in all its dealings with the communities where it operates. It should ensure that its interactions serve its environment and stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development.			
Recommendation 16.1			
1. Company recognizes and places importance on the interdependence between business and society, and promotes a mutually beneficial relationship that allows the company to grow its business, while contributing to the advancement of the society where it operates.	**COMPLIANT**	Provide information or reference to a document containing information on the company's community involvement and environment-related programs. *The Corporation works closely with the community to improve the area, provide employment to residents therein, and address concerns in relation to its conduct of business.* *Further, the Corporation, through its subsidiaries, rehabilitated and upgraded the dust collection system to meet environmental standards and to make it more effective and able to cope with anticipated increase in production volume resulting from new facilities.*	
Optional: Principle 16			
1. Company ensures that its value chain is environmentally friendly or is consistent		Identify or provide link/reference to policies, programs and practices to ensure that its value chain is environmentally friendly or is	

with promoting sustainable development		consistent with promoting sustainable development.	
2. Company exerts effort to interact positively with the communities in which it operates		Identify or provide link/reference to policies, programs and practices to interact positively with the communities in which it operates.	

“ANNEX A”

COVER SHEET

A1996-10620

SEC Registration Number

TKC METALS CORPORATION AND SUBSIDIARIES

(Company’s Full Name)

2ND FLOOR W TOWER CONDOMINIUM 39TH STREET NORTH BONIFACIO TRIANGLE BONIFACIO GLOBAL CITY TAGUIG CITY PHILIPPINES

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

Efren A. Realeza Jr.

(Contact Person)

8864-0734

(Company Telephone Number)

12	31
Month	*Day*

(Fiscal Year)

17-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, 2023**

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	**1,690,000,000**

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 - 1,690,000,000 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. 122,849,729 (as of March 31, 2024)

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PART I - BUSINESS AND GENERAL INFORMATION

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, 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.

In 2011 and 2013, TKC made an additional investment in Treasure and ZZ Stronghold resulting an increase in ownership to 98% and 91% respectively and reflect a change in ownership of non-controlling interest.

TKC's consolidated financial statements now include the following subsidiaries:

			Percentage of Ownership		
Name of Subsidiary	Country of Incorporation	Nature of Business	2023	2022	2021
Treasure Steelworks Corporation (TSC)	Philippines	Manufacture of steel products	98%	98%	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%	70%	70%

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

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

In 2022, the Parent Company assigned and transferred all its rights, title and interest in Billions to a third party and recognized a gain on deconsolidation amounting to ₱1,370.7 million.

As at December 31, 2023, TKC is 44.38% directly owned by JTKC Equities, Inc. (JEI) and 39.47% indirectly owned by JEI through Star Equities, Inc. (SEI). The ultimate parent company of TKC is JTKC Equities, Inc. (JEI). Both JEI and SEI are both holding companies and were incorporated in the Philippines.

On December 5, 2023, the SEC approved the amendment of the Parent Company's Articles of Incorporation (AOI) for the change of the principal office address from Unit B1-A/C, 2nd Floor, Building B, Karrivin Plaza, 2316 Chino Roces Avenue Extension, Makati City to 2nd Floor, W Tower Condominium, 39th St., North Bonifacio Triangle, Bonifacio Global City, Taguig City.

On December 1, 2020, the Board of Directors (BOD) approved the amendment of the Parent Company's AOI to reduce 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.

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.

Equity Restructuring

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 subscription 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 Board of Directors (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 third parties for ₱1,500.0 million against their assigned advances.

The Parent Company filed the application for the approval of the proposed increase in authorized capital stock with the SEC on December 21, 2018. The Parent has filed a request for reconsideration when the SEC considered the debt-to equity conversion not an acceptable payment for the issuance of the shares of stock. The SEC has not acted on the request. To break the impasse, the BOD of JEI approved to subscribe to the increase and pay for the subscription in cash on May 20, 2022, as substitution of the original subscribers who agreed to subscribe through conversion of their advances to equity. On the same day, the BOD of the Parent Company approved the substitution of the subscribers and mode of subscription.

On May 31, 2022, the Parent Company received cash amounting to ₱1,500.0 million from JEI for its subscription in the substitution of the original subscribers.

Accordingly, on June 8, 2022, the Parent Company refiled the application of the increase in authorized capital stock with the SEC to reflect the substitution of the subscribers including the payment made by JEI through cash.

On December 05, 2023, the SEC approved the application for the increase in authorized capital stock of the Parent Company. Consequently, the deposits for future subscription amounting to P1,500.0 million was applied against capital stock and additional paid-in capital**.**

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 cease and minimize their operation respectively for the past years due to volatile price of steel in the world market, scarcity and high cost of raw scrap materials and lack of sufficient electric power in the Mindanao area that 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 price, less volatile price in the world market, better world-wide demand and less dependency on electric power supply.

Management Plans

Business Updates

The Company is presently exploring business opportunities, particularly in technology businesses and broadband internet, business solutions and application 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 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.

Organizational Restructuring

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

Status of Operations

Because of the continuing losses of ZZ Stronghold, the operating steel subsidiary of Billions, due to volatile steel prices, low production and sales volume in China, the Parent Company sold all of its interest in Billions at cost amounting to ₱1,741.8 million on June 20, 2022. Accordingly, the Group's management deconsolidated the assets and liabilities of Billions and ZZS Stronghold in the consolidated statement of financial position as at the date when control was lost. The Group only recognized the profit or loss of Billions and ZZ Stronghold from January 1, 2022 up to the date of sale in the consolidated statement of comprehensive income. Moreover, on December 29, 2022, the Parent Company's BOD approved to dispose Treasure and Campanilla, its remaining subsidiaries. Treasure has ceased operations since 2013, while Campanilla has not commenced operations as at December 31, 2023.

The Group has a consolidated net income (loss) of (₱84.5) million, ₱915.1 million and (₱408.2) million for the years ended December 31, 2023, 2022 and 2021, respectively.

Additionally, the deficit of the Group amounted to ₱4,181.1 million and ₱4,097.3 million as at December 31,2023 and 2022, respectively.

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 a total comprehensive loss of ₱49.4 million, ₱1,116 million and ₱21.2 million for the years ended December 31, 2023, 2022 and 2021, respectively.

The Parent Company is currently undergoing business reorganization and realignment of business opportunities. On December 27, 2022, the Parent Company's BOD approved a resolution to enter into a business venture with third parties, particularly in the field of information technology businesses and broadband internet to diversify its portfolio and generate revenue.

Moreover, the stockholders and all related parties of the Group have continued to provide the financial support to sustain the Group's operations and meet its maturing obligations. Due to related parties aggregated ₱2,836.1 million as at December 31, 2023.

Treasure Steelworks

As at December 31, 2023, Treasure has not resumed its plant operations. Treasure's total comprehensive loss for the years ended December 31, 2023 and 2022 amounted to ₱35 million and ₱301million, respectively. Additionally, the capital deficiency amounted to ₱3,270.4 million and ₱3,235.3 million as at December 31, 2023 and 2022, respectively.

In 2013, Treasure suspended its plant operations in the 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.

ZZ Stronghold

Because of continuing operating losses, ZZ Stronghold, the operating steel subsidiary of Billions, due to low production and sales volume coupled with the low price in the steel market in China, the Parent Company sold all its interest in Billions to a third party on June 20, 2022.

With the deconsolidation of ZZS's operation in mid-2022 and TSC's suspended operation, the Group did not generate any revenue and resulted in a loss of Ps. 84.5 million during the period.

Distribution

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

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

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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 subsidiary (TSC) 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.

Government Regulations

TKC and its subsidiaries are not currently required to secure government approval for its products and services. Government approvals and permits 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 is subject to environmental regulations. 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 8 employees, namely: Chairman and Chief Executive Officer, Vice-Chairman, Treasurer, Chief Financial Officer, Head of Corporate 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 regularly monitors foreign exchange rates and any trends and changes thereupon. Measures will be adopted to protect our foreign account in the event there would be significant fluctuations in the exchange rate.

<u>Liquidity Risk</u>

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.

<u>Capital Management Risk</u>

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.

As at December 31, 2023, the debt-to-equity ratio is:

Amount	
Total liabilities	Ps. 3,474,619,320
Total equity	162,777,038
Debt-to-equity ratio	21.35:1

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 and scrap for TSC 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

TSC conduct its manufacturing activities in single production site in the Philippines. 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.

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 leased the land where its plant facility is currently situated but it owns the machineries and equipment.

Leasehold Rights

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 parcel land and steel billet making plant located in Iligan city, Lanao del Norte, Philippines for a period of 25 years.

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 and were recorded as “Leasehold rights” in the consolidated statements of financial position.

ZZ Stronghold

On December 8, 2005, ZZS entered into a contractual agreement with China Merchants ZhangZhou Development Zone Co., Ltd (China Merchants), for the right to use a parcel of land located in 1 M2-05 Zone I, China Merchants Development Zone to ZZS for a period of 42 years. The land is where the ZZ Stronghold steel plant facilities is located. In 2022, the Parent company assigned and transferred all its rights, title and interest in Billions to a third party. Consequently, leasehold rights amounting to ₱182.2 million were derecognized.

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

There were no subject matters submitted for the approval of the stockholders as there was no Annual Meeting of the Stockholders held in 2023.

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. On December 21, 2018, TKC filed the application with SEC for the approval of the proposed increase in authorized capital stock from 1,000,000,000 shares to 3,000,000,000 shares. On December 05, 2023, the SEC approved the application for the increase in authorized capital stock of the Parent Company. The Company's total issued and outstanding common shares stood at 1,690,000,000 shares.

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

	High	**Low**
1st Quarter, 2024	0.45	0.45
Year Ended December 31, 2023		
1st Quarter	0.52	0.51
2nd Quarter	0	0
3rd Quarter	0.56	0.51
4th Quarter	0.42	0.42
Year Ended December 31, 2022		
1st Quarter	0.77	0.76
2nd Quarter	0.77	0.71
3rd Quarter	0.60	0.55
4th Quarter	0.55	0.55

Holders of Common Equity

As of December 31, 2023, the Corporation has a total of 1,690,000,000 issued and outstanding shares, owned by 42 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. JTKC Equities, Inc.	750,000,000	44.3787%
2. Star Equities, Inc.	667,000,598	39.4675
3. PCD Nominee Corp	268,175,021	15.8683
4. Chuahiong, Gertim G.	2,912,000	0.1723
5. Sio, Elsie Chua	900,000	0.0533
6. Napoles, Janet	300,000	0.0178
7. Solar SEC, Inc.	230,000	0.0136
8. Uy, Maria Charito B.	125,000	0.0074
9. Hernandez, Elmer C.	100,000	0.0059
10. Ko, Michael Anthony Lee	100,000	0.0059
11. Uy, Anjelica B. Uy	25,000	0.0015
12. Uy, John Rainer B.	25,000	0.0015
13. De Villa, Henrietta	20,000	0.0012
14. Chua Co Kiong, William N.	15,000	0.0009
15. Resurrecion, Antonio	10,000	0.0006
16. Insua, Jose Cezar	10,000	0.0006
17. Puno, Orpha C.	10,000	0.0006
18. Estrada, Claudia Patricia D..	6,250	0.0004
19. Evangelista, Maria Imelda C.	6,250	0.0004
20. Garcia, Luningning	6,250	0.0004

Based on the records of our Stock Transfer Agent, Professional Stock Transfer, Inc., TKC Metals Corporation has 16.15% public ownership level as of March 31, 2024.

Dividends

The Corporation did not declared dividends in 2023 and 2022.

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, 2023, 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: 2023, 2022 and 2021)

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. In 2013, TKC made an additional investment in ZZ Stronghold resulting an increase in ownership to 91% and reflecting a change in ownership of non-controlling interest.
5. On June 29, 2007, it acquired 96% equity interest in Treasure, a corporation located in the Philippines. In 2011, TKC made an additional investment in Treasure resulting an increase in ownership in Treasure to 98% and reflecting a change in ownership of the non-controlling interest.

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.

In June 2022, the Parent Company assigned and transferred all its rights, title and interest in Billions to a third party and recognized a gain on deconsolidation amounting to ₱1,370.7 million.

On December 5, 2023, the SEC approved the application for the increase in authorized capital stock of the Parent Company from ₱1,000.0 million to ₱3,000.0 million. Consequently, the deposits for future subscription amounting to ₱1,500.0 million was applied against capital stock and additional paid-in capital.

b. Financial Highlights

- Results of Operations

Accounts In Million Pesos)	2023	2022	2021	Increase (Decrease) 2023/2022 (%)	Increase (Decrease) 2022/2021 (%)
Revenue	0	204	1,155	-100%	-82%
Cost of Sales	0	186	1,132	-100%	-84%
Gross Income (Loss)	0	17	23	-100%	-26%
Operating Expenses	71	438	380	-84%	15%
Net Income	(84)	915	(408)	-109%	-324%

Operating performance has resulted in a loss due to non-operation of the Group's subsidiary. The Corporation posted a net loss of Ps. 84 million in 2023 compared to a net gain in 2022 amounting to Ps. 915 million as a result of non-operation of a subsidiary and deconsolidation of a foreign subsidiary in 2022 respectively.

The demand of the steel products is slowly recovering, although there is still an over-supply of steel products in the market, very volatile price of steel, highly competitive market conditions and the effect on business and commerce due continuous outbreak of other variants of Covid-19 virus. Eventually due to continued losses, non-operation of TSC and deconsolidation of Billions, the Group has registered nil sales in 2023 compared to Ps. 204 million and Ps. 1,155 million in 2022 and 2021 respectively.

During the period of non-operation, the total operating expenses went down by 49% or Ps. 66 million from Ps. 138 million in 2022 to Ps. 71 million in 2023. Notable decreases were noted in the following accounts such as: depreciation and amortization by 41%; salaries and wages by 69%; freight and handling by 100%; utilities by 65%; rent by 100%; repairs by 96%; representation by 90%; professional fees by 44% and other expenses by 93%. However, increases were noted in the following accounts as follows: taxes and licenses by 111%; and transportation and travel by 132%.

- Financial Condition

Accounts (In Million Pesos)	2023	2022	2021	Increase (Decrease) 2023/2022 (%)	Increase (Decrease) 2022/2021 (%)
Current Assets	2,004	2,015	605	-1 %	233%
Total Assets	3,637	3,664	4,262	-1 %	-14%
Current Liabilities	3,430	3,373	3,928	2 %	-14%
Total Liabilities	3,475	3,417	4,562	2 %	-25%
Equity	163	247	(299)	-34 %	183%

Our total asset base remains stable although reduced by 1% to Ps. 3,637 million from the previous year's level of Ps. 3,664 million. Cash and cash equivalents went down by 73% or Ps. 7.6 million due to no sales and collection activity; trade and other receivables went up by 1% or Ps. 11 million as receivables-others from third party; inventories went down by 100% due to inventory write-down; advances to related parties decreased by 4% or Ps. 12 million from Ps. 330.7 million to Ps. 318.3 million due to partial liquidation; both creditable withholding tax and input vat amounted to Ps. nil million due to provision of allowance of impairment.

Current ratio for the years 2023 and 2022 remains stable at 0.58:1 and 0.60:1 respectively while debt-to-equity ratio for 2023 has resulted to 21.35:1 from 13.80:1 in 2022

c. 2023 versus 2022

- Results of Operations

The Corporation registered a consolidated net loss of Ps. 84 million in 2023 compared to a net income of Ps. 915 million a year ago as a result of non-operation of TSC and deconsolidation of Billions, our two main subsidiaries. Although TSC is non-operating for a decade, the prospect of looking for the right investors continued as there were parties who have shown interest and doing exploratory talks with the Group. The company's direction is to shift into production of nickel concentrate and nickel pig iron that will only requires 25% of the original power supply requirement. TSC is still looking for the right 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%.

Revenue significantly reduced by 100% to Ps. nil million compared to a year ago of Ps. 204 million. The Corporation also registered a nil gross profit in 2023 compared to a gross profit of Ps. 17 million in 2022.

Operating expenses went down to Ps. 71 million or 49% lower from the 2022 level of Ps. 138 million. Due to non-operation of our main subsidiary, notable decreases were in the following expenses accounts: salaries and wages by 69%; freight and handling by 100%; utilities by 65%; repairs by 96%; professional fee by 44%; and other expense by 93% however there were increases in taxes and licenses by 111%; and transportation and travel by 132%.

- Financial Condition

Total assets base still remains stable despite the decrease of 1% equivalent to Ps. 27 million from Ps. 3,664 million in 2022 to Ps. 3,637 million in 2023. The decrease was primarily due to the non-operation and deconsolidation of our two subsidiaries respectively, provision of impairment loss on current assets and inventory write-down: cash and cash equivalents went down by 73% from Ps. 10 million last year to Ps. 3 million; inventories have nil value; other current assets down by 100% from Ps. 2 million; property, plant and equipment by 1%; and leasehold rights by 14%. There was an increase however in trade and other receivables by 1% or Ps. 11 million from Ps. 1,672 million to Ps. 1,683 million. The current results of operational and financial conditions of the Group were attributable significantly due to deconsolidation of ZZS and TSC's a decade of non-operation primarily due to prolonged power crisis and not so competitive market price and conditions. Current assets accounted for 55% and 55% of the balance sheet for the year 2023 and 2022 respectively.

In 2023, total liabilities increased by 2% or Ps. 58 million from Ps. 3,417 million to Ps. 3,475 million. Significant increases were noted in the following accounts: accrued expenses up by 50% from Ps. 37 million to Ps. 56 million; salaries payable up by 8% from Ps. 16 million to Ps. 18 million; and due to related parties increased by 1% from P2,799 million to Ps. 2,836 million.

Our resulting capital base maintain its positive position although it went down by 34% or Ps. 84 million from Ps. 247 million in 2022 to Ps. 163 million in 2023. The depreciation in our equity was brought about by the current results of operation resulting to a consolidated loss of the Group in 2023 for Ps. 84 million. As a result of the depreciation in our capital base, debt to equity ratio went up to 21.35:1 from a year ago of 13.80:1.

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

• Cash and cash equivalents decreased significantly by 73% or Ps. 7.6 million to Ps. 2.8 million from Ps. 10.5 million a year ago as a result of continued non-operation of our subsidiary and day-to-day operation.

- Trade and other receivable went up by 1% or Ps. 11 million from Ps. 1,672 million to Ps. 1,683 million primarily due to recognized advances to a third party in the amount of Ps. 10.0 million.

- Inventories with a balance of Ps. 243 million and Ps. 286 million respectively in 2023 and 2022 were provided with 100% provision of allowance for inventory write down. Creditable tax withheld at source and Input Vat with balances of Ps. 68 million and Ps. 222 million respectively were both provided with 100% allowance for impairment due to uncertainty of its benefits in the future.

- Property, plant and equipment remains stable despite a 1% decrease or Ps. 14 million from Ps. 1,636 million in 2022 to Ps.1,622 million in 2023 due to disposal of transportation equipment and machinery and equipment.

- Trade and other payables increased by 7% or Ps. 20 million from Ps. 277 million to Ps. 297 million in 2023 primarily in accrued payable by Ps. 18.5 million or 50% from Ps. 37 million to Ps. 56 million and salaries payable by 8% or Ps. 1.4 million from Ps. 16 million to Ps. 18 million.

- Loan payable balance remain constant at Ps. 297 million in 2023 and 2022 respectively

d. 2022 versus 2021

- Results of Operations

The Corporation registered a consolidated net income of Ps. 915.1 million in 2022 compared to a net loss of Ps. 408 million a year ago. The bottom-line has resulted in a positive performance due to the significant gain of Ps. 1,371 million recognized in the deconsolidation of a subsidiary when the Parent Company sold all its rights and interest in Billions on June 2022. Although TSC is non-operating for almost a decade, the prospect of looking for the right investors continued as there were parties who have shown interest and doing exploratory talks with the Group. The company's direction is to shift into production of nickel concentrate and nickel pig iron that will only requires 25% of the original power supply requirement. TSC is still looking for the right 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%.

Revenue significantly reduced by 82% to Ps. 204 million compared to a year ago of Ps. 1,155 million with ZZS contributing 100% of the Group sales. The Corporation also registered a % gross profit of Ps. 17 million in 2022 compared to a gross profit of Ps. 23 million in 2021. ZZS's performance during the first six months period, prior to disposal, in general production, sales and marketing activity are still depended on a lower market price and demand due to over-supply of steel products in the China market.

Operating expenses went up to Ps. 438 million or 23% higher from the 2021 level of Ps. 380 million. The major factor for the higher operating expenses were in the following accounts: a) outside services by 89%; representation by 246%; transportation and travel by 68%; professional fees by 304%; and provision for impairment loss on trade and other receivable, cwt, other current assets and due from related parties.

- Financial Condition

Total assets base still remains stable despite the decrease of 14% to Ps. 3,664 million in 2022 from last year's figure of Ps. 4,262 million. The Ps. 598 million decrease was primarily due to the deconsolidation of a subsidiary, provision of impairment loss and inventory write-down: cash and cash equivalents went down by 49% from Ps. 21 million last year to Ps. 10 million; inventories down by 100% from Ps. 289 million to Ps. nil million; other current assets down by 98% from Ps. 91 million to Ps. 2 million; property, plant and equipment by 52%; and leasehold rights by 94%. There were increases however in the following assets accounts: trade and other receivables by 911% or from Ps. 165 million to Ps. 1,672 million; and due from related parties by 754% from Ps. 39 million to Ps. 331 million; The current results of operational and financial conditions of the Group were attributable significantly to ZZS limited operating activity and eventually to deconsolidation and TSC's a decade of non-operation primarily due to prolonged power crisis and not so competitive market price and conditions. Current assets accounted for 55% and 14% of the balance sheet for the year 2022 and 2021 respectively.

In 2022, total liabilities went down by 25% or Ps. 1,145 million from Ps. 4,562 million to Ps. 3,416 million primarily due to deconsolidation of a subsidiary and liquidation of loans. Significant decreases were noted in the following accounts: trade payables down by 68% from Ps. 589 million to Ps. 188 million; accrued expenses up down by 77% from Ps. 161 million to Ps. 37 million; salaries payable down by 27% from Ps. 23 million to Ps. 17 million; loans payable down by 30% from Ps. 424 million to Ps. 297 million. There were increases in the other accounts but not so significant.

Our resulting capital base has appreciated significantly to a positive Ps. 248 million from a negative Ps. 299 million in 2021. The significant appreciation in our equity performance was brought about by a significant gain of Ps. 1,371 million from the deconsolidation of a subsidiary and resulted to a consolidated income of the Group in the amount of Ps. 915 million compared to a loss of Ps. 408 million in 2021. As a result of the appreciation in our capital base, debt to equity ratio resulted to a positive13.80:1 from a year ago of negative -15.23:1.

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

• Cash and cash equivalents decreased significantly by 49% or Ps. 10 million to Ps. 10.5 million from Ps. 21 million a year ago due to liquidation of trade and other payables on a day-to-day operation.

• Trade and other receivable went up by Ps. 1,506 million or 911% from Ps. 165 million to Ps. 1,672 million primarily due to recognized receivables from a third party as a result of deconsolidation of a subsidiary.

• Inventories went down by Ps. 289 million or 100% from Ps. 289 million to Ps. nil million due to ZZS limited operation during the first six months prior to its disposal and allowance on inventory write-down.

• Creditable tax withheld at source decreased by 100% or Ps. 68 million as a result of the provision of allowance for impairment due to uncertainty of its benefits in the future.

• Property, plant and equipment remains stable despite a 52% decrease or Ps. 1,802 million from Ps. 3,438 billion in 2021 to Ps. 1,636 billion in 2022 level primarily due to disposal and deconsolidation of a subsidiary.
• Other non-current assets decrease by 100% or Ps. 17 million with the provision of allowance for impairment loss.

• Trade and other payables went down by 65% or Ps. 510 million from Ps. 787 million to Ps. 277 million in 2022 notably in trade payables by Ps. 402 million or 68% from Ps. 589 million to Ps. 188 million.

• Loan payable went down by Ps. 127 million or 30% from Ps. 425 million to Ps. 297 million due to partial liquidation of the accounts and results of deconsolidation of a subsidiary. Equity appreciated significantly to a positive Ps. 248 million from a negative Ps. 299 million. The appreciation of the capital base was mainly brought about by the consolidated income of Ps. 915 million due to recognized gain on deconsolidation of a subsidiary amounting to Ps. 1,370 million. TSC as reported in 2013 has stopped its operation due to limited power supply.

e. 2021 versus 2020
- Results of Operations

The Corporation registered a consolidated net loss of Ps. 408 million in 2021 compared to a net loss of Ps. 170 million a year ago. The bottom-line results showed a negative performance due to lower production and sales volume and marketing activity in ZZS operation. The prevailing coronavirus (Covid-19) pandemic has adversely affected ZZ Stronghold's operation and financial performance during the period. Although TSC is non-operating for the last eight years, the prospect of looking for the right investors continued as there were parties who have shown interest and doing exploratory talks with the Group. The company's direction is to shift into production of nickel concentrate and nickel pig iron that will only requires 25% of the original power supply requirement. TSC is still looking for the right 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 of Ps. 23 million 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 and the prevailing outbreak of the Covid-19 Pandemic in the big and key cities of China. ZZS partnered with a third party and resumed the construction and of its plant facilities which is estimated to be completed in 2022 pending all documentations before it would be allowed to be operational. ZZS 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.

Revenue significantly went up by 125% to Ps. 1,155 million compared to a year ago of Ps. 512 million with ZZS contributing 100% of the Group sales. The Corporation also registered a 30% gross profit of Ps. 23 million in 2021 compared to a gross profit of Ps. 18 million in 2020. 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 up to Ps. 380 million or 171% higher from the 2020 level of Ps. 139 million. The major factor for the higher operating expenses were in the following accounts: a) allowance for impairment of input vat by 100%; depreciation and amortization by 22%; salaries and wages by 28%; rent by 166%; repairs by 31%; and office supplies by 45%.

- Financial Condition

Total assets base still remains stable despite the slight decrease of 2.81% to Ps. 4,262 million in 2021 from last year's figure of Ps. 4,386 million. The Ps. 123 million decrease was primarily due to the following: cash and cash equivalents went down by 76% from Ps. 86 million last year to Ps. 21 million; inventories by 10% from Ps. 319 million from to Ps. 289 million; other current assets by 2% from Ps. 92 million to Ps. 91 million; and input vat by 100% due to provision impairment loss. There were increases however in the following assets accounts: trade and other receivables by 17% or from Ps. 141 million to Ps. 165 million; long-term deferred expenses by 8% from Ps. 11 million to Ps. 12 million; property plant and equipment by 5% from Ps. 3,269 million to Ps. 3,438 million; and leasehold rights by 3% from Ps. 197 million to Ps. 203 million. The current operational and financial conditions of the Group were attributable significantly to ZZS minimal but stable operating activity coupled with adverse effect of the prevailing corona virus (Covid-19) in China 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 14% and 15% of the balance sheet for the year 2021 and 2020 respectively.

In 2021, total liabilities went up by 5.45% or Ps. 235 million from Ps. 4,326 million to Ps. 4,561 million. Significant increases were noted in the following accounts: accrued expenses up by 38% or Ps. 44 million from

Ps. 116 million to Ps. 160 million; salaries payable up by 11% or Ps. 2 million from Ps.21 million to Ps. 23 million; withholding taxes payable up by 28% or Ps. 1 million from Ps. 3.5 million to Ps. 4.5 million; statutory payables up by 187% or Ps. 0.6 million from Ps. 0.3 million to Ps. 0.9 million; due to related parties up by 17% or Ps. 388 million from Ps. 2,323 million to Ps. 2,711 million and retirement liability up by 6% or Ps. 0.6 million from Ps. 9 million to Ps. 10 million.

Our resulting capital base has depreciated by 602% or Ps. 358 million as of 2021 from a positive equity of Ps. 59 million in 2020. The significant depreciation in our equity performance was primarily due to stoppage and minimal production and sales activity of our two main steel subsidiaries, TSC and ZZS respectively and provision for impairment of some assets accounts resulting to a current consolidated loss of the Group in the amount of Ps. 408 million. As a result of the depreciation in our capital base, debt to equity ratio has resulted to -15.23:1 from a year ago of 72.65:1.

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

• Cash and cash equivalents decreased significantly by 76% or Ps. 65 million to Ps. 21 million from Ps. 86 million a year ago brought about by a significant liquidation in trade and other payables by 19% or Ps. 191 million from Ps. 978 million to Ps. 787 million.

• Trade and other receivable went up by Ps. 24 million or 17% from Ps. 141 million to Ps. 165 million due to slowdown in economy and the adverse effect of the Pandemic to both domestic and foreign accounts.

• Inventories went down by Ps. 30 million or 9% from Ps. 319 million to Ps. 289 million as ZZS is still not operating at full capacity and lockdowns of the plant during the height of the coronavirus pandemic in 2021.

• Creditable tax withheld at source remains constant at Ps. 68 million each respectively for the years 2021 and 2020 while the input value-added tax of Ps. 223 million was impaired due to uncertainty of its benefits due to minimal business activities of our two subsidiaries.

• Property, plant and equipment remains stable with a 5% or Ps. 169 million from Ps. 3,269 billion in 2020 to Ps. 3,438 billion in 2021 level as there was no provision for impairment loss for the current year.

• Other non-current assets remain constant at Ps. 17 million and Ps. 18 million respectively for the year 2021 and 2020

• Trade and other payables went down by 19% or Ps. 191million from Ps. 979 million to Ps. 787 million in 2021 notably in trade payables by Ps. 239 million by 29% from Ps. 829 million to Ps. 589 million.

- Loan payable went down by Ps. 465 million or 52% from Ps. 890 million to Ps. 425 million due partial liquidation of the accounts and the short-term renewal of credit facilities of ZZS for their production and selling activities.

- Equity depreciated significantly by 602% or Ps. 359 million from Ps. 59 million to negative Ps. 299 million. The depreciation of the capital base was mainly brought about by the continuing losses of the two main steel subsidiaries, ZZS operating at minimal capacity due to unfavorable market conditions while TSC as reported in 2013 has stopped its operation due to limited power supply.

f. Key Performance Indicators

Performance Ratios	**2023**	**2022**	**2021**
Revenue Growth (%)	**-100%**	**-82%**	**125%**
Gross Profit Margin (%)	**0%**	**8 %**	**2%**
Basic Loss per share 1/	**(Ps.0.08)**	**Ps. 0.98**	**(Ps. 0.42)**
Current Ratio 2/	**0.58**	**0.60**	**0.15**
Debt-to-Equity Ratio 3/	**21.35**	**13.80**	**(15.23)**
Return on Equity 4/	**-0.41**	**-35.27**	**3.4**

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, 2023 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, 2023, 2022 and 2021 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 five (5) 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 virtually held on the 29th of December 2022.

Ben C. Tiu, Filipino, 72, is the **Chairman** of the Corporation. Mr. Tiu is also the present Vice-Chairman and CEO of I-Remit, Inc. He served as Chairman and CEO of IRemit, Inc. from 2001 until 2004. He is an Independent Director of Macroasia Corporation from 1988 to present; as Corporate Nominee, Fidelity Securities, Inc. from 1995 to present; Chairman and CEO of Textra Corporation from September 2022 to present; Chairman of Treasure Steelworks Corporation from 2007 to present; Chairman and CEO of Goodwind Energy Corporation from March 2023 to present; Director of I-Remit global Remittance Limited (UK) from January 2002 to present; Board Member of I-Remit Consulting Societa Per Azioni (Italy) from June 2022 to present and Director of I-Remit Japan from June 2011 to present. He holds a Master in Business Administration from the Ateneo de Manila University and a degree in Mechanical Engineering from Loyola Marymount University, USA.

Ignatius F. Yenko, Filipino, 72, 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.

Vicente V. de Villa, Jr., a Filipino, 90, 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, 79, 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.

Kevin G. Khoe, Filipino, Filipino, 51, is a **Director** of the Corporation. He is the Founder and President of Big Big Holdings (2006-present). He was an Independent Director of ATR-Kim Eng Equity Opportunity Fund (2010-2016). He was previously an Independent Director of Home Guaranty Corporation (2008-2010). He served also as the Chief Operating Officer of Yehey.Com (2000-2005). He served also as the Research Head of Philequity Fund (1998-2000), Vantage Securities, Corp. (1997-1998) and Sapphire Securities, Inc. (1995-1997). He was also a Part-time Lecturer at the University of Asia and Pacific. He holds a Degree of Bachelor of Science in Quantitative Economics from the University of Asia and Pacific.

Executive Officers

Barbara April C. Tiu, Filipino, 35, is the **Treasurer** of TKC Metals Corporation. She also serves as Business Development Officer of the same company. She is a graduate of Immaculate Concepcion Academy as well as Ateneo de Manila University, where she obtained her degree in Business Administration with a minor in Entrepreneurship. She also runs a small home-based baking business and is part-owner of several small business.

Efren A. Realeza, Jr, Filipino, 63, is the **Chief Finance Officer** and **Head of Accounting Service**s 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 company with overseas operation and Ajinomoto Philippines Corporation as Audit Manager Financial Controller of 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, 55, is the **Corporate Secretary** and **Corporate Information Officer** 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.

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

The executive compensation information that is presented below covered the Executive Officers and Directors of TKC for 2022, 2023 and 2024. All members of the Board of Directors receive per diem per meeting only.

2022

Name and Principal Position	Salary (Annual)	Bonus	Other Annual Compensation
Ignatius F. Yenko Vice-Chairman			
Domingo S. Benitez Jr. President and Chief Operating Officer			
Efren A. Realeza Jr. Head-Accounting Services /Chief Finance Officer			
Aggregate Compensation of all Above-named Officers	4,395,167		
Aggregate Compensation of all above-Named Officers and Directors	4,395,167		

2023

Name and Principal Position	Salary (Annual)	Bonus	Other Annual Compensation
Ignatius F. Yenko Vice-Chairman			
Domingo S. Benitez Jr. President and Chief Operating Officer			
Efren A. Realeza Jr. Head-Accounting Services /Chief Finance Officer			
Aggregate Compensation of all Above-named Officers	4,060,000		

Aggregate Compensation of all Above-named Officers and Directors	4,060,000		

2024 (Estimated)

Name and Principal Position	Salary (Annual)	Bonus	Other Annual Compensation
Ignatius F. Yenko Vice-Chairman			
Aggregate Compensation of all Above-named Officers	2,340,000		
Aggregate Compensation of all Above-named Officers and Directors	2,340,000		

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

Security Ownership of Certain Record and Beneficial Owners

As of December 31, 2023, 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	JTKC Equities, Inc. JTKC Centre, 2155 Pasong Tamo, Makati City		Filipino	750,000,000	44.38%
Common	Star Equities, Inc. 2nd Floor, JTKC Center 2155 Pasong Tamo Makati City		Filipino	667,000,598	39.47%
Common	PCD Nominee Corporation		Filipino	268,175,021	15.87%

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, Ben C. Yenko, Ignatius F. De Villa, Vicente V. Somera, Jr., Prudencio C. Khoe, Kevin G.	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, 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.

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, 2023:

Date Filed	Items Reported
5 December 2023	SEC Approval of Certificate of Increase of Capital Stock from P1,000,000,000.00 divided into 1,000,000,000 shares of the par value of P1.00 each, to P3,000,000,000.00 divided into 3,000,000,000 shares of the par value of P1.00 each
5 December 2023	SEC Approval of the Certificate of Filing of the Amended Articles of Incorporation to reflect its change of principal office address from Makati City to Taguig City
11 September 2023	Replacement of Treasurer from Gilbert Gaw to Barbara April C. Tiu
11 May 2023	Resignation of Domingo S. Benitez Jr. as President and Chief Operating Officer
25 January 2023	Results of 2022 Annual Stockholders' Meeting held on 29 December 2022
25 January 2023	Result of Organizational Meeting held on 29 December 2022

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 ________ on _________, 2024.

By:

Ben C. Tiu Chairman/Chief Executive Officer	Ignatius F. Yenko Vice-Chairman
Efren A. Realeza Jr. Chief Financial Officer	Edson T. Eufemio Corporate Secretary

SUBSRIBED AND SWORN to before me this ______day of APR 26 2024 ______________ 2024 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
Ignatius F. Yenko.	P0405937B	01/24/2029	DFA NCR Central
Efren A. Realeza Jr.	P4832475B	02/16/2030	DFA NCR North
Edson T. Eufemio	P5105605B	03/11/2030	DFA NCR North

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Series of 2024

ATTY. RUBEN M. AZAÑES, JR.
NOTARY PUBLIC
Commission No. NP-025 (2023-2024)
VALID UNTIL DECEMBER 31, 2024
2A 3rd Avenue, [illegible] CITY
IBP No. [illegible]
PTR No. [illegible] – Qc
MCLE Compliance No. VII-0018605
Attorney's Roll No. 46427

ANNEX B

COVER SHEET
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)*

2nd Floor, W Tower Condominium, 39th St., North Bonifacio Triangle, Bonifacio Global City, Taguig 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	July 28	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 City

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

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

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
TKC Metals Corporation
2nd Floor W Tower Condominium
39th St., North Bonifacio Triangle
Bonifacio Global City, Taguig City

Opinion

We have audited the consolidated financial statements of TKC Metals Corporation (the Parent Company) and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of comprehensive income, consolidated statements of changes in equity (capital deficiency) and consolidated statements of cash flows for the years ended December 31, 2023, 2022 and 2021, and notes to consolidated financial statements, including a summary of material accounting policy information.

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, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2023, 2022 and 2021 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

As discussed in Note 1, the Parent Company sold all of its interest in Billions Steel International Limited (Billions) on June 20, 2022, because of the continuing losses of ZhangZhou Stronghold Steel Works Co. Ltd. (ZZ Stronghold), the operating steel subsidiary of Billions, due to low production and sales volume in China. Moreover, on December 29, 2022, the Parent Company's Board of Directors (BOD) approved to dispose Treasure Steelworks Corporation (Treasure) and Campanilla Mineral Resources, Inc. (Campanilla), its remaining subsidiaries. Treasure has ceased operations since 2013, while Campanilla has not commenced operations as at December 31, 2023.

Additionally, the deficit of the Group amounted to ₱4,181.1 million and ₱4,097.3 million as at December 31, 2023 and 2022, respectively.

These events or conditions indicate a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

As further discussed in Note 1, the management has an ongoing negotiation with an investor group for business ventures mainly in the field of information technology and broadband internet. Moreover, the stockholders and other related parties of the Group have continued to provide financial support to sustain the Group's operations and meet its maturing obligations.

Accordingly, the Group continues to prepare its 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 the key audit matters to communicate in our report.

- *Impairment Assessment of Property, Plant and Equipment*

  As at December 31, 2023, property, plant and equipment of the Group amounted to ₱1,621.8 million, representing 45% of the total assets. 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.

  Treasure has ceased operations since 2013 and the completion of its plant construction projects has been long delayed. On December 29, 2022, the BOD approved the plan to dispose of Treasure. 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. The fair value of the Group's property, plant and equipment were based on independent valuations prepared by an independent property valuer. Our audit procedures included, among others, evaluating the qualifications, experience and competence of the independent property valuer engaged by management, understanding and reviewing the reasonableness of the valuation methods and key assumptions applied in the valuations. We also assessed the adequacy of the disclosures in Notes 2, 3, and 8 to the consolidated financial statements.

- *Collectability of Nontrade Receivable from a Third Party*

  On June 20, 2022, the Parent Company sold all its interest in Billions at cost amounting to ₱1,741.8 million.

  As at December 31, 2023, nontrade receivable from a third party amounted to ₱1,593.9 million, representing 44% of the total assets. This includes the uncollected portion of the selling price and the net receivable assumed by the third party upon the sale of Billions.

  Due to its significance, we reviewed management's assessment on the collectability of the outstanding balance of nontrade receivable from a third party. Moreover, we also reviewed the supporting documents related to collections of ₱806.1 million that were received subsequent to December 31, 2023, and the guarantee agreement executed by a related party in case of default by the third party. We also assessed the adequacy of the disclosures in Notes 2, 3 and 5 to the consolidated financial statements.

Other Information

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

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 Carolina P. Angeles.

REYES TACANDONG & CO.

CAROLINA P. ANGELES
Partner
CPA Certificate No. 86981
Tax Identification No. 205-067-976-000
BOA Accreditation No. 4782/P-007; Valid until June 6, 2026
BIR Accreditation No. 08-005144-007-2022
Valid until October 16, 2025
PTR No. 10072409
Issued January 2, 2024, Makati City

April 22, 2024
Makati City, Metro Manila

TKC METALS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	**December 31** **2023**	2022
ASSETS			
Current Assets			
Cash	4	**₱2,852,650**	₱10,487,730
Trade and other receivables	5	**1,683,117,032**	1,671,792,918
Due from related parties	13	**318,297,229**	330,711,200
Other current assets	7	**–**	2,259,645
Total Current Assets		**2,004,266,911**	2,015,251,493
Noncurrent Assets			
Property, plant and equipment	8	**1,621,782,780**	1,635,904,979
Leasehold rights	9	**11,346,667**	13,186,667
Total Noncurrent Assets		**1,633,129,447**	1,649,091,646
		₱3,637,396,358	₱3,664,343,139
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	11	**₱296,867,899**	₱276,962,282
Loans payable	12	**297,270,080**	297,270,080
Due to related parties	13	**2,836,051,189**	2,799,005,050
Total Current Liabilities		**3,430,189,168**	3,373,237,412
Noncurrent Liabilities			
Retirement liability	19	**16,198,023**	14,346,231
Deferred tax liabilities	24	**28,232,129**	29,210,712
Total Noncurrent Liabilities		**44,430,152**	43,556,943
Total Liabilities		**3,474,619,320**	3,416,794,355
Equity to Equity Holders of the Parent Company			
Capital stock	14	**1,690,000,000**	940,000,000
Additional paid-in capital	14	**2,733,047,906**	1,983,047,906
Deposits for future subscriptions	14	**–**	1,500,000,000
Deficit		**(4,181,097,294)**	(4,097,276,640)
Other equity reserves - net of deferred tax	14	**(5,200,748)**	(5,020,472)
		236,749,864	320,750,794
Non-controlling Interest	14	**(73,972,826)**	(73,202,010)
Total Equity		**162,777,038**	247,548,784
		₱3,637,396,358	₱3,664,343,139

See accompanying Notes to Consolidated Financial Statements.

TKC METALS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	**2023**	2022	2021
NET SALES		**₱–**	₱203,575,434	₱1,155,152,942
COSTS OF GOODS SOLD	16	**–**	(186,497,159)	(1,131,856,351)
GROSS INCOME		**–**	17,078,275	23,296,591
GENERAL AND ADMINISTRATIVE EXPENSES	17	**(70,846,179)**	(137,659,035)	(157,505,152)
INTEREST EXPENSE	12	**(26,487,131)**	(42,130,500)	(55,566,736)
PROVISION FOR IMPAIRMENT LOSSES	18	**(144,084)**	(152,661,812)	(222,455,069)
GAIN ON DECONSOLIDATION OF A SUBSIDIARY	1	**–**	1,370,716,442	–
LOSS ON INVENTORY WRITE-DOWN	6	**–**	(147,397,784)	(431,976)
OTHER INCOME	23	**11,974,166**	22,521,190	1,937,062
INCOME (LOSS) BEFORE INCOME TAX		**(85,503,228)**	930,466,776	(410,725,280)
PROVISION FOR (BENEFIT FROM) INCOME TAX	24			
Current		**158**	12,650	65,628
Deferred		**(916,847)**	15,342,009	(2,552,906)
		(916,689)	15,354,659	(2,487,278)
NET INCOME (LOSS)		**(84,586,539)**	915,112,117	(408,238,002)
OTHER COMPREHENSIVE INCOME (LOSS)				
To be reclassified to profit or loss in subsequent periods -				
Translation adjustment of foreign operations		**–**	(84,405,043)	48,710,096
Not to be reclassified to profit or loss in subsequent periods -				
Remeasurement gain (loss) on retirement liability, net of deferred tax	19	**(185,207)**	(2,014,480)	532,575
		(185,207)	(86,419,523)	49,242,671
TOTAL COMPREHENSIVE INCOME (LOSS)		**(₱84,771,746)**	₱828,692,594	(₱358,995,331)
NET INCOME (LOSS) ATTRIBUTABLE TO:				
Equity holders of the Parent Company		**(₱83,820,654)**	₱925,828,395	(₱392,282,041)
Non-controlling interest		**(765,885)**	(10,716,278)	(15,955,961)
		(₱84,586,539)	₱915,112,117	(₱408,238,002)
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Equity holders of the Parent Company		**(₱84,000,930)**	₱847,002,757	(₱347,423,279)
Non-controlling interest		**(770,816)**	(18,310,163)	(11,572,052)
		(₱84,771,746)	₱828,692,594	(₱358,995,331)
BASIC AND DILUTED INCOME (LOSS) PER SHARE	25	**(₱0.08)**	₱0.98	(₱0.42)

See accompanying Notes to Consolidated Financial Statements.

TKC METALS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CAPITAL DEFICIENCY)
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021

					Other Equity Reserves - Net of Deferred Tax (see Note 14)					
	Capital Stock (see Note 14)	Additional Paid-in Capital	Deposits For Future Subscriptions (see Note 14)	Deficit	Cumulative Remeasurement Gains on Retirement Liability	Cumulative Translation Adjustments	Adjustments to Equity (see Note 15)	Equity (Capital Deficiency) Attributable to Equity Holders of the Parent Company	Non-controlling Interest (see Note 14)	Total Equity (Capital Deficiency)
Balance at December 31, 2022	**₱940,000,000**	**₱1,983,047,906**	**₱1,500,000,000**	**(₱4,097,276,640)**	**₱1,595,078**	**₱–**	**(₱6,615,550)**	**₱320,750,794**	**(₱73,202,010)**	**₱247,548,784**
Net loss	**–**	**–**	**–**	**(83,820,654)**	**–**	**–**	**–**	**(83,820,654)**	**(765,885)**	**(84,586,539)**
Other comprehensive loss	**–**	**–**	**–**	**–**	**(180,276)**	**–**	**–**	**(180,276)**	**(4,931)**	**(185,207)**
Application of deposits	**750,000,000**	**750,000,000**	**(1,500,000,000)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Balance at December 31, 2023	**₱1,690,000,000**	**₱2,733,047,906**	**₱–**	**(₱4,181,097,294)**	**₱1,414,802**	**₱–**	**(₱6,615,550)**	**₱236,749,864**	**(₱73,972,826)**	**₱162,777,038**
Balance at December 31, 2021	₱940,000,000	₱1,983,047,906	₱1,500,000,000	(₱5,023,105,035)	₱3,612,127	₱336,162,214	(₱46,444,389)	(₱306,727,177)	₱7,283,238	(₱299,443,939)
Net loss	–	–	–	925,828,395	–	–	–	925,828,395	(10,716,278)	915,112,117
Other comprehensive loss	–	–	–	–	(2,017,049)	(76,808,589)	–	(78,825,638)	(7,593,885)	(86,419,523)
Deconsolidation of a subsidiary	–	–	–	–	–	(259,353,625)	39,828,839	(219,524,786)	(62,175,085)	(281,699,871)
Balance at December 31, 2022	₱940,000,000	₱1,983,047,906	₱1,500,000,000	(₱4,097,276,640)	₱1,595,078	₱–	(₱6,615,550)	₱320,750,794	(₱73,202,010)	₱247,548,784
Balance at December 31, 2020	₱940,000,000	₱1,983,047,906	₱1,500,000,000	(₱4,630,822,994)	₱3,079,552	₱291,836,027	(₱46,444,389)	₱40,696,102	₱18,855,290	₱59,551,392
Net loss	–	–	–	(392,282,041)	–	–	–	(392,282,041)	(15,955,961)	(408,238,002)
Other comprehensive income	–	–	–	–	532,575	44,326,187	–	44,858,762	4,383,909	49,242,671
Balance at December 31, 2021	₱940,000,000	₱1,983,047,906	₱1,500,000,000	(₱5,023,105,035)	₱3,612,127	₱336,162,214	(₱46,444,389)	(₱306,727,177)	₱7,283,238	(₱299,443,939)

See accompanying Notes to Consolidated Financial Statements.

TKC METALS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	**2023**	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax		**(₱85,503,228)**	₱930,466,776	(₱410,725,280)
Adjustments for:				
Reversal of allowance for inventory write-down	23	**(42,851,817)**	–	–
Loss on sale of raw materials	23	**28,427,620**	19,895,903	1,250,011
Interest expense	12	**26,487,131**	42,130,500	55,566,736
Depreciation and amortization	21	**16,296,852**	31,698,675	48,802,282
Unrealized foreign exchange loss (gain)	23	**3,661,897**	(35,526,270)	475,673
Retirement expense	19	**1,604,849**	1,402,363	997,163
Reversal of allowance for input value-added tax	23	**(1,194,693)**	–	–
Provision for impairment losses	18	**144,084**	152,661,812	222,455,069
Interest income	23	**(12,830)**	(5,925,943)	(261,086)
Gain on deconsolidation of a subsidiary	1	**–**	(1,370,716,442)	–
Loss on inventory write-down	6	**–**	147,397,784	431,976
Loss (gain) on disposal of property, plant and equipment	23	**–**	296,340	(3,401,660)
Write-off of receivables	5	**–**	–	17,336,054
Operating loss before working capital changes		**(52,940,135)**	(86,218,502)	(67,073,062)
Decrease (increase) in:				
Trade and other receivables		**(14,984,638)**	(322,133,758)	(42,694,675)
Inventories		**14,424,197**	15,391,696	(142,085,551)
Other current assets		**2,259,645**	(3,998,605)	1,483,369
Other noncurrent assets		**1,194,693**	(75,873)	4,009,841
Increase (decrease) in trade and other payables		**20,279,681**	(31,761,980)	(180,317,812)
Net cash used for operations		**(29,766,557)**	(428,797,022)	(426,677,890)
Income tax paid		**(144,242)**	(127,419)	(34,368)
Interest received		**12,830**	259,755	261,086
Net cash used in operating activities		**(29,897,969)**	(428,664,686)	(426,451,172)
CASH FLOWS FROM INVESTING ACTIVITIES				
Collection of due from related parties		**18,830,048**	–	–
Additional due from related parties	13	**(6,416,077)**	(330,711,200)	–
Acquisitions of property, plant and equipment	8	**(334,653)**	(126,307,191)	(5,630,483)
Proceeds from:				
Disposal of investment in subsidiary		**–**	500,110,000	–
Disposals of property, plant and equipment	8	**–**	67,426,247	3,401,660
Net cash provided by (used in) investing activities		**12,079,318**	110,517,856	(2,228,823)

(Forward)

	Note	**2023**	2022	2021
		Years Ended December 31		
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Due to related parties	12	**₱37,046,139**	₱462,183,200	₱388,573,459
Deposits for future subscriptions	13	**–**	1,500,000,000	–
Availment of loans	12	**–**	–	589,716,816
Payments for:				
Interest	12	**(26,861,195)**	(42,354,659)	(55,177,511)
Deposits for future subscriptions	13	**–**	(1,500,000,000)	–
Loans	12	**–**	(104,244,865)	(594,590,700)
Lease	12	**–**	(4,062,195)	(8,617,427)
Net cash provided by financing activities		**10,184,944**	311,521,481	319,904,637
EFFECT OF EXCHANGE RATE CHANGES IN CASH		**(1,373)**	6,191	43,110,047
EFFECT OF DECONSOLIDATION OF BILLIONS IN CASH		**–**	(3,422,645)	–
DECREASE IN CASH		**(7,635,080)**	(10,041,803)	(65,665,311)
CASH AT BEGINNING OF YEAR		**10,487,730**	20,529,533	86,194,844
CASH AT END OF YEAR	4	**₱2,852,650**	₱10,487,730	₱20,529,533
NONCASH FINANCIAL INFORMATION				
Application of deposits for future subscriptions against capital stock and additional paid-in capital	14	**₱1,500,000,000**	₱–	₱–
Uncollected portion of proceeds from disposal of investment in a subsidiary		**–**	1,241,715,926	–

See accompanying Notes to Consolidated Financial Statements.

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 sheets.

The following are the subsidiaries of the Parent Company:

Name of Subsidiaries	Country of Incorporation	Nature of Business	Percentage of Ownership 2023	2022	2021
Treasure Steelworks Corporation (Treasure)	Philippines	Manufacture of steel products	**98%**	**98%**	98%
Campanilla Mineral Resources, Inc. (Campanilla)*	Philippines	Mineral production	**70%**	**70%**	70%
Billions Steel International Limited (Billions)	Hong Kong	Investment holdings	–	–	100%
Zhangzhou Stronghold Steel Works Co. Ltd. (ZZ Stronghold)**	People's Republic of China or PRC	Manufacture of steel pipes	–	–	91%

**Has not yet commenced commercial operations as at December 31, 2023*
***Through Billions*

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

In 2022, the Parent Company assigned and transferred all its rights, title and interest in Billions to a third party and recognized a gain on deconsolidation amounting to ₱1,370.7 million.

As at December 31, 2023, TKC is 44.38% directly owned by JTKC Equities, Inc. (JEI) and 39.47% indirectly owned by JEI through Star Equities, Inc. (SEI). Accordingly, JEI is the Ultimate Parent of TKC. JEI and SEI are both holding companies and were incorporated in the Philippines.

On December 5, 2023, the SEC approved the amendment of the Parent Company's Articles of Incorporation (AOI) for the change in the principal office address from Unit B1-A/C, 2nd Floor, Building B, Karrivin Plaza, 2316 Chino Roces Avenue Extension, Makati City to 2nd Floor, W Tower Condominium, 39th St., North Bonifacio Triangle, Bonifacio Global City, Taguig City.

The principal place of business of the Parent Company is Upper Penthouse, GSC Corporate Tower, Triangle Drive, BGC, Taguig City, NCR 1630.

Increase in Capital

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 stock 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, was approved by the Board of Directors (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 Parent Company filed the application for the approval of the proposed increase in authorized capital stock with the SEC on December 21, 2018. The Parent Company has filed a request for reconsideration when the SEC considered the debt-to-equity conversion not an acceptable payment for the issuance of the shares of stock. The SEC did not act on the request. To break the impasse, the BOD of JEI approved to subscribe to the increase and pay for the subscription in cash on May 20, 2022, in substitution of the original subscribers who agreed to subscribe through conversion of their advances into equity. On the same day, the BOD of the Parent Company approved the substitution of the subscribers and mode of subscription.

On May 31, 2022, the Parent Company received cash amounting to ₱1,500.0 million from JEI for its subscription in substitution of the original subscription of the foreign investors.

Accordingly, on June 8, 2022, the Parent Company refiled the application of the increase in authorized capital stock with the SEC to reflect the substitution of the subscribers including the payment made by JEI through cash.

On December 5, 2023, the SEC approved the application for the increase in authorized capital stock of the Parent Company. Consequently, the deposits for future subscriptions amounting to ₱1,500.0 million was applied against capital stock and additional paid-in capital.

<u>Status of Operations</u>

Because of the continuing losses of ZZ Stronghold, the operating steel subsidiary of Billions, due to low production and sales volume in China, the Parent Company sold all of its interest in Billions at cost amounting to ₱1,741.8 million on June 20, 2022. Accordingly, the Group's management deconsolidated the assets and liabilities of Billions and ZZS Stronghold in the consolidated statements of financial position as at the date when control was lost. The Group only recognized the profit or loss of Billions and ZZ Stronghold from January 1, 2022 up to the date of sale in the consolidated statements of comprehensive income. Moreover, on December 29, 2022, the Parent Company's BOD approved to dispose Treasure and Campanilla, its remaining subsidiaries. Treasure has ceased operations since 2013, while Campanilla has not commenced operations as at December 31, 2023.

Additionally, the deficit of the Group amounted to ₱4,181.1 million and ₱4,097.3 million as at December 31, 2023 and 2022, respectively.

These events or conditions indicate a material uncertainty that may cast a significant doubt on the Group's ability to continue as a going concern.

The management is undergoing business reorganization and realignment of business opportunities. On December 27, 2022, the Parent Company's BOD approved a resolution to enter into a business venture with an investor group mainly in the field of information technology services and broadband internet.

Moreover, the stockholders and other related parties of the Group have continued to provide financial support to sustain the Group's operations and meet its maturing obligations. Due to related parties aggregated ₱2,836.1 million as at December 31, 2023.

The accompanying consolidated financial statements have been prepared using the going concern basis of accounting.

Approval of Consolidated Financial Statements

The consolidated financial statements of the Group as at December 31, 2023 and 2022 and for the years ended December 31, 2023, 2022 and 2021 were authorized and approved for issuance by the BOD on April 22, 2024, as reviewed and recommended for approval by the Audit Committee on the same date.

2. Summary of Material Accounting Policy Information

Basis of Preparation

The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial and Sustainability Reporting Standards Council 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).

The material accounting policy information that have been used in the preparation of the consolidated financial statements have been consistently applied to all the years presented, unless otherwise stated.

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 consolidated financial statements of the Group have been prepared on the historical cost basis of accounting, except for retirement liability which is measured at present value of defined benefit obligation. 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 8 and 28 to the consolidated financial statements.

Adoption of Amendments to PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amendments to PFRS effective January 1, 2023:

- Amendments to PAS 1, *Presentation of Financial Statements, and PFRS Practice Statement 2, Making Materiality Judgments - Disclosure Initiative - Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements, and (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2 is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information.

- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". An entity develops an accounting estimate if an accounting policy requires an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods.

- Amendments to PAS 12, *Income Taxes - Deferred Tax Related Assets and Liabilities from a Single Transaction* – The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

- Amendments to PAS 1, *Classification of Liabilities as Current or Noncurrent* – 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 adoption of the foregoing amendments to PFRS did not materially affect the consolidated financial statements of the Group. Additional disclosures were included in the consolidated financial statements, as applicable.

<u>Amendments to PFRS and in Issue But Not Yet Effective or Adopted</u>

Relevant amendments to PFRS, which are not yet effective as at December 31, 2023 and have not been applied in preparing the consolidated financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2025 -

- Amendments to PAS 21, *The Effects of Changes in Foreign Exchange Rates - Lack of Exchangeability* – The amendments clarify when a currency is considered exchangeable into another currency and how an entity determines the exchange rate for currencies that lack exchangeability. The amendments also introduce new disclosure requirements to help users of financial statements assess the impact when a currency is not exchangeable. An entity does not apply the amendments retrospectively. Instead, an entity recognizes any effect of initially applying the amendments as an adjustment to the opening balance of retained earnings when the entity reports foreign currency transactions. When an entity uses a presentation currency other than its functional currency, it recognizes the cumulative amount of translation differences in equity. Earlier application is permitted.

Under prevailing circumstances, the adoption of the foregoing amendments to 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.

<u>Basis of Consolidation</u>

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 statement 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. 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.

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 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.

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, 2023 and 2022, 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, 2023 and 2022, the Group's cash, trade and other receivables (excluding advances to officers and employees), due from related parties and refundable deposits are classified under this category.

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, 2023 and 2022, 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, 2023 and 2022, the Group's trade and other payables (excluding statutory liabilities), loans payable and due to related parties are classified under this category.

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 Receivables, Other Receivables, Due from Related Parties and Refundable Deposits. For trade receivables, other receivables, due from related parties and refundable deposits, 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.

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 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 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.

Advances to Officers and Employees

Advances to officers and employees represent advances which are subject to liquidation. These are carried at face amount less impairment, if any, 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) and advances to suppliers.

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 initially recognized at the amount of cash paid and subsequently measured at cost less any impairment in value. These are reclassed to the corresponding asset account when the goods or services for which the advances were made are received.

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, 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. 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 20
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 assets' 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 and amortized assets are retained in the accounts until they 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 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. Amortization is computed on a straight-line basis over 25 years based on 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.

<u>Borrowing Costs</u>

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.

<u>Other Noncurrent Assets</u>
Other noncurrent assets consist of input VAT and advances to contractors.

Input VAT. Revenue, expenses and assets are recognized net of the amount of VAT, except for receivables 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, this is classified as noncurrent asset.

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 less impairment, if any, 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.

<u>Impairment of Nonfinancial Assets</u>
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 and amortization, had no impairment loss been recognized for the asset in prior years. After such a reversal the depreciation and amortization 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.

Deposits for Future Subscriptions. 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.

Deficit. Deficit represents the cumulative balance of net income or losses.

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

Adjustments to Equity. Adjustments to equity pertain to adjustments resulting from 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.

Net Sales. Net sales 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 net of returns and discounts, if any. The performance obligations from sale of goods are satisfied upon delivery and are recognized at a point in time.

Revenue outside the scope of PFRS 15 is recognized as follows:

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

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

<u>Cost and Expense Recognition</u>
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.

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

Interest Expense. Interest expense is recognized in profit or loss using the effective interest method.

<u>Basic and Diluted Income (Loss) per Share</u>
The Group presents basic and diluted income (loss) per share. Basic income (loss) per share is calculated by dividing the income (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 income (loss) per share is calculated in the same manner, adjusted for the effects of all the dilutive potential common shares.

The Group has no potential dilutive common shares.

<u>Leases</u>
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 customers has both of the following:

- The right to obtain substantially all of the economic benefits from use of the identified asset; and
- 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 ROU asset and a lease liability for all leases, except for leases with lease terms of 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 Assets. At commencement date, the Group measures the ROU assets 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 assets are recognized under the same basis with property, plant and equipment at the present value of the liability at the commencement date of the lease, adding any directly attributable costs. After the commencement date, the ROU assets are carried at cost less any accumulated amortization and accumulated impairment losses, and adjusted for any remeasurement of the related lease liability.

The ROU assets are amortized over the lease term of the underlying asset ranging from 3 years using the straight-line method. ROU asset is presented as part of "Property, plant and equipment" account in consolidated statement of financial position.

Lease Liabilities. At commencement date, the Group measures lease liabilities 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.

A lease liability is subsequently measured at amortized cost. Interest on the lease liability and any variable lease payments not included in the measurement of lease liability are recognized in profit or loss unless these are capitalized as costs of another asset. Variable lease payments not included in the measurement of the lease liability are recognized in profit or loss when the event or condition that triggers those payments occurs.

If there is a change in the lease term or if there is a change in the assessment of an option to purchase the underlying asset, the lease liability is remeasured using a revised discount rate considering the revised lease payments on the basis of the revised lease term or reflecting the change in amounts payable under the purchase option. The lease liability is also remeasured using the revised lease payments if there is a change in the amounts expected to be payable under a residual value guarantee or a change in future lease payments resulting from a change in an index or a rate used to determine those payments.

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. Short-term employee benefit liabilities are measured on an undiscounted basis and are expensed as the related service is provided.

Retirement Benefits. The Group has unfunded, non-contributory retirement plan covering its qualified 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, 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 are 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 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 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. 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.

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 consist of transfers of resources, services or obligations between the Group and its related parties.

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 BOD, 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 in accordance with PFRS requires management to make judgment, accounting estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the consolidated financial statements at the reporting date. The judgment and accounting estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. 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. Such estimates will be adjusted accordingly when the results become determinable.

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

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

Assessing the Ability of the Group to Continue as Going Concern. Because of the continuing losses of ZZ Stronghold, the operating steel subsidiary of Billions, due to low production and sales volume in China, the Parent Company had to sell Billions in 2022. Moreover, on December 29, 2022, the Parent Company's BOD approved to dispose Treasure and Campanilla. Treasure has ceased operations since 2013 and Campanilla has not started operations as at December 31, 2023. Additionally, the deficit of the Group amounted to ₱4,181.1 million and ₱4,097.3 million as at December 31, 2023 and 2022, respectively.

The management has an ongoing negotiation with an investor group for business ventures mainly in the field of information technology and broadband internet. Moreover, the Group's stockholders and other related parties continued to provide the necessary financial support to sustain the Group's operations and to settle its maturing obligations.

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 Reportable 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.

In 2023, the Group has two reportable operating segments and generates revenues from the Philippines. In 2022, the Group has disposed of its China operations, when it sold its investment in Billions.

Further information about the operating segments of the Group is included in Note 26 to the consolidated financial statements.

Estimating the ECL on Trade Receivables, Other Receivables, Due from Related Parties and Refundable Deposits. The Group estimates ECL on these financial assets at amortized cost using a provision matrix which considers the Group's historical credit loss experience adjusted for forward-looking factors, as appropriate.

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 receivables, other receivables, due from related parties and refundable deposits in 2023, 2022 and 2021, and the carrying amount of trade receivables, other receivables, due from related parties and refundable deposits as at December 31, 2023 and 2022 are disclosed in Notes 5, 10 and 13 to the consolidated financial statements.

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.

While cash in banks 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 as at December 31, 2023 and 2022 are disclosed in Note 4 to the consolidated financial statements.

No provision for ECL was recognized on nontrade receivable from a third party in 2023, 2022 and 2021. The carrying amount of nontrade receivable from a third party as at December 31, 2023 and 2022 is disclosed in Note 5 to the consolidated financial statements.

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 expenses and decrease current assets.

Reversal of allowance for inventory write-down in 2023 and loss on inventory write-down in 2022 and 2021, and the carrying amount of inventories, which is carried at lower of cost or NRV, as at December 31, 2023 and 2022 are disclosed in Note 6 to the consolidated financial statements.

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 2023, 2022 and 2021.

Depreciation and amortization in 2023, 2022 and 2021, and carrying amounts of property, plant and equipment and leasehold rights as at December 31, 2023 and 2022 are disclosed in Notes 8 and 9 to the consolidated financial statements.

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 2023, 2022 and 2021. The carrying amounts of property, plant and equipment and leasehold rights as at December 31, 2023 and 2022 are disclosed in Notes 8 and 9 to the consolidated financial statements.

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.

The financial information on CWT and input VAT is disclosed in Notes 7 and 10 to the consolidated financial statements.

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 and the cumulative amount of remeasurement gains recognized in 2023, 2022 and 2021, and the present value of retirement liability as at December 31, 2023 and 2022 are disclosed in Note 19 to the consolidated financial statements.

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.

As at December 31, 2023 and 2022, the Group did not recognize deferred tax assets. The Group has assessed that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets disclosed in Note 24 to the consolidated financial statements.

4. Cash

This account consists of:

	2023	2022
Cash on hand	**₱20,000**	₱10,000
Cash in banks	**2,832,650**	10,477,730
	₱2,852,650	₱10,487,730

Cash on hand and cash in banks are stated at face value. Cash in banks earn interest at the prevailing bank deposit rates and are immediately available for use in the current operations.

Interest income earned on cash in banks amounted to ₱12,830, ₱259,755 and ₱261,086 in 2023, 2022 and 2021, respectively (see Note 23).

5. Trade and Other Receivables

This account consists of:

	Note	**2023**	2022
Trade:			
Third parties		**₱12,836,699**	₱12,305,881
Related parties	13	**43,572,598**	43,572,598
Nontrade receivable from a third party		**1,593,912,458**	1,597,572,982
Advances to officers and employees		**6,753,072**	5,927,654
Others		**81,975,334**	68,346,932
		1,739,050,161	1,727,726,047
Allowance for ECL on:			
Trade receivables		**(54,904,454)**	(54,904,454)
Other receivables		**(524,206)**	(524,206)
Allowance for impairment loss on advances to officers and employees		**(504,469)**	(504,469)
		₱1,683,117,032	₱1,671,792,918

Movement and balances in the allowance for ECL and allowance for impairment loss are as follows:

	Trade Receivables		Advances to Officers and Employees	Other Receivables
	Third Parties	Related Parties		
Balances as at December 31, 2021	₱11,331,856	₱4,155,374	₱–	₱–
Provision for (see Note 18):				
ECL	–	39,417,224	–	524,206
Impairment	–	–	504,469	–
Balances as at December 31, 2023 and 2022	₱11,331,856	₱43,572,598	₱504,469	₱524,206

In 2023, no additional provision for impairment was recognized by the Group.

Trade receivables are unsecured and noninterest-bearing. Trade receivables from third parties are generally collectible on a 30 to 90-day credit term while trade receivables from related parties are collectible on demand.

Long-outstanding receivables amounting to ₱17.3 million were directly written off by ZZ Stronghold in 2021 (see Note 17).

Nontrade receivable from a third party includes the unpaid balance from the sale of Billions. This account also includes reclassifications of long-term loan receivable from Billions, due from ZZ Stronghold and offsetting of due to Billions which remained outstanding before the sale of Billions. These receivables are unsecured and noninterest-bearing. As at April 22, 2024, the Parent Company was able to collect ₱806.1 million from the outstanding balance as at December 31, 2023. A related party has guaranteed the remaining balance of ₱787.9 million in case of default by the third party.

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

Others mainly pertain to advances to a third party which are unsecured, noninterest-bearing and collectible on demand.

6. Inventories

As at December 31, 2023 and 2022, the Group's inventories with a cost amounting to ₱243.0 million and ₱285.8 million, respectively, were fully provided with allowance for inventory write-down.

Movement and balances in the allowance for inventory write-down are as follows:

	Note	**2023**	2022
Balance at beginning of year		**₱285,809,345**	₱138,411,561
Gain on reversal of inventory write-down	23	**(42,851,817)**	–
Loss on inventory write-down		**–**	147,397,784
Balance at end of year		**₱242,957,528**	₱285,809,345

Inventories charged to operations amounted to nil, ₱177.7 million and ₱1,087.4 million in 2023, 2022 and 2021, respectively (see Note 16).

In 2023, the Group recognized gain on reversal of inventory write-down due to incidental sales.

7. Other Current Assets

This account consists of:

	Note	**2023**	2022
CWT		**₱68,620,743**	₱68,476,659
Advances to suppliers		**240,707**	240,707
Current portion of refundable deposits	10	**–**	2,259,645
		68,861,450	70,977,011
Allowance for impairment losses on:			
CWT		**(68,620,743)**	(68,476,659)
Advances to suppliers		**(240,707)**	(240,707)
		₱–	₱2,259,645

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.

No additional impairment loss on advances to suppliers was recognized in 2023, 2022 and 2021.

The Group recognized impairment loss on CWT amounting to ₱0.1 million and ₱68.5 million in 2023 and 2022, respectively (see Note 18).

8. Property, Plant and Equipment

The balances and movements of this account are as follows:

		2023						
	Note	CIP	Machinery and Equipment	Buildings and Leasehold Improvements	Office Equipment, Furniture and Fixtures	Tools	Transportation Equipment	Total
Cost								
Balances at beginning of year		₱2,223,123,170	₱502,961,601	₱55,829,846	₱9,370,577	₱3,741,737	₱5,374,002	₱2,800,400,933
Additions		–	175,972	–	86,985	–	71,696	334,653
Balances at end of year		2,223,123,170	503,137,573	55,829,846	9,457,562	3,741,737	5,445,698	2,800,735,586
Accumulated Depreciation, Amortization and Impairment Loss								
Balances at beginning of year		683,451,047	408,796,220	55,829,846	9,323,983	3,741,737	3,353,121	1,164,495,954
Depreciation and amortization	21	–	13,975,084	–	30,094	–	451,674	14,456,852
Balances at end of year		683,451,047	422,771,304	55,829,846	9,354,077	3,741,737	3,804,795	1,178,952,806
Carrying Amount		₱1,539,672,123	₱80,366,269	₱–	₱103,485	₱–	₱1,640,903	₱1,621,782,780

	Note	2022 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		₱3,888,483,937	₱756,688,901	₱335,035,254	₱16,609,615	₱3,741,737	₱5,830,159	₱24,291,567	₱5,030,681,170
Additions		124,102,591	–	–	–	–	2,204,600	–	126,307,191
Disposal		–	(42,181,507)	(69,974,040)	–	–	(1,629,710)	(24,291,567)	(138,076,824)
Exchange realignment		(57,429,551)	(4,125,617)	27,226,984	(113,069)	–	(16,104)	–	(34,457,357)
Derecognition due to deconsolidation		(1,732,033,807)	(207,420,176)	(236,458,352)	(7,125,969)	–	(1,014,943)	–	(2,184,053,247)
Balances at end of year		2,223,123,170	502,961,601	55,829,846	9,370,577	3,741,737	5,374,002	–	2,800,400,933
Accumulated Depreciation, Amortization and Impairment Loss									
Balances at beginning of year		683,451,047	641,049,354	224,544,456	16,523,607	3,741,737	4,743,688	18,556,058	1,592,609,947
Depreciation and amortization	21	–	14,766,732	6,263,581	39,205	–	373,850	5,735,509	27,178,877
Disposal		–	(36,632,646)	(8,696,654)	–	–	(733,370)	(24,291,567)	(70,354,237)
Exchange realignment		–	(3,983,964)	(2,587,381)	(112,860)	–	(16,104)	–	(6,700,309)
Derecognition due to deconsolidation		–	(206,403,256)	(163,694,156)	(7,125,969)	–	(1,014,943)	–	(378,238,324)
Balances at end of year		683,451,047	408,796,220	55,829,846	9,323,983	3,741,737	3,353,121	–	1,164,495,954
Carrying Amount		₱1,539,672,123	₱94,165,381	₱–	₱46,594	₱–	₱2,020,881	₱–	₱1,635,904,979

As disclosed in Note 1 to the consolidated financial statements, the Parent Company assigned and transferred all its rights, title and interest in Billions to a third party and recognized a gain on deconsolidation amounting to ₱1,370.7 million in 2022. Billions owns 91% of ZZ Stronghold. Consequently, property, plant and equipment with carrying amount of ₱1,805.8 million were derecognized.

CIP pertains to Treasure'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. These projects, except the second blast furnace of Treasure, were almost completed and are subject to the final stage of testing. On December 29, 2022, the BOD approved the plan to dispose of Treasure.

In 2023, the Group reviewed the recoverability of Treasure's assets at fair value less costs to sell using the market approach made by an independent valuation rather than value in use because of the planned disposal of Treasure.

The fair value of Treasure's property, plant and equipment amounting to ₱1,657.3 million and ₱1,709.7 million as at December 31, 2023 and 2022, respectively, was determined using the market value approach by an independent appraiser. The appraisal report is dated April 8, 2024. In relation to the planned sale of Treasure, the inputs used in 2023 is the market value in orderly liquidation of the property, plant and equipment which pertains to the amount that might be realized from assembled or piecemeal disposition in the secondhand market, assuming a reasonable period of time in which to complete the transaction. The market value estimates consider that the property, plant and equipment will be offered for sale in its present location and condition on an "as is, where is" basis, with the potential buyer to assume cost, if any, to dismantle and remove. Management has assessed that any reasonably possible changes in the key assumptions on which the recoverable amount is based would not result to significant changes in the fair value of property, plant and equipment.

In 2023, 2022 and 2021, no additional impairment loss was recognized on the Group's property, plant and equipment. As at December 31, 2023 and 2022, the Group's accumulated impairment loss on CIP amounted to ₱683.5 million.

There was no capitalization of borrowing costs in 2023, 2022 and 2021 because the active development of the plant was stopped. Capitalized borrowing costs amounted to ₱50.7 million as at December 31, 2023 and 2022.

In 2022, the Parent Company disposed a transportation equipment with a carrying amount of ₱0.9 million. The disposal resulted in a loss on sale amounting to ₱0.3 million (see Note 23). Additionally, Billions disposed of its machinery and equipment, and buildings and leasehold improvements at its carrying amount of ₱5.5 million and ₱61.3 million, respectively.

In 2021, Treasure disposed of its fully depreciated machinery and equipment, and transportation equipment with costs amounting to ₱5.3 million and ₱1.4 million, respectively. The disposal resulted to a gain on sale amounting to ₱3.4 million in 2021 (see Note 23).

Fully depreciated and amortized assets still in use amounted to ₱331.7 million and ₱330.6 million as at December 31, 2023 and 2022, respectively. No contractual commitments since the CIP is almost completed as at December 31, 2023.

9. Leasehold Rights

The balances and movements of this account are as follows:

	Note	**2023**
Cost		**₱46,000,000**
Accumulated Amortization		
Balances at beginning of year		**32,813,333**
Amortization	21	**1,840,000**
Balances at end of year		**34,653,333**
Carrying Amount		**₱11,346,667**

		2022		
	Note	ZZ Stronghold	Treasure	Total
Cost				
Balances at beginning of year		₱258,615,228	₱46,000,000	₱304,615,228
Exchange realignment		(4,039,389)	–	(4,039,389)
Derecognition due to deconsolidation		(254,575,839)	–	(254,575,839)
Balances at end of year		–	46,000,000	46,000,000
Accumulated Amortization				
Balances at beginning of year		70,499,857	30,973,333	101,473,190
Amortization	21	2,679,798	1,840,000	4,519,798
Exchange realignment		(791,173)	–	(791,173)
Derecognition due to deconsolidation		(72,388,482)	–	(72,388,482)
Balances at end of year		–	32,813,333	32,813,333
Carrying Amount		₱–	₱13,186,667	₱13,186,667

<u>Treasure</u>
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 parcel of land and 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.

<u>ZZ Stronghold</u>
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. In 2022, the Parent Company assigned and transferred all its rights, title and interest in Billions to a third party (see Note 1). Consequently, leasehold rights with carrying amount of ₱182.2 million were derecognized.

10. Other Noncurrent Assets

As at December 31, 2023 and 2022, this account consists of:

	2023	2022
Input VAT	**₱221,462,065**	₱222,656,758
Advances to contractors	**46,651,046**	46,651,046
Refundable deposits - net of current portion	**697,105**	697,105
Others	**4,250,000**	4,250,000
	273,060,216	274,254,909
Allowance for impairment on other noncurrent assets	**(273,060,216)**	(274,254,909)
	₱–	₱–

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

Refundable deposits are classified as follows (see Note 22):

	2023	2022
Current	**₱–**	₱2,259,645
Noncurrent	**697,105**	697,105
	₱697,105	₱2,956,750

In 2023, gain on reversal of impairment of input VAT amounting to ₱1.2 million was recognized to apply against the output VAT on incidental sales during the year (see Note 23).

In 2022 and 2021, the Group recognized provision for ECL on refundable deposits and impairment loss on other noncurrent assets aggregating ₱5.0 million and ₱222.5 million (see Note 18).

11. Trade and Other Payables

This account consists of:

	Note	2023	2022
Trade payables:			
Third parties		**₱182,127,868**	₱181,690,298
Related parties	13	**5,926,702**	5,926,702
Accruals		**77,174,874**	58,667,133
Salaries payable		**18,216,140**	16,822,253
Statutory payables		**4,759,415**	5,093,223
Others		**8,662,900**	8,762,673
		₱296,867,899	₱276,962,282

Trade payables consist of unsecured and interest and noninterest-bearing obligations that are payable in cash. Trade payables to third parties are normally settled within one year while trade payables to related parties are payable on demand.

The interest-bearing obligations amounted to ₱41.4 million as at December 31, 2023 and 2022, with an annual interest rate of 6.3%. Interest expense amounted to ₱8.2 million in 2022. In 2023 and 2021 creditor waived the interest (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.

Salaries payable pertain to the unpaid salaries to its employees which is expected to be settled within one year.

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

Others mainly pertain to nontrade payables to third parties and are normally settled within one year.

12. Loans Payable

This account represents unsecured peso loans of the Group with a local bank aggregating ₱297.3 million as at December 31, 2023 and 2022. These loans have maturity of 1 year and renewable upon mutual agreement of the parties.

Loans payable of the Group are subject to monthly repricing ranging from 8.27% to 8.75% and 4.50% to 8.27% in 2023 and 2022, respectively.

Details of interest expense are as follows:

	Note	**2023**	2022	2021
Loans payable		**₱26,487,131**	₱33,849,778	₱55,177,511
Trade payables	11	**–**	8,219,484	–
Lease liability	22	**–**	61,238	389,225
		₱26,487,131	₱42,130,500	₱55,566,736

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

	2023				
	Balance at Beginning of Year	**Interest Expense**	**Financing Cash Flow**		**Balance at End of Year**
			Proceeds	**Payments**	
Loans payable	**₱297,270,080**	**₱–**	**₱–**	**₱–**	**₱297,270,080**
Due to related parties	**2,799,005,050**	**–**	**37,046,139**	**–**	**2,836,051,189**
Interest payable	**1,024,343**	**26,487,131**	**–**	**(26,861,195)**	**650,279**
	₱3,097,299,473	**₱26,487,131**	**₱37,046,139**	**(₱26,861,195)**	**₱3,133,971,548**

	2022					
	Balance at Beginning of Year	Interest Expense	Financing Cash Flow		Deconsolidation	Balance at End of Year
			Proceeds	Payments		
Loans payable	₱1,034,131,204	₱–	₱–	(₱104,244,865)	(₱632,616,259)	₱297,270,080
Due to related parties	2,711,751,209	–	462,183,200	–	(374,929,359)	2,799,005,050
Lease liability	4,000,957	61,238	–	(4,062,195)	–	–
Interest payable	1,309,740	42,069,262	–	(42,354,659)	–	1,024,343
	₱3,751,193,110	₱42,130,500	₱462,183,200	(₱150,661,719)	(₱1,007,545,618)	₱3,097,299,473

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 on demand (see Note 5). Provision for ECL on trade receivables from related parties amounting ₱39.4 million was recognized in 2022. No provision for ECL on trade receivables was recognized in 2023 and 2021.

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

	Amount of Transactions		Outstanding Balance	
	2023	2022	**2023**	2022
Entities under common control	**₱–**	₱–	**₱43,572,598**	₱43,572,598
Allowance for ECL	**–**	(39,417,224)	**(43,572,598)**	(43,572,598)
			₱–	₱–

Trade Payables

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

	Amount of Transactions		Outstanding Balance	
	2023	2022	**2023**	2022
Entities under common control	**₱–**	₱–	**₱5,926,702**	₱5,926,702

Due from Related Parties

Due from related parties pertain to unsecured, noninterest-bearing advances for working capital requirements. These are normally collectible in cash and on demand. Provision for ECL on due from related parties amounting to ₱38.7 million was recognized in 2022 (see Note 18). No provision for ECL on due from related parties was recognized in 2023 and 2021.

Summarized below are the outstanding accounts arising from these transactions.

	Amount of Transactions		Outstanding Balance	
	2023	2022	**2023**	2022
Stockholder	**₱–**	₱–	**₱11,838,673**	₱11,838,673
Entities under common control	**6,416,077**	330,711,200	**346,425,692**	358,839,663
			358,264,365	370,678,336
Allowance for ECL	**–**	(38,716,276)	**(39,967,136)**	(39,967,136)
			₱318,297,229	₱330,711,200

Due to Related Parties

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

Summarized below are the outstanding accounts arising from these transactions.

	Amount of Transactions		Outstanding Balance	
	2023	2022	**2023**	2022
Stockholders	**₱–**	₱–	**₱1,191,301,795**	₱1,191,301,795
Ultimate Parent	**–**	71,620,938	**509,312,300**	509,312,300
Entities under common control	**37,046,139**	26,502,158	**1,135,437,094**	1,098,390,955
			₱2,836,051,189	₱2,799,005,050

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. As disclosed in Note 1, on May 31, 2022, the Parent Company received cash amounting to ₱1,500.0 million from JEI to pay for its subscription in substitution of the subscription of the foreign investors when the SEC considered the debt-to-equity conversion not an acceptable payment for the issuance of the shares of stock. On December 5, 2023, the SEC approved the application for the increase in authorized capital stock of the Parent Company.

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 26).

Compensation of key management personnel of the Group follows:

	2023	2022	2021
Short-term benefits	**₱4,096,715**	₱3,971,657	₱3,064,033
Post-employment benefits	**467,105**	452,443	443,886
	₱4,563,820	₱4,424,100	₱3,507,919

14. **Equity**

Capital Stock

Details of the common stock are as follows:

	2023		2022	
	Shares	**Amount**	Shares	Amount
Authorized - ₱1 Par Value	**3,000,000,000**	**₱3,000,000,000**	1,000,000,000	₱1,000,000,000
Issued and outstanding				
Balance at beginning of year	**940,000,000**	**₱940,000,000**	940,000,000	₱940,000,000
Application of deposits	**750,000,000**	**750,000,000**	–	–
Balance at end of year	**1,690,000,000**	**₱1,690,000,000**	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
December 5, 2023	Application of deposits for future subscriptions to increase in capital stock	750,000,000	₱2.00
		1,690,000,000	

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, 2023 and 2022, public ownership over the Parent Company is 16.15% and 29.04%, respectively.

Deposits for Future Subscriptions

As discussed in Note 1, the Parent Company has filed for an increase in authorized capital stock 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 with the SEC.

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).

The Parent Company has filed a request for reconsideration when the SEC considered the debt-to-equity conversion not an acceptable payment for the issuance of the shares of stock. The SEC has not acted on the request. To break the impasse, the BOD of JEI approved to subscribe to the increase and pay for the subscription in cash on May 20, 2022, in substitution of the original subscribers who agreed to subscribe through conversion of their advances to equity. On the same day, the BOD of the Parent Company approved the substitution of the subscribers and the mode of subscription.

On May 31, 2022, the Parent Company received cash amounting to ₱1,500.0 million from JEI for its subscription in substitution of the original subscription from foreign investors.

Accordingly, on June 8, 2022, the Parent Company refiled the application of the increase in authorized capital stock with the SEC to reflect the substitution of the subscribers including the payment made by JEI through cash.

On December 5, 2023, the SEC approved the application for the increase in authorized capital stock of the Parent Company. Consequently, the deposits for future subscriptions amounting to ₱1,500.0 million was applied against capital stock and additional paid-in capital.

Other Equity Reserves

This account consists of:

	Note	**2023**	2022
Adjustments to equity	15	**(₱6,615,550)**	(₱6,615,550)
Cumulative remeasurement gains on retirement liability		**1,414,802**	1,595,078
		(₱5,200,748)	(₱5,020,472)

Non-controlling Interests

The Group's non-controlling interests are as follows:

	2023	2022
Treasure	**2%**	2%
Campanilla	**30%**	30%

Non-controlling interests amounted to (₱74.0 million) and (₱73.2 million) as at December 31, 2023 and 2022, respectively.

The net loss allocated to non-controlling interests amounted to ₱0.8 million, ₱10.7 million and ₱16.0 million in 2023, 2022 and 2021, respectively.

The summarized financial information of significant subsidiaries with non-controlling interests as at and for the years ended December 31, 2023, 2022 and 2021 follows:

	2023*	2022*	2021
Total assets	**₱1,635,497,115**	₱1,650,779,806	₱4,144,480,529
Total liabilities	**4,905,947,245**	4,886,136,012	8,373,872,119
Capital deficiency	**(3,270,450,130)**	(3,235,356,206)	(4,229,391,590)
Net loss	**(34,847,356)**	(300,871,752)	(367,327,802)

**Pertains to Treasure only*

15. Adjustments to Equity

The adjustments to equity were the results of the following:

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 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.

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.

Upon deconsolidation of Billions in 2022, goodwill amounting to ₱11.8 million and adjustments to equity amounting to ₱39.8 million were derecognized.

16. Costs of Goods Sold

This account consists of:

	Note	**2023**	2022	2021
Direct materials	6	**₱–**	₱177,743,314	₱1,087,406,443
Depreciation and amortization	21	**–**	4,230,754	16,778,330
Indirect labor		**–**	1,966,115	12,028,390
Salaries, wages and other employee benefits	20	**–**	1,928,535	11,798,480
Manufacturing supplies		**–**	535,002	3,273,060
Utilities and rent		**–**	2,679	16,390
Others		**–**	90,760	555,258
		₱–	₱186,497,159	₱1,131,856,351

17. General and Administrative Expenses

This account consists of:

	Note	**2023**	2022	2021
Taxes and licenses		**₱16,813,132**	₱7,958,007	₱9,627,161
Depreciation and amortization	21	**16,296,852**	27,467,921	32,023,952
Salaries, wages and other employee benefits	20	**13,457,528**	43,465,334	56,544,390
Outside services		**9,238,765**	9,653,274	5,096,786
Professional fees		**7,136,720**	12,735,942	3,155,741
Travel and transportation		**5,003,556**	2,155,696	1,284,647
Representation		**927,237**	8,961,925	1,890,527
Utilities and rental		**779,519**	3,390,562	5,129,258
Repairs and maintenance		**201,658**	4,689,455	2,136,472
Office supplies		**199,264**	228,113	778,049
Insurance		**28,236**	40,774	7,157
Freight and handling		**19,388**	5,843,494	5,851,765
Penalties		**–**	5,066,242	–
Receivables write-off	5	**–**	–	17,336,054
Others		**744,324**	6,002,296	16,643,193
		₱70,846,179	₱137,659,035	₱157,505,152

Penalties incurred in 2022 are due to late rental payments.

Others mainly pertain to registration, postages and other charges incurred during the year.

18. Provision for Impairment Losses

This account consists of provision for impairment losses as follows:

	Note	**2023**	2022	2021
CWT	7	**₱144,084**	₱68,476,659	₱–
Trade and other receivables	5	**–**	40,445,899	–
Due from related parties	13	**–**	38,716,276	–
Other noncurrent assets	10	**–**	5,022,978	222,455,069
		₱144,084	₱152,661,812	₱222,455,069

19. Retirement Benefits

As at December 31, 2023 and 2022, the Parent Company and Treasure have an unfunded, non-contributory retirement plan covering all its qualified employees. The latest actuarial valuation reports obtained by the Parent Company and Treasure were for the year ended December 31, 2023, respectively, using the projected unit credit method.

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

	2023	2022	2021
Current service cost	**₱1,082,303**	₱1,102,609	₱764,889
Interest cost	**522,546**	299,754	232,274
	₱1,604,849	₱1,402,363	₱997,163

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

	2023	2022
Balance at beginning of year	**₱14,346,231**	₱10,475,543
Current service cost	**1,082,303**	1,102,609
Interest cost	**522,546**	299,754
Remeasurement loss (gain):		
Change in assumptions	**340,319**	(750,742)
Experience adjustments	**(93,376)**	3,219,067
Balance at end of year	**₱16,198,023**	₱14,346,231

Movements in the retirement liability are as follows:

	2023	2022
Balance at beginning of year	**₱14,346,231**	₱10,475,543
Retirement expense	**1,604,849**	1,402,363
Remeasurement loss recognized in OCI	**246,943**	2,468,325
Balance at end of year	**₱16,198,023**	₱14,346,231

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

	2023	2022	2021
Balance at beginning of year	**₱1,597,647**	₱3,612,127	₱3,079,552
Remeasurement gain (loss), net of deferred tax	**(185,207)**	(2,014,480)	532,575
Balance at end of year	**₱1,412,440**	₱1,597,647	₱3,612,127

The principal actuarial assumptions used to determine retirement benefit for 2023 and 2022 are as follows:

	2023		2022	
	Treasure	**TKC**	Treasure	TKC
Discount rate	**6.09%**	**6.16%**	7.20%	7.42%
Salary increase rate	**5.00%**	**5.00%**	5.00%	2.00%

Sensitivity analyses on defined benefit liability are as follows:

	Basis Points	2023	2022
Discount rate	+1.00%	**(₱288,032)**	(₱216,860)
	-1.00%	**330,475**	244,750
Salary increase rate	+1.00%	**388,010**	310,748
	-1.00%	**(348,799)**	(284,576)

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, 2023, maturity analysis of undiscounted benefit payments is as follows:

Plan Year	
Less than one year	₱14,791,569
More than one to five years	618,129
More than five to 10 years	1,217,503
More than 10 to 15 years	976,230
More than 15 to 20 years	2,588,154
More than 20 years	5,079,539
	₱25,271,124

The average duration in years of retirement liability of the Group are as follows:

	2023	2022
Parent Company	**1.75**	0.59
Treasure	**4.14**	3.79

20. Salaries, Wages and Other Employee Benefits

This account consists of:

	Note	2023	2022	2021
Salaries and wages		**₱11,582,710**	₱43,421,903	₱67,137,908
Retirement benefits	19	**1,604,849**	1,402,363	997,163
Other employee benefits		**269,969**	569,603	207,799
		₱13,457,528	₱45,393,869	₱68,342,870

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

	Note	2023	2022	2021
Costs of goods sold	16	**₱–**	₱1,928,535	₱11,798,480
General and administrative expenses	17	**13,457,528**	43,465,334	56,544,390
		₱13,457,528	₱45,393,869	₱68,342,870

21. **Depreciation and Amortization**

Details of depreciation and amortization follows:

	Note	**2023**	2022	2021
Property, plant and equipment	8	**₱14,456,852**	₱27,178,877	₱39,672,991
Leasehold rights	9	**1,840,000**	4,519,798	9,129,291
		₱16,296,852	₱31,698,675	₱48,802,282

Depreciation and amortization are distributed as follows:

	Note	**2023**	2022	2021
Costs of goods sold	16	**₱–**	₱4,230,754	₱16,778,330
General and administrative expenses	17	**16,296,852**	27,467,921	32,023,952
		₱16,296,852	₱31,698,675	₱48,802,282

22. **Lease Commitments**

The Group renewed its office space lease in September 2019. The new lease has a term of 36 months, which ended in September 2022 and was not subsequently renewed.

The balances and movements in ROU assets as at December 31, 2022 are as follows (see Note 8):

Cost	
Balance at beginning of year	₱24,291,567
Derecognition	(24,291,567)
Balance at end of year	–
Accumulated Amortization	
Balance at beginning of year	18,556,058
Amortization	5,735,509
Derecognition	(24,291,567)
Balance at end of year	–
Carrying Amount	₱–

In 2022, ROU assets were derecognized upon the end of the lease term.

The balances and movements in lease liability as at and for the years ended December 31, 2022 are as follows:

	Note	
Balance at beginning of year		₱4,000,957
Rental payments		(4,062,195)
Interest expense	12	61,238
Balance at end of year - current		₱–

Refundable deposits on other lease agreement amounted to ₱0.7 million and ₱3.0 million as at December 31, 2023 and 2022, respectively (see Note 10).

Short-term Lease – Group as a Lessee

In September 2022, the Parent Company leased an office space from a third party. The lease agreement is on a three-month term and renewable upon mutual agreement of both parties. On December 31, 2022, the Parent Company did not renew the lease agreement.

Moreover, the Group also has various short-term leases with remaining lease term of 12 months or less.

Rental expense included in the "Utilities and rental" under "General and administrative expenses" account amounted to nil and ₱1,141,732 in 2023 and 2022, respectively.

23. Other Income

This account consists of:

	Note	**2023**	2022	2021
Reversal of allowance for inventory write-down	6	**₱42,851,817**	₱–	₱–
Loss on sale of raw materials		**(28,427,620)**	(19,895,903)	(1,250,011)
Unrealized foreign exchange gain (loss)		**(3,661,897)**	35,526,270	(475,673)
Reversal of allowance for input VAT	10	**1,194,693**	–	–
Interest income:				
Cash in banks	4	**12,830**	259,755	261,086
Long-term loan receivable		**–**	5,666,188	–
Realized foreign exchange gain		**4,343**	456,000	–
Gain (loss) on sale of property, plant and equipment	8	**–**	(296,340)	3,401,660
Others		**–**	805,220	–
		₱11,974,166	₱22,521,190	₱1,937,062

24. Income Tax

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

	2023	2022	2021
Reported in Profit or Loss:			
Current income tax - MCIT	**₱158**	₱12,650	₱65,628
Deferred tax	**(916,847)**	15,342,009	(2,552,906)
	(₱916,689)	₱15,354,659	(₱2,487,278)
Reported in OCI:			
Deferred tax on remeasurement gain on retirement liability	**(₱61,736)**	₱453,845	(₱104,603)
Effect of changes in income tax rates	**–**	–	218,768
	(₱61,736)	₱453,845	₱114,165

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 2023, 2022 and 2021 because there were no revenue derived from the registered activities.

Campanilla has no current income tax in 2023, 2022 and 2021 due to its taxable loss position. In 2021, Billions had no Enterprise Income Tax because it has no taxable income for the year. 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 2021, ZZ Stronghold is in a net taxable loss position.

The income tax rates used in preparing the financial statements of the Parent Company, Treasure and Campanilla as at and for the years ended December 31, 2023 and 2022 are as follows:

	2023		2022	
	RCIT	**MCIT**	RCIT	MCIT
Parent Company	**25%**	**1.5%**	25%	1%
Treasure	**25%**	**1.5%**	25%	1%
Campanilla	**20%**	**1.5%**	20%	1%

The effect of the reduction in tax rates was recognized as part of the 2021 provision for income tax, -as required by PAS 12, *Income Tax*es. Details of adjustments are as follows:

	Provision for income tax	Impact of change in tax rates	Adjusted provision for income tax
Reported in Profit or Loss:			
Current tax	₱73,632	(₱8,004)	₱65,628
Deferred tax	556,509	(3,109,415)	(2,552,906)
Reported in OCI -			
Effect of change in tax rates reported in OCI	–	(218,768)	–
	₱630,141	(₱3,336,187)	(₱2,487,278)

The Group did not recognize the following deferred tax assets of the Parent Company, Treasure and Campanilla as at December 31, 2023 and 2022 because Management has assessed that the Group may not have sufficient future taxable profit against which the deferred tax assets can be utilized. The Group's unrecognized deferred tax assets pertain to the following:

	2023	2022
Allowance for impairment loss on property, plant and equipment	**₱165,223,766**	₱165,223,766
NOLCO	**98,077,181**	67,528,326
Allowance for inventory write-down	**60,739,382**	71,452,336
Allowance for ECL of trade and other receivables	**14,527,450**	14,527,450
Allowance for impairment losses on other noncurrent assets	**12,772,215**	12,772,215
Allowance for ECL of due from related parties	**9,679,069**	9,679,069
Retirement liability	**4,569,131**	4,168,019
Excess of MCIT over RCIT	**86,440**	110,294
Unrealized foreign exchange loss	**175**	–
	₱365,674,809	₱345,461,475

As at December 31, 2022, 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:

	2023	2022
Reported in Profit or Loss:		
Unrealized foreign exchange gain	**₱14,885,976**	₱15,802,823
Capitalized borrowing cost	**12,663,292**	12,663,292
	27,549,268	28,466,115
Reported in OCI -		
Cumulative remeasurement gains on retirement benefits liability	**682,861**	744,597
	₱28,232,129	₱29,210,712

As at December 31, 2023, details of the Parent Company, Treasure and Campanilla's NOLCO are as follows:

Parent Company

Year Incurred	Balance at Beginning of Year	Incurred	Expired	Balance at End of Year	Year of Expiration
2023	₱–	₱45,023,495	₱–	₱45,023,495	2026
2022	39,942,282	–	–	39,942,282	2025
2021	25,185,405	–	–	25,185,405	2026
2020	37,620,172	–	–	37,620,172	2025
	₱102,747,859	₱45,023,495	₱–	₱147,771,354	

Treasure

Year Incurred	Balance at Beginning of Year	Incurred	Expired	Balance at End of Year	Year of Expiration
2023	₱–	₱77,561,319	₱–	₱77,561,319	2026
2022	78,685,722	–	–	78,685,722	2025
2021	38,138,673	–	–	38,138,673	2026
2020	49,336,127	–	–	49,336,127	2025
	₱166,160,522	₱77,561,319	₱–	₱243,721,841	

Campanilla

Year Incurred	Balance at Beginning of Year	Incurred	Expired	Balance at End of Year	Year of Expiration
2023	₱–	₱227,839	₱–	₱227,839	2028
2022	210,660	–	–	210,660	2027
2021	194,203	–	–	194,203	2026
2020	171,348	–	–	171,348	2025
2019	215,363	–	–	215,363	2024
2018	714,166	–	(714,166)	–	2023
	₱1,505,740	₱227,839	(₱714,166)	₱1,019,413	

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.

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.

As at December 31, 2023, details of the Parent Company and Treasure’s excess MCIT over RCIT follow:

Parent Company

Year Incurred	Balance at Beginning of Year	Additions	Expired	Balance at End of Year	Year of Expiration
2023	₱–	₱93	₱–	₱93	2026
2022	11,836	–	–	11,836	2025
	₱11,836	₱93	₱–	₱11,929	

Treasure

Year Incurred	Balance at Beginning of Year	Incurred	Effect of change in tax rates	Expired	Balance at End of Year	Year of Expiration
2023	₱–	₱65	₱–	₱–	₱65	2026
2022	814	–	–	–	814	2025
2021	73,632	–	–	–	73,632	2024
2020	24,012	–	–	(24,012)	–	2023
	₱98,458	₱65	₱–	(₱24,012)	₱74,511	

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

	2023	2022	2021
At statutory tax rate	**25.00%**	25.00%	25.00%
Change in unrecognized deferred tax assets	**(25.87)**	(20.31)	(20.28)
Tax effects of:			
Reversal of impairment of input VAT	**0.48**	–	–
Nondeductible expense	**(0.57)**	(2.10)	(0.03)
Expired NOLCO and MCIT	**(0.21)**	(1.60)	(4.89)
Interest income subjected to final tax	**–**	–	–
Change in income tax rates	**–**	–	0.81
At effective tax rates	**(1.17%)**	0.99%	0.61%

25. **Basic and Diluted Income (Loss) Per Share**

Basic income (loss) per share is computed as follows:

	2023	2022	2021
Net income (loss) attributable to equity holders of the Parent Company (a)	**(₱83,820,654)**	₱925,828,395	(₱392,282,041)
Weighted average number of shares outstanding (b)	**995,479,452**	940,000,000	940,000,000
Income (loss) per share (a/b)	**(₱0.08)**	₱0.98	(₱0.42)

As at December 31, 2023, 2022 and 2021, the Group has no potential dilutive common shares.

26. **Segment Information**

For management purposes, the Group is organized into 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 follow:

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. As disclosed in Note 1, Billions was sold to a third party in 2022.

The accounting policies of the operating segments are the same as those described in the summary of material accounting policy information.

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

	2023		
	Philippines		
	TKC	**Treasure**	**Total**
General and administrative expenses	**(₱37,566,574)**	**(₱33,049,766)**	**(₱70,616,340)**
ECL and impairment	**(290,860)**	**(144,177)**	**(435,037)**
Interest expense	**(8,918,952)**	**(17,568,179)**	**(26,487,131)**
Interest income	**8,087**	**4,696**	**12,783**
Other income (charges)	**(3,656,760)**	**15,909,049**	**12,252,289**
Loss before income tax	**(50,425,059)**	**(34,848,377)**	**(85,273,436)**
Income tax benefit	**915,668**	**1,021**	**916,689**
Segment net loss	**(₱49,509,391)**	**(₱34,847,356)**	**(₱84,356,747)**
Segment assets	**₱2,001,246,903**	**₱1,635,497,115**	**₱3,636,744,018**
Segment liabilities	**₱1,131,949,742**	**₱4,905,947,245**	**₱6,037,896,987**
Capital expenditures	**₱–**	**₱–**	**₱–**
Depreciation and amortization	**₱492,736**	**₱15,804,116**	**₱16,296,852**

	2022		
	Philippines		
	TKC	Treasure	Total
General and administrative expenses	(₱35,800,081)	(₱43,269,353)	(₱79,069,434)
ECL and impairment	(1,105,152,471)	(65,067,159)	(1,170,219,630)
Interest expense	(7,773,301)	(18,866,379)	(26,639,680)
Interest income	5,920,237	5,659	5,925,896
Other income (charges)	36,408,949	(173,672,620)	(137,263,671)
Loss before income tax	(1,106,396,667)	(300,869,852)	(1,407,266,519)
Income tax expense	(8,458,630)	(1,900)	(8,460,530)
Segment net loss	(₱1,114,855,297)	(₱300,871,752)	(₱1,415,727,049)
Segment assets	₱2,013,534,421	₱1,650,779,806	₱3,664,314,227
Segment liabilities	₱1,094,789,230	₱4,886,136,012	₱5,980,925,242
Capital expenditures	₱–	₱–	₱–
Depreciation and amortization	₱6,119,331	₱15,792,705	₱21,912,036

	2021			
	Philippines		China	
	TKC	Treasure	ZZ Stronghold	Total
Results of operations:				
Net revenues	₱–	₱–	₱1,155,152,942	₱1,155,152,942
Cost of goods sold	–	–	1,131,856,351	1,131,856,351
Gross income	–	–	23,296,591	23,296,591
General and administrative expenses	(17,362,012)	(29,183,614)	(110,762,323)	(157,307,949)
ECL and impairment	(15,267,665)	(207,697,358)	–	(222,965,023)
Interest expense	(8,187,809)	(9,279,725)	(38,099,202)	(55,566,736)
Interest income	5,749,322	725	257,864	6,007,911
Other income (charges)	17,666,172	(1,514,034)	3,186,244	19,338,382
Loss before income tax	(17,401,992)	(247,674,006)	(122,120,826)	(387,196,824)
Income tax benefit (expense)	(3,894,401)	2,467,030	–	(1,427,371)
Segment net loss	(₱21,296,393)	(₱245,206,976)	(₱122,120,826)	(₱388,624,195)
Segment assets	₱3,136,664,798	₱1,914,107,309	₱2,230,373,220	₱7,281,145,327
Segment liabilities	₱1,100,921,380	₱4,848,720,213	₱3,525,151,906	₱9,474,793,499
Capital expenditures	₱–	₱–	₱–	₱–
Depreciation and amortization	₱8,429,780	₱15,787,253	₱24,585,249	₱48,802,282

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

	2023	2022
Assets of all reportable segments	**₱3,636,744,018**	₱3,664,314,227
Intercompany eliminations	**629,232**	5,851
Assets of nonreportable segment	**23,108**	23,061
Group assets	**₱3,637,396,358**	₱3,664,343,139

Reconciliation of Liabilities

	2023	2022
Liabilities of all reportable segments	**₱6,037,896,987**	₱5,980,925,242
Intercompany eliminations	**(2,567,558,994)**	(2,568,182,375)
Liabilities of nonreportable segment	**4,281,327**	4,051,488
Group liabilities	**₱3,474,619,320**	₱3,416,794,355

Reconciliation of Income (Loss)

	2023	2022	2021
Net loss of all reportable segments	**(₱84,356,747)**	(₱1,415,727,049)	(₱388,624,195)
Intercompany eliminations	**–**	2,380,038,436	(19,410,650)
Net loss of nonreportable segment	**(229,792)**	(218,613)	(203,157)
Net loss of deconsolidated segment	**–**	(48,980,657)	–
Group net income (loss)	**(₱84,586,539)**	₱915,112,117	(₱408,238,002)

The following information relate to geographical segments:

Revenues from External Customers

	2023	2022	2021
China	**₱–**	₱203,575,434	₱1,155,152,942
Philippines	**–**	–	–
	₱–	₱203,575,434	₱1,155,152,942

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

	2023	2022
Philippines:		
Property, plant and equipment	**₱1,621,782,780**	₱1,635,904,979
Leasehold rights	**11,346,667**	13,186,667
Others	**–**	–
	1,633,129,447	1,649,091,646
China:		
Property, plant and equipment	**–**	–
Leasehold rights	**–**	–
	–	–
	₱1,633,129,447	₱1,649,091,646

27. Financial Risk Management Objectives and Policies

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

As discussed in Note 1, the Group sold Billions which was the only component of the Group dealing with foreign currency exposures covering 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. As at December 31, 2023, the Group is not exposed to RMB foreign currency risk.

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 USD include cash in banks which comprised only 0.01% of the total financial monetary assets as at December 31, 2023. Accordingly, exposure of the Group to USD foreign currency risk is minimal.

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, 2023 and 2022, the Group was exposed to changes in market interest rates since loans payable of the Parent Company and Treasure are subject to monthly repricing (see Note 12). All other financial assets and liabilities are noninterest-bearing or have fixed interest rates.

The table below illustrates the sensitivity of the Group's loss before income tax to a reasonably possible change in interest rates using the volatility of interest rates as basis points during the year presented. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each year, and the financial instruments held at the end of each reporting period that are sensitive to changes in interest rates. All other variables are held constant.

	Increase/Decrease in Basis Points	Effect on Loss before Income Tax
December 31, 2023	**+9.90**	**(₱294,270)**
	-9.90	**294,270**
December 31, 2022	+9.52	(₱282,973)
	-9.52	282,973

<u>Credit Risk</u>

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

With the exception of cash and nontrade receivable from a third party which are subject to 12-month ECL, the impairment of financial assets at amortized cost was measured on a lifetime ECL basis. The allowance for ECL amounted to ₱96.1 million as at December 31, 2023 and 2022.

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, 2023 and 2022. The amounts are presented by credit risk rating grades and represent the gross carrying amounts of the financial assets.

	December 31, 2023					
	Neither Past Due nor Impaired					
	High Grade	**Standard Grade**	**Substandard Grade**	**Past Due but not Impaired**	**Credit Impaired**	**Total**
Lifetime ECL:						
Trade receivables from third parties*	**₱–**	**₱1,504,843**	**₱–**	**₱–**	**₱11,331,856**	**₱12,836,699**
Trade receivables from related parties*	**–**	**–**	**–**	**–**	**43,572,598**	**43,572,598**
Other receivables*	**–**	**81,451,128**	**–**	**–**	**524,206**	**81,975,334**
Due from related parties	**–**	**318,297,229**	**–**	**–**	**39,967,136**	**358,264,365**
Refundable deposits**	**–**	**–**	**–**	**–**	**697,105**	**697,105**
12-month ECL:						
Cash in banks	**2,832,650**	**–**	**–**	**–**	**–**	**2,832,650**
Nontrade receivable from a third party*	**–**	**1,593,912,458**	**–**	**–**	**–**	**1,593,912,458**
	₱2,832,650	**₱1,995,165,658**	**₱–**	**₱–**	**₱96,092,901**	**₱2,094,091,209**

**Presented under trade and other receivables.*
***Presented as other current assets and other noncurrent asset.*

	December 31, 2022					
	Neither Past Due nor Impaired					
	High Grade	Standard Grade	Substandard Grade	Past Due but not Impaired	Credit Impaired	Total
Lifetime ECL:						
Trade receivables from third parties*	₱–	₱974,025	₱–	₱–	₱11,331,856	₱12,305,881
Trade receivables from related parties*	–	–	–	–	43,572,598	43,572,598
Other receivables*	–	67,822,726	–	–	524,206	68,346,932
Due from related parties	–	330,711,200	–	–	39,967,136	370,678,336
Refundable deposits**	2,259,645	–	–	–	697,105	2,956,750
12-month ECL:						
Cash in banks	10,477,730	–	–	–	–	10,477,730
Nontrade receivable from a third party*	–	1,597,572,982	–	–	–	1,597,572,982
	₱12,737,375	₱1,997,080,933	₱–	₱–	₱96,092,901	₱2,105,911,209

**Presented under trade and other receivables.*
***Presented as other current assets and other noncurrent asset.*

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, 2023 and 2022 based on contractual undiscounted payments:

	2023					
	On Demand	**Up to 3 Months**	**3 to 6 Months**	**6 to 12 Months**	**Beyond 1 Year**	**Total**
Financial Liabilities at Amortized Cost:						
Trade and other payables*	**₱5,926,702**	**₱264,755,433**	**₱–**	**₱–**	**₱–**	**₱270,682,135**
Loans payable**	–	**299,364,183**	–	–	–	**299,364,183**
Due to related parties	**2,836,051,189**	–	–	–	–	**2,836,051,189**
	₱2,841,977,891	**₱564,119,616**	**₱–**	**₱–**	**₱–**	**₱3,406,097,507**

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

	2022					
	On Demand	Up to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 Year	Total
Financial Liabilities at Amortized Cost:						
Trade and other payables*	₱5,926,702	₱265,942,357	₱–	₱–	₱–	₱271,869,059
Loans payable**	–	300,001,662	–	–	–	300,001,662
Due to related parties	2,799,005,050	–	–	–	–	2,799,005,050
	₱2,804,931,752	₱565,944,019	₱–	₱–	₱–	₱3,370,875,771

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

28. Fair Value Measurement

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

	2023		2022	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
At amortized cost:				
Cash	**₱2,852,650**	**₱2,852,650**	₱10,487,730	₱10,487,730
Trade and other receivables*	**1,676,868,429**	**1,676,868,429**	1,666,369,733	1,666,369,733
Due from related parties	**318,297,229**	**318,297,229**	330,711,200	330,711,200
Refundable deposits**	**–**	**–**	2,259,645	2,259,645
	₱1,998,018,308	**₱1,998,018,308**	₱2,009,828,308	₱2,009,828,308
Financial Liabilities				
At amortized cost:				
Trade and other payables***	**₱270,682,135**	**₱270,682,135**	₱271,869,059	₱271,869,059
Loans payable	**297,270,080**	**297,270,080**	297,270,080	297,270,080
Due to related parties	**2,836,051,189**	**2,836,051,189**	2,799,005,050	2,799,005,050
	₱3,404,003,404	**₱3,404,003,404**	₱3,368,144,189	₱3,368,144,189

**Excluding nonfinancial receivables.*
*** Presented as other current assets and other noncurrent asset.*
****Excluding nonfinancial liabilities.*

Cash, 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.

Refundable Deposits. As at December 31, 2023 and 2022, 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 carrying amount of refundable deposits approximates its fair value.

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

29. 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 2023 and 2022.

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:

	2023	2022
Capital stock	**₱1,690,000,000**	₱940,000,000
Additional paid-in capital	**2,733,047,906**	1,983,047,906
Deposits for future subscriptions	**–**	1,500,000,000
	₱4,423,047,906	₱4,423,047,906

On December 5, 2023, the SEC approved the application of the increase in authorized capital stock of the Parent Company. Consequently, the deposits for future subscriptions amounting to ₱1,500.0 million was reclassified to capital stock and additional paid-in capital.

REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY SCHEDULES FOR FILING WITH THE
SECURITIES AND EXCHANGE COMMISSION

The Stockholders and the Board of Directors
TKC Metals Corporation
2nd Floor W Tower Condominium
39th St., North Bonifacio Triangle
Bonifacio Global City, Taguig City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of TKC Metals Corporation (the Parent Company) and Subsidiaries (the Group) as at December 31, 2023 and 2022, and for the years ended December 31, 2023, 2022 and 2021 and have issued our report thereon dated April 22, 2024. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole.

The following supplementary schedules are the responsibility of the Group's management. These are presented for purposes of complying with the Revised Securities Regulation Code Rule 68 Part II, and are not part of the basic consolidated financial statements:

- Reconciliation of Retained Earnings Available for Dividend Declaration of the Parent Company as at December 31, 2023
- Schedules Required by Annex 68-J as at December 31, 2023
- Conglomerate Map as at December 31, 2023
- Schedule of Financial Soundness Indicators as at and for the years ended December 31, 2023 and 2022

The supplementary schedules have been subjected to the audit 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.

The financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards and may not be comparable to similarly titled measures presented by other companies. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2023 and 2022.

REYES TACANDONG & CO.

CAROLINA P. ANGELES
Partner
CPA Certificate No. 86981
Tax Identification No. 205-067-976-000
BOA Accreditation No. 4782/P-007; Valid until June 6, 2026
BIR Accreditation No. 08-005144-007-2022
Valid until October 16, 2025
PTR No. 10072409
Issued January 2, 2024, Makati City

April 22, 2024
Makati City, Metro Manila

TKC METALS CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

DECEMBER 31, 2023 AND 2022

Below is a schedule showing financial soundness indicators of the Group for the years 2023 and 2022.

Ratio	Formula	2023	2022
CURRENT RATIO	Current assets	**₱2,004,266,911**	₱2,015,251,493
	Divided by current liabilities	**3,430,189,168**	3,373,237,412
		0.58:1	0.60:1
ACID TEST RATIO	Current assets (excluding inventories)	**₱2,004,266,911**	₱2,015,251,493
	Divided by current liabilities	**3,430,189,168**	3,373,237,412
		0.58:1	0.60:1
SOLVENCY RATIO	Net income (loss) before depreciation and amortization	**(₱68,289,687)**	₱946,810,792
	Divided by total liabilities	**3,474,619,320**	3,416,794,355
		(0.02):1	0.28:1
DEBT-TO-EQUITY RATIO	Total liabilities	**₱3,474,619,320**	₱3,416,794,355
	Divided by total equity	**162,777,038**	247,548,784
		21.35:1	13.80:1
ASSET-TO-EQUITY RATIO	Total assets	**₱3,637,396,358**	₱3,664,343,139
	Divided by total equity	**162,777,038**	247,548,784
		22.35:1	14.80:1
INTEREST RATE COVERAGE RATIO	Income (loss) before interest and taxes	**(₱59,016,097)**	₱972,597,276
	Divided by interest expense	**26,487,131**	42,130,500
		(2.23):1	23.09:1
RETURN ON EQUITY	Net income (loss)	**(₱84,586,539)**	₱915,112,117
	Divided by average equity	**205,162,911**	(25,947,578)
		(0.41):1	(35.27):1
RETURN ON ASSETS	Net income (loss)	**(₱84,586,539)**	₱915,112,117
	Divided by average assets	**3,650,869,749**	3,664,343,139
		(0.02):1	0.25:1
NET PROFIT MARGIN	Gross profit	**₱–**	₱17,078,275
	Divided by revenue	**–**	203,575,434
		0.00:1	0.08:1

TKC METALS CORPORATION AND SUBSIDIARIES

PARENT COMPANY'S RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

FOR THE REPORTING PERIOD ENDED DECEMBER 31, 2023

		Amount
Unappropriated retained earnings (deficit), beginning of reporting period		(₱3,594,814,381)
Add:	Category A: Items that are directly credited to unappropriated retained earnings (deficit)	–
Less:	Category B: Items that are directly debited to unappropriated retained earnings (deficit)	–
Unappropriated retained earnings (deficit), as adjusted		**(3,594,814,381)**
Add/Less:	Net income (loss) for the current year	(49,509,391)
Add:	Category C.1: Unrealized loss recognized in the profit or loss during the reporting period (net of tax)	2,745,393
Add:	Category C.2: Unrealized income recognized in the profit of loss in prior reporting periods but realized in the current reporting period (net of tax)	–
Add:	Category C.3: Unrealized income recognized in profit or loss in prior periods but reversed in the current reporting period (net of tax)	–
Adjusted Net Loss		**(46,763,998)**
Add:	Category D: Non-actual losses recognized in profit or loss during the reporting period (net of tax)	–
Add/Less:	Category E: Adjustments related to relief granted by the SEC and BSP	–
Add/Less:	Category F: Other items that should be excluded from the determination of the amount of available for dividends distribution	–
		–
Total retained earnings (deficit), end of the reporting period available for dividend		**(₱3,641,578,379)**

TKC METALS CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULES AS REQUIRED BY PART II of REVISED SRC RULE 68
DECEMBER 31, 2023

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**There are no financial assets measured at fair value through profit or loss, fair value through other comprehensive income and held-to-maturity investments.*

***There are no amounts to whom the aggregate indebtedness is ₱1,000,000 or 1% of total assets. In addition, the advances were made to the employees to carry out the ordinary course of business.*

****The Group does not have long-term debts.*

***** Total noncurrent 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, 2023

			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***
Treasure Steelworks Corporation – Subsidiary								
Trade receivables	₱2,176,670	₱–	₱–	₱–	₱–	₱2,176,670	₱–	₱2,176,670
Due from related parties	2,563,850,111	–	(700,995)	–	–	–	2,563,149,116	2,563,149,116
		–	–	–	–	–		
Campanilla Mineral Resources, Inc. – Subsidiary								
Due from related parties	2,155,594	77,614	–	–	–	–	2,233,208	2,233,208
	₱2,568,182,375	₱77,614	(₱700,995)	₱–	₱–	₱2,176,670	₱2,565,382,324	₱2,567,558,994

TKC METALS CORPORATION AND SUBSIDIARIES

SCHEDULE G – CAPITAL STOCK

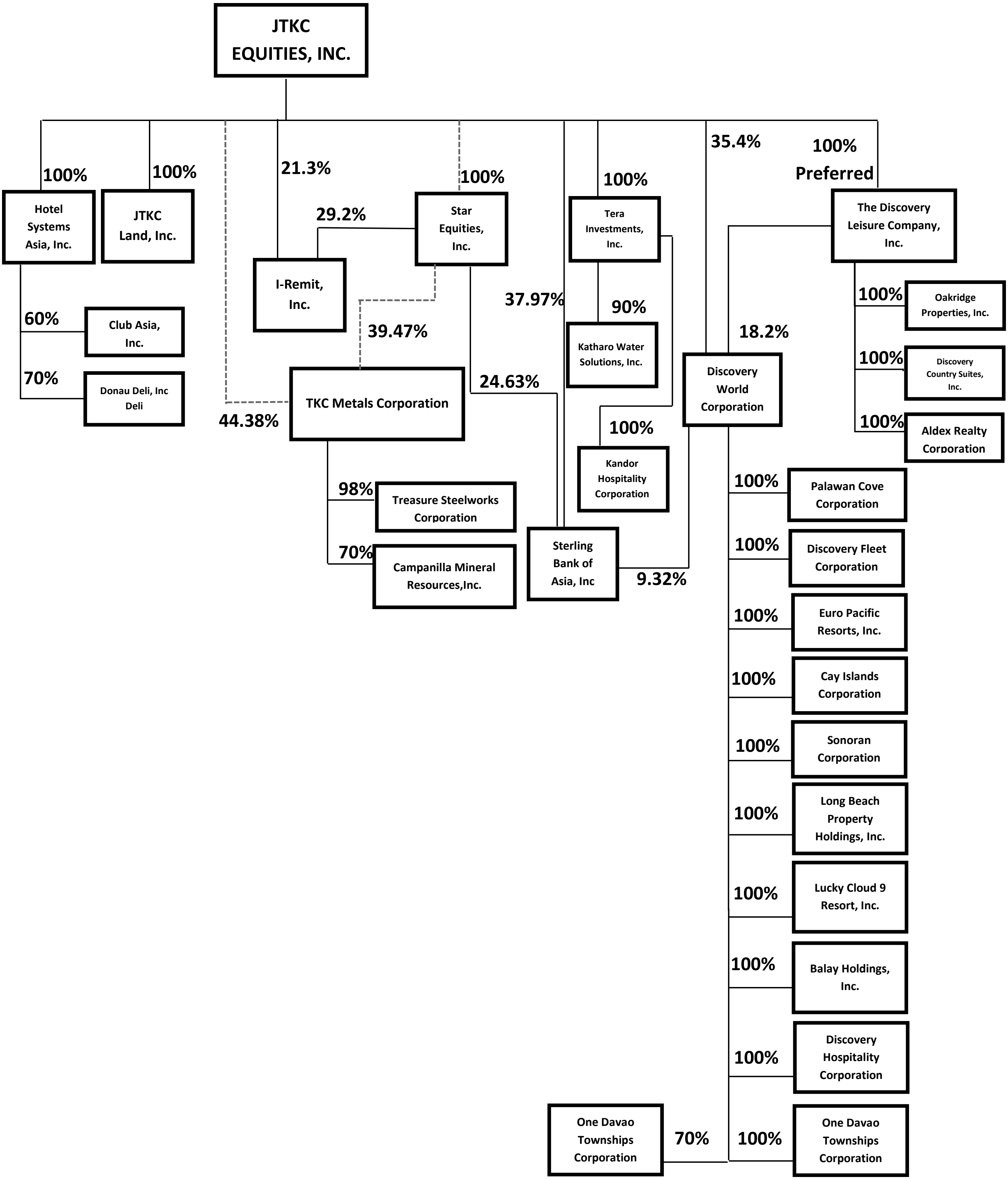
DECEMBER 31, 2023

				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	3,000,000,000	1,690,000,000	–	1,417,000,603	4	272,999,393

TKC METALS CORPORATION AND SUBSIDIARIES

CONGLOMERATE MAP

DECEMBER 31, 2023



TKC METALS
Strength in vision

"STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS"

The Management of TKC Metals Corporation and Subsidiaries (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2023 and 2022, 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 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.

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

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

Reyes Tacandong & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signature: ____________________
BEN C. TIU
Chairman/Chief Executive Officer

Signature: ____________________
IGNATIUS F. YENKO
Vice-Chairman

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

Signed this ___ day of _____ 2024

SUBSCRIBED AND SWORN to before me on this APR 26 2024
at CALOOCAN CITY, Philippines by EFREN A. REALEZA, JR.
who has satisfactorily proven to me his identity through
his government issued ID PASSPORT # P4832475B
2/16/2020

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

Doc. No. 492
Page No. 100
Book No. 78
Series of 2024

ATTY. ORLANDO O. AILES
Commission No. C-358
Until December 31, 2024
Notary Public for Caloocan City
2/F ARCA Bldg. fronting SSS Deparo
Celia Subd., Deparo, Cal. City
MCLE VII-0022628 - 7/20/2022
PTR-1846670 - 1/02/2024 - Cal. City
IBP-416482 - 1/11/2024 - Cal. City
Roll No. 20332

COVER SHEET
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)*

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

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

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

BOA/PRC Accreditation No. 4782
April 14, 2024, valid until June 6, 2026
SEC Registration No. PP201007009

BDO Towers Valero
8741 Paseo de Roxas
Makati City 1226 Philippines
Phone : +632 8 982 9100
Fax : +632 8 982 9111
Website : www.reyestacandong.com

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
TKC Metals Corporation
2nd Floor W Tower Condominium
39th St., North Bonifacio Triangle
Bonifacio Global City, Taguig City

Opinion

We have audited the separate financial statements of TKC Metals Corporation (the Company), which comprise the separate statements of financial position as at December 31, 2023 and 2022, and the separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years ended December 31, 2023, 2022 and 2021, and notes to the separate financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years ended December 31, 2023, 2022 and 2021 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

As discussed in Note 1, the Company sold all of its interest in Billions Steel International Limited (Billions) on June 20, 2022 because of the continuing losses of ZhangZhou Stronghold Steel Works Co. Ltd. (ZZ Stronghold), the operating steel subsidiary of Billions, due to low production and sales volume in China. Moreover, on December 29, 2022, the Board of Directors approved to dispose Treasure Steelworks Corporation (Treasure) and Campanilla Mineral Resources, Inc. (Campanilla), its remaining subsidiaries. Treasure has ceased operations since 2013, while Campanilla has not commenced operations as at December 31, 2023.

Additionally, the deficit of the Company amounted to ₱3,553.2 million and ₱3,503.6 million as at December 31, 2023 and 2022, respectively.

These events or conditions indicate a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

As further discussed in Note 1, the Company has an ongoing negotiation with an investor group for business ventures mainly in the field of information technology and broadband internet. Moreover, the stockholders and all related parties of the Company, have continued to provide financial support to sustain the Company's operations and meet its maturing obligations.

Accordingly, the Company continues to prepare its 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 our audits.

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.

CAROLINA P. ANGELES
Partner
CPA Certificate No. 86981
Tax Identification No. 205-067-976-000
BOA Accreditation No. 4782/P-007; Valid until June 6, 2026
BIR Accreditation No. 08-005144-007-2022
Valid until October 16, 2025
PTR No. 10072409
Issued January 2, 2024, Makati City

April 22, 2024
Makati City, Metro Manila

TKC METALS CORPORATION

SEPARATE STATEMENTS OF FINANCIAL POSITION

	Note	December 31 2023	2022
ASSETS			
Current Assets			
Cash	4	**₱600,021**	₱7,741,165
Trade and other receivables	5	**1,681,256,992**	1,670,788,239
Due from related parties	13	**317,673,848**	330,711,200
Refundable deposits	21	**–**	2,259,645
Total Current Assets		**1,999,530,861**	2,011,500,249
Noncurrent Asset			
Property and equipment	10	**1,716,042**	2,034,172
		₱2,001,246,903	₱2,013,534,421
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	11	**₱55,544,056**	₱35,964,185
Loans payable	12	**97,377,719**	97,377,719
Due to related parties	13	**956,540,726**	938,850,465
Total Current Liabilities		**1,109,462,501**	1,072,192,369
Noncurrent Liabilities			
Retirement liability	14	**7,580,811**	6,795,124
Deferred tax liabilities	20	**14,906,430**	15,801,737
Total Noncurrent Liabilities		**22,487,241**	22,596,861
Total Liabilities		**1,131,949,742**	1,094,789,230
Equity			
Capital stock	15	**1,690,000,000**	940,000,000
Additional paid-in capital		**2,733,047,906**	1,983,047,906
Deposits for future subscriptions	15	**–**	1,500,000,000
Cumulative remeasurement losses on retirement liability	14	**(591,583)**	(652,944)
Deficit		**(3,553,159,162)**	(3,503,649,771)
Total Equity		**869,297,161**	918,745,191
		₱2,001,246,903	₱2,013,534,421

See accompanying Notes to Separate Financial Statements.

TKC METALS CORPORATION

SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	**2023**	2022	2021
GENERAL AND ADMINISTRATIVE EXPENSES	16	**(₱37,566,574)**	(₱35,800,081)	(₱17,362,012)
INTEREST EXPENSE	12	**(8,918,952)**	(7,773,301)	(8,187,809)
NET UNREALIZED FOREIGN EXCHANGE GAIN (LOSS)	17	**(3,661,196)**	35,525,498	17,666,172
PROVISION FOR IMPAIRMENT ON:				
Input value-added tax (VAT)	3	**(290,860)**	(1,417,568)	(14,751,711)
Creditable withholding taxes (CWT)	7	**–**	(10,249,661)	–
PROVISION FOR EXPECTED CREDIT LOSSES (ECL) ON:				
Due from related parties	13	**–**	(1,051,491,689)	(83,978)
Trade and other receivables	5	**–**	(41,993,553)	–
OTHER INCOME - Net	18	**12,523**	6,803,688	5,317,346
LOSS BEFORE INCOME TAX		**(50,425,059)**	(1,106,396,667)	(17,401,992)
PROVISION FOR (BENEFIT FROM) INCOME TAX	20			
Current		**93**	11,836	–
Deferred		**(915,761)**	8,446,794	3,894,401
		(915,668)	8,458,630	3,894,401
NET LOSS		**(49,509,391)**	(1,114,855,297)	(21,296,393)
OTHER COMPREHENSIVE INCOME (LOSS)	14			
Item not to be reclassified to profit or loss:				
Remeasurement gain (loss) on retirement liability, net of deferred tax		**61,361**	(2,142,930)	–
Effect of changes in income tax rates		**–**	–	99,332
		61,361	(2,142,930)	99,332
TOTAL COMPREHENSIVE LOSS		**(₱49,448,030)**	(₱1,116,998,227)	(₱21,197,061)

See accompanying Notes to Separate Financial Statements.

TKC METALS CORPORATION

SEPARATE STATEMENTS OF CHANGES IN EQUITY

		Years Ended December 31		
	Note	**2023**	2022	2021
CAPITAL STOCK	15	**₱1,690,000,000**	₱940,000,000	₱940,000,000
ADDITIONAL PAID-IN CAPITAL		**2,733,047,906**	1,983,047,906	1,983,047,906
DEPOSITS FOR FUTURE SUBSCRIPTIONS	15	**–**	1,500,000,000	1,500,000,000
DEFICIT				
Balance at beginning of year		**(3,503,649,771)**	(2,388,794,474)	(2,367,498,081)
Net loss		**(49,509,391)**	(1,114,855,297)	(21,296,393)
Balance at end of year		**(3,553,159,162)**	(3,503,649,771)	(2,388,794,474)
CUMULATIVE REMEASUREMENT GAINS (LOSSES) ON RETIREMENT LIABILITY	14			
Balance at beginning of year		**(652,944)**	1,489,986	1,390,654
Remeasurement gain (loss) on retirement liability, net of deferred tax		**61,361**	(2,142,930)	–
Effect of changes in income tax rates		**–**	–	99,332
Balance at end of year		**(591,583)**	(652,944)	1,489,986
		₱869,297,161	₱918,745,191	₱2,035,743,418

See accompanying Notes to Separate Financial Statements.

TKC METALS CORPORATION

SEPARATE STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	**2023**	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before income tax		**(₱50,425,059)**	(₱1,106,396,667)	(₱17,401,992)
Adjustments for:				
Interest expense	12	**8,918,952**	7,773,301	8,187,809
Net unrealized foreign exchange loss (gain)	17	**3,661,196**	(35,525,498)	(17,666,172)
Retirement expense	14	**867,502**	696,917	338,663
Depreciation and amortization	10	**492,736**	6,119,331	8,429,780
Provision for impairment on:				
Input value-added tax (VAT)		**290,860**	1,417,568	14,751,711
CWT	7	**–**	10,249,661	–
Interest income	18	**(8,087)**	(5,920,237)	(5,749,322)
Reversal of impairment of CWT		**(93)**	–	–
Provision for ECL on:				
Due from related parties	13	**–**	1,051,491,689	83,978
Trade receivables	5	**–**	41,993,553	–
Loss on disposal of property and equipment	10	**–**	296,340	–
Loss on inventory write-down	6	**–**	–	431,976
Operating loss before working capital changes		**(36,201,993)**	(27,804,042)	(8,593,569)
Decrease (increase) in:				
Trade and other receivables		**(14,129,277)**	(63,886,485)	96,189
Input VAT		**(290,860)**	(1,417,568)	(563,772)
Refundable deposits		**2,259,645**	(30,387)	–
Increase (decrease) in trade and other payables		**19,702,404**	(8,019,527)	8,750,601
Net cash used for operations		**(28,660,081)**	(101,158,009)	(310,551)
Interest received		**8,087**	254,049	2,451
Net cash used in operating activities		**(28,651,994)**	(100,903,960)	(308,100)
CASH FLOWS FROM INVESTING ACTIVITIES				
Decrease (increase) in due from related parties		**13,037,352**	(386,957,523)	1,266,022
Acquisition of property and equipment	10	**(174,606)**	(2,204,600)	(29,910)
Proceeds from disposal of investment in a subsidiary		**–**	500,110,000	–
Proceeds from sale of property and equipment	10	**–**	600,000	–
Net cash provided by investing activities		**12,862,746**	111,547,877	1,236,112
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Due to related parties	12	**17,690,261**	81,196,324	14,252,285
Deposits from future subscription	15	**–**	1,500,000,000	–
Payments for:				
Interest	12	**(9,041,485)**	(8,686,256)	(10,398,024)
Deposits from future subscription	15	**–**	(1,500,000,000)	–
Loans payable	12	**–**	(71,620,938)	–
Lease liability	12	**–**	(4,062,195)	(8,617,427)
Net cash provided by (used in) financing activities		**8,648,776**	(3,173,065)	(4,763,166)

(Forward)

		Years Ended December 31		
	Note	**2023**	2022	2021
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES ON CASH	17	**(₱672)**	₱1,848	₱3,766
NET INCREASE (DECREASE) IN CASH		**(7,141,144)**	7,472,700	(3,831,388)
CASH AT BEGINNING OF YEAR		**7,741,165**	268,465	4,099,853
CASH AT END OF YEAR		**₱600,021**	₱7,741,165	₱268,465
NONCASH FINANCIAL INFORMATION				
Application of deposits for future subscription against capital stock and additional paid-in capital	15	**₱1,500,000,000**	₱–	₱–
Uncollected portion of proceeds from disposal of investment in a subsidiary		**–**	1,241,715,926	–
Reclassification to nontrade receivable from a third party from:	13			
Due from related parties		**–**	201,470,295	–
Loan receivable		**–**	168,358,878	–
Due to related parties		**–**	(13,999,500)	–

See accompanying Notes to Separate Financial Statements.

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 engaged in marketing and selling of purlins and galvanized iron sheets.

The following are the subsidiaries of the Company:

Name of Subsidiaries	Country of Incorporation	Nature of Business	Percentage of Ownership		
			2023	2022	2021
Treasure Steelworks Corporation (Treasure)	Philippines	Manufacture of steel products	**98%**	98%	98%
Campanilla Mineral Resources, Inc. (Campanilla)**	Philippines	Mineral production	**70%**	70%	70%
Billions Steel International Limited (Billions)	Hong Kong	Investment holdings	**–**	–	100%
Zhangzhou Stronghold Steel Works Co. Ltd. (ZZ Stronghold)*	People's Republic of China or PRC	Manufacture of steel pipes	**–**	–	91%

**Through Billions*
***Has not yet started commercial operations as at December 31, 2023*

TKC and its subsidiaries are collectively referred to as "the Group."

As at December 31, 2023, the Company is 44.38% directly owned by JTKC Equities, Inc. (JEI) and 39.47% indirectly owned by JEI through Star Equities, Inc. (SEI). Accordingly, JEI is the Ultimate Parent of the Company. JEI and SEI are both holding companies and were incorporated in the Philippines.

On December 5, 2023, the SEC approved the amendment of the Company's Articles of Incorporation (AOI) for the change in the principal office address from Unit B1-A/C, 2nd Floor, Building B, Karrivin Plaza, 2316 Chino Roces Avenue Extension, Makati City to 2nd Floor W Tower Condominium, 39th St., North Bonifacio Triangle, Bonifacio Global City, Taguig City.

The principal place of business of the Company is Upper Penthouse, GSC Corporate Tower, Triangle Drive, BGC, Taguig City, NCR 1630.

Increase in Capital

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 stock 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, was approved by the Board of Directors (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 Company filed the application for the approval of the proposed increase in authorized capital stock with the SEC on December 21, 2018. The Company has filed a request for reconsideration when the SEC considered the debt-to-equity conversion not an acceptable payment for the issuance of the shares of stock. The SEC did not act on the request. To break the impasse, the BOD of JEI approved to subscribe to the increase and pay for the subscription in cash on May 20, 2022, in substitution of the original subscribers who agreed to subscribe through conversion of their advances into equity. On the same day, the BOD of the Company approved the substitution of the subscribers and mode of subscription.

On May 31, 2022, the Company received cash amounting to ₱1,500.0 million from JEI for its subscription in substitution of the original subscription of the foreign investors.

Accordingly, on June 8, 2022, the Parent Company refiled the application of the increase in authorized capital stock with the SEC to reflect the substitution of the subscribers including the payment made by JEI through cash.

On December 5, 2023, the SEC approved the application for the increase in authorized capital stock of the Company. Consequently, the deposits for future subscriptions amounting to ₱1,500.0 million was applied against capital stock and additional paid-in capital.

Status of Operations

Because of the continuing losses of ZZ Stronghold, the operating steel subsidiary of Billions, due to low production and sales volume in China, the Company sold all of its interest in Billions at cost amounting to ₱1,741.8 million on June 20, 2022. On December 29, 2022, the BOD approved to dispose Treasure and Campanilla, its remaining subsidiaries. Treasure has ceased operations since 2013, while Campanilla has not commenced operations as at December 31, 2023.

Additionally, the deficit of the Company amounted to ₱3,553.2 million and ₱3,503.6 million as at December 31, 2023 and 2022, respectively.

These events or conditions indicate a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

The management is currently undergoing business reorganization and realignment of business opportunities. On December 27, 2022, the BOD approved a resolution to enter into a business venture with an investor group mainly in the field of information technology services and broadband internet.

Moreover, the stockholders and all related parties of the Company have continued to provide financial support to sustain the Company's operations and meet its maturing obligations. Due to related parties aggregated ₱956.5 million as at December 31, 2023.

The accompanying separate financial statements have been prepared using the going concern basis of accounting.

Approval of Separate Financial Statements
The separate financial statements of the Company as at December 31, 2023 and 2022 and for the years ended December 31, 2023, 2022 and 2021 were authorized and approved for issuance by the BOD on April 22, 2024, as reviewed and recommended for approval by the Audit Committee on the same date.

2. Summary of Material Accounting Policy Information

Basis of Preparation and Statement of Compliance
The separate financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial and Sustainability Reporting Standards Council 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.

The material accounting policy information that have been used in the preparation of the separate financial statements have been consistently applied to all the years presented, unless otherwise stated.

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

The separate financial statements of the Company have been prepared on the historical cost basis of accounting, except for retirement liability which is measured at present value of the defined benefit obligation. 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 Amendments to PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRS effective January 1, 2023:

- Amendments to PAS 1, *Presentation of Financial Statements, and PFRS Practice Statement 2, Making Materiality Judgments - Disclosure Initiative - Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements, and (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2 is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information.

- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". An entity develops an accounting estimate if an accounting policy requires an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods.

- Amendments to PAS 1, *Classification of Liabilities as Current or Noncurrent* – 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 adoption of the amended PFRS did not materially affect the separate financial statements of the Company. Additional disclosures were included in the separate financial statements, as applicable.

<u>Amendments to PFRS and in Issue But Not Yet Effective or Adopted</u>
Relevant amended PFRS, which are not yet effective as at December 31, 2023 and have not been applied in preparing the separate financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2025 -

- Amendments to PAS 21, *The Effects of Changes in Foreign Exchange Rates - Lack of Exchangeability* – The amendments clarify when a currency is considered exchangeable into another currency and how an entity determines the exchange rate for currencies that lack exchangeability. The amendments also introduce new disclosure requirements to help users of financial statements assess the impact when a currency is not exchangeable. An entity does not apply the amendments retrospectively. Instead, an entity recognizes any effect of initially applying the amendments as an adjustment to the opening balance of retained earnings when the entity reports foreign currency transactions. When an entity uses a presentation currency other than its functional currency, it recognizes the cumulative amount of translation differences in equity. Earlier application is 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.

<u>Financial Assets and Liabilities</u>

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.

Financial Assets

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).

As at December 31, 2023 and 2022, the Company 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, 2023 and 2022, the Company's cash, trade and other receivables (excluding advances to employees), due from related parties and refundable deposits are classified under this category.

Financial Liabilities

Classification. The Company 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 Company's business model and its contractual cash flow characteristics.

As at December 31, 2023 and 2022, the Company 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 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, 2023 and 2022, the Company's trade and other payables (excluding statutory payables), loan payable and due to related parties are classified under this category.

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.

Trade Receivables and Due from Related Parties. For trade receivables and due from related parties the Company has applied the simplified approach in measuring 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.

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 Company 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.

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.

Advances to Employees

Advances to employees represent advances which are subject to liquidation. These are carried at face amount less impairment, if any, 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) and advances to suppliers.

CWT. CWT represents the amount withheld by the Company’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 accreditation application, and purchase of scrap and raw materials. These are initially recognized at the amount of cash paid and subsequently measured at cost less any impairment in value. These are reclassed to the corresponding asset account when the goods or services for which the advances were made are received.

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.

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

	Number of Years
Leasehold improvement	3 or term of the lease, whichever is shorter
Office equipment	3
Furniture and fixtures	5
Transportation equipment	5

The assets' 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.

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.

Input VAT
Expenses and assets are recognized net of the amount of VAT except for receivables that are stated with the amount of VAT included. 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, this is classified as noncurrent asset.

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.

Deposits for Future Subscriptions. Deposit for future stock subscription represent funds received from existing or potential stockholders to be applied as payment for future issuance of capital stock. Deposit for future stock subscription are recognized as equity if an 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.

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 cumulative remeasurement gains and losses on retirement liability, net of deferred tax.

Deficit. Deficit represents the cumulative balance of net losses.

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, and when the control of goods or services are transferred to the customer at an amount that reflects the consideration to which the Company is entitled in exchange for said goods and services.

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

Revenue outside the scope of PFRS 15 is recognized as follows:

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.

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. These are expensed as incurred.

Interest Expense. Interest expense is recognized in profit or loss using the effective interest method.

Other Charges. Other charges are recognized when incurred during the period.

Leases
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:

- The right to obtain substantially all of the economic benefits from use of the identified asset; and
- 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 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 Assets. At commencement date, the Company measures the ROU assets 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 assets is recognized under the same basis with property and equipment at the present value of the liability at the commencement date of the lease, adding any directly attributable costs. After the commencement date, the ROU assets are carried at cost less any accumulated amortization and accumulated impairment losses, and adjusted for any remeasurement of the related lease liability.

The ROU assets is amortized over the lease term of the underlying asset of 3 years using the straight-line method. ROU assets is presented as part of “Property and equipment” account in separate statement of financial position.

Lease Liabilities. At commencement date, the Company measures lease liabilities 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 reasonable certain not to terminate early.

A lease liability is subsequently measured at amortized cost. Interest on the lease liability and any variable lease payments not included in the measurement of lease liability are recognized in profit or loss unless these are capitalized as costs of another asset. Variable lease payments not included in the measurement of the lease liability are recognized in profit or loss when the event or condition that triggers those payments occurs.

If there is a change in the lease term or if there is a change in the assessment of an option to purchase the underlying asset, the lease liability is remeasured using a revised discount rate considering the revised lease payments on the basis of the revised lease term or reflecting the change in amounts payable under the purchase option. The lease liability is also remeasured using the revised lease payments if there is a change in the amounts expected to be payable under a residual value guarantee or a change in future lease payments resulting from a change in an index or a rate used to determine those payments.

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. Short-term employee benefit liabilities are measured on an undiscounted basis and are expensed as the related service is provided.

Retirement Benefits. The Company has an unfunded, noncontributory retirement plan covering all its 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 current service costs, and interest expense 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 net operating loss carryover (NOLCO) and excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT), to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, NOLCO and excess MCIT 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 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 of exchange ruling 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 consist of transfers of resources, services or obligations between the Company and its related parties.

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 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 in accordance with PFRS requires management to make judgment, accounting estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the separate financial statements at the reporting date. The judgment and accounting estimates and assumptions used in the separate financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the separate financial statements. 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. Such estimates will be adjusted accordingly when the results become determinable.

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

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

Assessing the Ability of the Company to Continue as Going Concern. Because of the continuing losses of ZZ Stronghold, the operating steel subsidiary of Billions, due to low production and sales volume in China, the Company sold all of its interest in Billions at cost amounting to ₱1,741.8 million on June 20, 2022. On December 29, 2022, the BOD approved to dispose of Treasure and Campanilla, its remaining subsidiaries. Treasure has ceased operations since 2013, while Campanilla has not commenced operations as at December 31, 2023. Additionally, the deficit of the Company amounted to ₱3,553.2 million and ₱3,503.6 million as at December 31, 2023 and 2022, respectively.

The Company has an ongoing negotiation with an investor group for business ventures mainly in the field of information technology services and broadband internet. Moreover, the stockholders and all related parties of the Company have continued to provide financial support to sustain the Company's operations and to settle its maturing obligations.

Management has assessed that the Company can continue as a going concern. Accordingly, the separate financial statements were prepared on a going concern basis.

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, 2023 and 2022, management has assessed that it has control over its subsidiaries disclosed in Note 8 to the separate financial statements.

Estimating the ECL on Trade Receivables and Due from Related Parties. The Company estimates ECL on trade receivables (presented under trade and other receivables) and due from related parties using a provision matrix which considers the Company's historical credit loss experience adjusted for forward-looking factors, as appropriate.

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 receivables and due from related parties in 2023, 2022 and 2021, and the carrying amount of trade receivables and due from related parties as at December 31, 2023 and 2022 are disclosed in Notes 5 and 13 to the separate financial statements.

Estimating the ECL on Other Financial Assets at Amortized Cost. The Company 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.

While cash in banks 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 as at December 31, 2023 and 2022 are disclosed in Note 4 to the separate financial statements.

No provision for ECL was recognized on nontrade receivable from a third party, other receivables and refundable deposits at amortized cost in 2023, 2022 and 2021. The carrying amounts of other financial assets at amortized cost are disclosed in Notes 5 and 21 to the separate financial statements.

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 2023, 2022 and 2021.

Depreciation and amortization in 2023, 2022 and 2021, and carrying amount of property and equipment as at December 31, 2023 and 2022 are disclosed in Note 10 to the separate financial statements.

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 2023, 2022 and 2021, the Company recognized provision for impairment loss on input VAT amounting to ₱0.3 million, ₱1.4 million and ₱14.8 million, respectively. The carrying amount of input VAT amounted to nil as at December 31, 2023 and 2022.

Provision for impairment loss on CWT in 2023, 2022 and 2021, and the carrying amount of CWT as at December 31, 2023 and 2022 are disclosed in Note 7 to the separate financial statements.

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. Provision for impairment loss on investment in subsidiaries in 2023, 2022 and 2021 and the carrying amount of investment in as at December 31, 2023 and 2022 are disclosed in Note 8 to the financial statements.

Assessing the Impairment of Other 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.

Provision for impairment loss on advances to employees in 2023, 2022 and 2021 is disclosed in Note 5 to the separate financial statements.

Loss on inventory write-down in 2023, 2022 and 2021 is disclosed in Note 6 to the separate financial statements.

No provision for impairment loss on advances to suppliers (presented under "Other current assets") and property and equipment was recognized in 2023, 2022 and 2021 (see Notes 7 and 10).

The carrying amounts of other nonfinancial assets as at December 31, 2023 and 2022 are disclosed in Notes 5, 6, 7 and 10 to the separate financial statements.

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 the separate financial statements and include, among others, discount rates and salary increase rates.

Retirement expense and the cumulative amount of remeasurement gains recognized in 2023, 2022 and 2021, and the present value of retirement liability as at December 31, 2023 and 2022 are disclosed in Note 14 to the separate financial statements.

Recognizing the Deferred Tax Assets. The carrying amount of deferred tax assets 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 assets 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, 2023 and 2022, the Company did not recognize deferred tax assets. The Company has assessed that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets disclosed in Note 20 to the separate financial statements to be utilized.

4. **Cash**

This account consists of:

	2023	2022
Cash on hand	**₱20,000**	₱10,000
Cash in banks	**580,021**	7,731,165
	₱600,021	₱7,741,165

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 in 2023, 2022 and 2021 are disclosed in Note 18 to the separate financial statements.

5. **Trade and Other Receivables**

This account consists of:

	Note	**2023**	2022
Trade:			
Related parties	13	**₱45,749,268**	₱45,749,268
Third parties		**11,331,856**	11,331,856
Nontrade receivable from a third party		**1,593,912,458**	1,597,572,982
Advances to employees		**6,404,827**	5,927,709
Others		**81,444,176**	67,792,017
		1,738,842,585	1,728,373,832
Allowance for ECL on:			
Trade receivables		**(57,081,124)**	(57,081,124)
Advances to employees		**(504,469)**	(504,469)
		₱1,681,256,992	₱1,670,788,239

Trade receivables are unsecured and noninterest-bearing. Trade receivables from third parties are generally collectible on a 30 to 90-day credit term while trade receivables from related parties are collectible on demand.

Nontrade receivable from a third party includes the unpaid balance from the sale of Billions. This account also includes reclassifications of long-term loan receivable from Billions, due from ZZ Stronghold and offsetting of due to Billions which remained outstanding before the sale of Billions (see Note 13). These receivables are unsecured and noninterest-bearing. As at April 22, 2024, the Parent Company was able to collect ₱806.1 million from the outstanding balance as at December 31, 2023. A related party has guaranteed the remaining balance of ₱787.9 million in case of default by the third party.

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

Others mainly pertain to advances to a third party which are unsecured, noninterest-bearing and collectible on demand.

Movement and balances in the allowance for ECL and allowance impairment loss are as follows:

	Trade Receivables		Advances to	
	Third Parties	Related Parties	Employees	Total
Balances as at December 31, 2021	₱11,331,856	₱4,260,184	₱–	₱15,592,040
Provision for:				
ECL	–	41,489,084	–	41,489,084
Impairment	–	–	504,469	504,469
Balances as at December 31, 2022 and 2023	₱11,331,856	₱45,749,268	₱504,469	₱57,585,593

6. Inventories

As at December 31, 2023 and 2022, the Company's inventories with a cost amounting ₱0.4 million, were fully provided with allowance for inventory write-down.

In 2023 and 2022, the Company did not recognize any loss on inventory write-down. In 2021, the Company recognized loss on inventory write-down amounting to ₱0.4 million (see Note 18).

7. Other Current Assets

As at December 31, 2023 and 2022, this account consists of:

	2023	2022
CWT	**₱10,249,568**	₱10,249,661
Advances to suppliers	**240,707**	240,707
	10,490,275	10,490,368
Allowance for impairment on:		
CWT	**(10,249,568)**	(10,249,661)
Advances to suppliers	**(240,707)**	(240,707)
	₱–	₱–

Advances to suppliers are advance payments for accreditation application, and purchase of scrap and raw materials. These advances are subsequently recognized as inventory upon receipt of materials.

No additional provision for impairment of advances to suppliers was recognized in 2023, 2022 and 2021.

In 2023, the Company recognized gain on reversal of allowance for impairment loss of CWT amounted to ₱93 (see Note 18). In 2022, the Company recognized provision for CWT amounting to ₱10.2 million.

8. Investment in Subsidiaries

As at December 31, 2023 and 2022, details of investment in subsidiaries, which are accounted for under cost method, are as follows:

Treasure	₱220,200,330
Campanilla	2,500,000
	222,700,330
Allowance for impairment	(222,700,330)
	₱–

Financial Information
The financial information of the subsidiaries as at and for the years ended December 31, 2023 and 2022 is summarized below (amounts in thousands):

	2023	
	Treasure	**Campanilla**
Total assets	**₱1,635,497**	**₱23**
Total liabilities	**4,905,947**	**4,281**
Revenue	**–**	**–**
Total comprehensive loss	**35,094**	**230**

	2022	
	Treasure	Campanilla
Total assets	₱1,650,780	₱23
Total liabilities	4,886,136	4,051
Revenue	–	–
Total comprehensive loss	300,744	219

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 has ceased operations, 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.

On December 29, 2022, the BOD of the Company approved the plan to dispose of Treasure. The Company reviewed the recoverability of the significant nonfinancial assets of Treasure.

The fair value of Treasure's property, plant and equipment amounting to ₱1,657.3 million and ₱1,709.7 million as at December 31, 2023 and 2022, respectively, was determined using the market value approach by an independent appraiser. The appraisal report is dated April 8, 2024. In relation to the planned sale of Treasure, the inputs used in 2023 is the market value in orderly liquidation of the property, plant and equipment which pertains to the amount that might be realized from assembled or piecemeal disposition in the secondhand market, assuming a reasonable period of time (usually more than three months) in which to complete the transaction. The market value estimates consider that the property, plant and equipment will be offered for sale in its present location and condition on an "as is, where is" basis, with the potential buyer to assume cost, if any, to dismantle and remove. Management has assessed that any reasonably possible changes in the key assumptions on which the recoverable amount is based would not result to significant changes in the fair value of property, plant and equipment.

In 2023, 2022 and 2021, no additional impairment loss was recognized on the Treasure's property, plant and equipment. As at December 31, 2023 and 2022, the Treasure's accumulated impairment loss on property, plant and equipment amounted to ₱683.5 million.

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.

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.

On December 29, 2022, the Company's Board of Directors approved the plan to dispose Campanilla. Campanilla has not commenced operations as at December 31, 2023.

Billions

Billions is a company incorporated in Hong Kong with limited liability. Billions is an investment holding company and has acquired 91% of ZZ Stronghold on January 9, 2009. ZZ Stronghold is a company registered in the PRC and is primarily engaged in manufacturing of steel pipes.

As discussed in Note 1 to the separate financial statements, the Company assigned and transferred all its rights, title and interest in Billions to a third party at cost in 2022.

9. Loan Receivable

Loan receivable is a five-year noninterest-bearing term loan to Billions with maturity until December 25, 2022. Upon the sale of Billions, the third party assumed the loan receivable. Accordingly, the Company reclassified the loan receivable amounting ₱168.4 million to nontrade receivable from a third party (see Note 5).

The unrealized foreign exchange gain (loss) on loan receivable in 2022 and 2021 are disclosed in Note 17 to the separate financial statements.

Interest income from accretion of loan receivable in 2022 and 2021 are disclosed in Note 18 to the separate financial statements.

10. Property and Equipment

The balances and movements of this account are as follows:

		2023			
	Note	**Office Equipment**	**Furniture and Fixtures**	**Transportation Equipment**	**Total**
Cost					
Balances at beginning of year		**₱2,421,108**	**₱1,504,889**	**₱2,780,493**	**₱6,706,490**
Additions		**102,910**	**–**	**71,696**	**174,606**
Balances at end of year		**2,524,018**	**1,504,889**	**2,852,189**	**6,881,096**
Accumulated Depreciation and Amortization					
Balances at beginning of year		**2,407,817**	**1,504,889**	**759,612**	**4,672,318**
Depreciation and amortization	16	**41,062**	**–**	**451,674**	**492,736**
Balances at end of year		**2,448,879**	**1,504,889**	**1,211,286**	**5,165,054**
Carrying Amount		**₱75,139**	**₱–**	**₱1,640,903**	**₱1,716,042**

	Note	2022 Leasehold Improvement	Office Equipment	Furniture and Fixtures	Transportation Equipment	ROU Asset (see Note 21)	Total
Cost							
Balances at beginning of year		₱2,897,408	₱2,421,108	₱1,504,889	₱2,205,603	₱24,291,567	₱33,320,575
Additions		–	–	–	2,204,600	–	2,204,600
Disposal		–	–	–	(1,629,710)	–	(1,629,710)
Derecognition		(2,897,408)	–	–	–	(24,291,567)	(27,188,975)
Balances at end of year		–	2,421,108	1,504,889	2,780,493	–	6,706,490
Accumulated Depreciation and Amortization							
Balances at beginning of year		2,897,408	2,397,845	1,504,889	1,119,132	18,556,058	26,475,332
Depreciation and amortization	16	–	9,972	–	373,850	5,735,509	6,119,331
Disposal		–	–	–	(733,370)	–	(733,370)
Derecognition		(2,897,408)	–	–	–	(24,291,567)	(27,188,975)
Balances at end of year		–	2,407,817	1,504,889	759,612	–	4,672,318
Carrying Amount		₱–	₱13,291	₱–	₱2,020,881	₱–	₱2,034,172

Cost of fully depreciated and amortized assets still in use amounted to ₱4.5 million as at December 31, 2023 and 2022.

In 2022, the Company's transportation equipment with a carrying amount of ₱0.9 million was sold for ₱0.6 million, which resulted in a loss on sale of ₱0.3 million (see Note 18).

11. Trade and Other Payables

This account consists of:

	2023	2022
Trade payables	**₱1,582,026**	₱1,582,026
Accruals for:		
Professional fees and other services	**23,526,136**	12,368,103
Documentary stamp tax	**8,919,872**	1,419,872
Interest	**213,014**	335,547
Salaries payable	**16,274,895**	14,881,008
Statutory payables	**4,553,889**	4,903,405
Others	**474,224**	474,224
	₱55,544,056	₱35,964,185

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

Accruals 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.

Others pertain to nontrade payables to third parties and are normally settled within one year.

12. Loans Payable

This account represents unsecured peso-denominated loans of the Company from a local commercial bank amounting to ₱97.4 million as at December 31, 2023 and 2022. These loans have maturity of one year and renewable upon mutual agreement of the parties.

Loans payable of the Company are subject to monthly repricing ranging from 8.27% to 8.75% and 4.50% to 8.27% in 2023 and 2022, respectively.

Details of interest expense are as follows:

	Note	**2023**	2022	2021
Loans payable		**₱8,918,952**	₱7,712,063	₱7,798,584
Lease liability	21	**–**	61,238	389,225
		₱8,918,952	₱7,773,301	₱8,187,809

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

	2023				
	Balance at Beginning of Year	**Interest Expense**	**Financing Cashflows**		**Balance at End of Year**
			Proceeds	**Interest Payments**	
Loan payable	**₱97,377,719**	**₱–**	**₱–**	**₱–**	**₱97,377,719**
Due to related parties	**938,850,465**	**–**	**17,690,261**	**–**	**956,540,726**
Accrued interest	**335,547**	**8,918,952**	**–**	**(9,041,485)**	**213,014**
	₱1,036,563,731	**₱8,918,952**	**₱17,690,261**	**(₱9,041,485)**	**₱1,054,131,459**

	2022						
	Balance at Beginning of Year	Interest Expense	Reclassification	Financing Cashflows			Balance at End of Year
				Proceeds	Principal Payment	Interest Payments	
Loan payable	₱168,998,657	₱–	₱–	₱–	(₱71,620,938)	₱–	₱97,377,719
Due to related parties	871,653,641	–	(13,999,500)	81,196,324	–	–	938,850,465
Lease liability	4,000,957	61,238	–	–	(4,062,195)	–	–
Accrued interest	1,309,740	7,712,063	–	–	–	(8,686,256)	335,547
	₱1,045,962,995	₱7,773,301	(₱13,999,500)	₱81,196,324	(₱75,683,133)	(₱8,686,256)	₱1,036,563,731

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 and noninterest-bearing. These are generally collectible in cash and on demand. Provision for ECL on trade receivables amounting to ₱41.5 million was recognized 2022. No provision for ECL was recognized in 2023 and 2021.

b. Due from related parties are unsecured and noninterest-bearing advances for working capital requirements. These are normally collectible in cash and on demand. Provision for ECL on due from related parties amounting to nil, ₱1,051.5 million and ₱83,978 was recognized in 2023, 2022 and 2021, respectively.

   Upon the sale of Billions in 2022, the Company reclassified due from ZZ Stronghold amounting to ₱201.5 million to nontrade receivable from a third party (see Note 5).

c. Loan receivable is noninterest-bearing, unsecured and to be collected in cash in 2022. No provision for ECL was recognized in 2022 and 2021.

   Upon the sale of Billions in 2022, the Company reclassified the loan receivable amounting to ₱168.4 million to nontrade receivable from a third party (see Note 5).

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

   Upon the sale of Billions in 2022, due to Billions amounting to ₱14.0 million was netted against nontrade receivable from a third party (see Note 5).

Transactions and outstanding balances are presented below:

		Amount of Transactions		Outstanding Balance	
	Note	**2023**	2022	**2023**	2022
Trade receivables	5				
Subsidiary		**₱–**	₱–	**₱2,176,670**	₱2,176,670
Entities under common control		**–**	–	**43,572,598**	43,572,598
				45,749,268	45,749,268
Allowance for ECL		**–**	(41,489,084)	**(45,749,268)**	(45,749,268)
				₱–	₱–
Due from related parties					
Subsidiaries		**₱–**	₱56,316,323	**₱2,565,382,324**	₱2,566,005,705
Entities under common control		**626,291**	330,711,200	**344,306,842**	356,720,813
Stockholder		**–**	–	**11,839,173**	11,839,173
				2,921,528,339	2,934,565,691
Allowance for ECL		**–**	(1,051,491,689)	**(2,603,854,491)**	(2,603,854,491)
				₱317,673,848	₱330,711,200
Due to related parties					
Entities under common control		**₱17,690,261**	₱9,575,386	**₱442,474,002**	₱424,783,741
Ultimate Parent		**–**	71,620,938	**454,446,724**	454,446,724
Stockholders		**–**	–	**59,620,000**	59,620,000
				₱956,540,726	₱938,850,465

Treasure has been receiving continuous financial support from related parties to meet its maturing obligations and to finance its working capital. In 2018, a stockholder assigned portion of his advance 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. As discussed in Note 1, on May 31, 2022, the Company received cash amounting to ₱1,500.0 million from JEI to pay for its subscription in substitution of the subscription of the foreign investors when the SEC considered the debt-to-equity conversion not an acceptable payment for the issuance of the shares of stock.

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 Company on the amounts due from Treasure, arising from the assignment.

Compensation of key management personnel of the Company are as follows:

	2023	2022	2021
Short-term employee benefits	**₱3,486,715**	₱3,689,567	₱2,691,100
Post-employment benefits	**33,285**	25,600	25,600
	₱3,520,000	₱3,715,167	₱2,716,700

14. **Retirement Liability**

The Company has an unfunded, noncontributory retirement plan covering all its qualified employees. The latest actuarial valuation report obtained by the Company was for the year ended December 31, 2023.

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):

	2023	2022	2021
Current service cost	**₱633,573**	₱611,489	₱261,600
Interest cost	**233,929**	85,428	77,063
	₱867,502	₱696,917	₱338,663

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

	2023	2022
Balance at beginning of year	**₱6,795,124**	₱3,458,615
Current service cost	**633,573**	611,489
Interest cost	**233,929**	85,428
Remeasurement loss (gain)	**(81,815)**	2,639,592
Balance at end of year	**₱7,580,811**	₱6,795,124

Movements in retirement liability are as follows:

	2023	2022
Balance at beginning of year	**₱6,795,124**	₱3,458,615
Retirement expense	**867,502**	696,917
Remeasurement loss (gain)	**(81,815)**	2,639,592
Balance at end of year	**₱7,580,811**	₱6,795,124

The cumulative remeasurement gains (losses) recognized in the separate statements of financial position as at December 31, 2023 and 2022 are as follows:

		2023	
	Gross	**Tax Effect**	**Net of Tax**
Balances at beginning of year	**(₱652,944)**	**₱–**	**(₱652,944)**
Remeasurement gain	**81,815**	**20,454**	**61,361**
Balance at end of year	**(₱571,129)**	**₱20,454**	**(₱591,583)**

	2022		
	Gross	Tax Effect	Net of Tax
Balances at beginning of year	₱1,986,648	₱496,662	₱1,489,986
Remeasurement loss	(2,639,592)	(659,898)	(1,979,694)
Effect of deferred tax asset	–	163,236	(163,236)
Balance at end of year	(₱652,944)	₱–	(₱652,944)

The principal actuarial assumptions used to determine retirement liability for 2023 and 2022 is as follows:

	2023	2022
Discount rate	**6.16%**	7.42%
Salary increase rate	**5.00%**	2.00%

Sensitivity analysis on retirement liability is as follows:

	Change in Assumption	Effect on Retirement Liability
Discount rate	+1.00%	(₱73,225)
	-1.00%	82,863
Salary increase rate	+1.00%	105,671
	-1.00%	(97,149)

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, 2023, maturity analysis of the undiscounted benefit payments is as follows:

Less than one year	₱7,894,411
More than 15 to 20 years	859,807
More than 20 years	1,769,353
	₱10,523,571

The average duration of retirement liability as at December 31, 2023 and 2022 is 1.75 and 0.59 years, respectively.

15. Capital Stock

Details of the common stock are as follow:

	2023		2022	
	Shares	**Amount**	Shares	Amount
Authorized - ₱1 Par Value	**3,000,000,000**	**₱3,000,000,000**	1,000,000,000	₱1,000,000,000
Issued and outstanding				
Balance at beginning of year	**940,000,000**	**₱940,000,000**	940,000,000	₱940,000,000
Application of deposits	**750,000,000**	**750,000,000**	–	–
Balance at end of year	**1,690,000,000**	**₱1,690,000,000**	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
December 5, 2023	Reclassification of deposits for future subscriptions	750,000,000	2.00
		1,690,000,000	

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, 2023 and 2022, public ownership over the Company is 16.15% and 29.04%, respectively.

Deposits for Future Subscriptions

As discussed in Note 1, the Company has filed for an increase in authorized capital stock 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 with the SEC.

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).

The Company has filed a request for reconsideration when the SEC considered the debt-to-equity conversion not an acceptable payment for the issuance of the shares of stock. The SEC has not acted on the request. To break the impasse, the BOD of JEI approved to subscribe to the increase and pay for the subscription in cash on May 20, 2022, in substitution of the original subscribers who agreed to subscribe through conversion of their advances to equity. On the same day, the BOD of the Company approved the substitution of the subscribers and mode of subscription.

On May 31, 2022, the Company received cash amounting to ₱1,500.0 million from JEI for its subscription in substitution of the original subscription from foreign investors.

Accordingly, on June 8, 2022, the Company refiled the application of the increase in authorized capital stock with the SEC to reflect the substitution of the subscribers including the payment made by JEI through cash.

On December 5, 2023, the SEC approved the application for the increase in authorized capital stock of the Company. Consequently, the deposits for future subscriptions amounting ₱1,500.0 million was applied against capital stock and additional paid-in capital.

16. **General and Administrative Expenses**

This account consists of:

	Note	**2023**	2022	2021
Taxes and licenses		**₱14,885,191**	₱2,334,834	₱294,945
Salaries, wages and employee benefits	19	**7,179,598**	5,349,187	4,514,635
Outside services		**7,123,618**	7,297,135	301,482
Travel and transportation		**4,239,811**	1,878,417	573,237
Professional fees		**2,471,720**	4,727,308	800,000
Depreciation and amortization	10	**492,736**	6,119,331	8,429,780
Penalties		**400,467**	5,066,242	–
Representation		**185,849**	248,897	243,595
Repairs		**139,925**	223,015	298,972
Utilities		**41,330**	497,838	865,793
Rental	21	**–**	251,460	–
Due and subscription		**–**	1,113,934	481,866
Others		**406,329**	692,483	557,707
		₱37,566,574	₱35,800,081	₱17,362,012

Penalties incurred in 2022 are due to late rental payments.

17. **Net Unrealized Foreign Exchange Gain (Loss)**

This pertains to the following:

	Note	**2023**	2022	2021
Nontrade receivable from a third party		**(₱3,660,524)**	₱–	₱–
Cash		**(672)**	1,848	3,766
Due from related parties		**–**	19,192,092	9,876,065
Loan receivable	9	**–**	16,331,558	7,786,341
		(₱3,661,196)	₱35,525,498	₱17,666,172

18. **Other Income** - Net

This account consists of:

	Note	**2023**	2022	2021
Interest income:				
Cash in banks	4	**₱8,087**	₱254,049	₱2,451
Loan receivable	9	**–**	5,666,188	5,746,871
Realized foreign exchange gain		**4,343**	456,000	–
Loss on sale of transportation equipment	10	**–**	(296,340)	–
Loss on inventory write-down	6	**–**	–	(431,976)
Others		**93**	723,791	–
		₱12,523	₱6,803,688	₱5,317,346

19. **Salaries, Wages and Employee Benefits**

This account consists of:

	Note	**2023**	2022	2021
Salaries and wages		**₱6,042,127**	₱4,258,444	₱4,047,842
Retirement expense	14	**867,502**	696,917	338,663
Other employee benefits		**269,969**	393,826	128,130
		₱7,179,598	₱5,349,187	₱4,514,635

20. **Income Taxes**

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

	2023	2022	2021
Reported in Profit or Loss:			
Current	**₱93**	₱11,836	₱–
Deferred	**(915,761)**	8,446,794	3,894,401
	(₱915,668)	₱8,458,630	₱3,894,401
Reported in OCI			
Deferred tax expense on remeasurement gain (loss) on retirement liability	**₱20,454**	(₱496,662)	₱–
Effect of change in income tax rates	**–**	–	(99,332)
	₱20,454	(₱496,662)	(₱99,332)

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

Under the CREATE Act, domestic corporations are subject to 25% or 20% RCIT depending on the amount of total assets and total amount of taxable income. In addition, MCIT is computed at 1% of gross income for a period of three (3) years up to June 30, 2023 and will revert to 2% of gross income effective July 1, 2023 under Revenue Memorandum Circular No. 69-2023.

The income tax rates used in preparing the separate financial statements as at and for the years ended December 31, 2023 and 2022 are as follows.

	2023	2022
RCIT	**25%**	25%
MCIT	**1.5%**	1%

The effect of the reduction in tax rates was recognized as part of the 2021 provision for income tax, as required by PAS 12, *Income Tax*es. Details of adjustments are as follows:

	Provision for income tax	Impact of change in tax rates	Adjusted provision for income tax
Reported in Profit or Loss -			
Deferred tax	₱4,471,158	(₱576,757)	₱3,894,401
Reported in OCI -			
Effect of change in tax rates reported in OCI	–	(99,332)	–
	₱4,471,158	(₱676,089)	₱3,894,401

The Company did not recognize the following deferred tax assets as at December 31, 2023 and 2022 because management has assessed that the Company may not have sufficient future taxable profit which the deferred tax assets can be utilized.

	2023	2022
Allowance for ECL on due from related parties	**₱650,963,623**	₱650,963,623
NOLCO	**36,942,839**	25,686,965
Allowance for ECL on and other trade receivables	**14,396,398**	14,396,398
Retirement liability	**1,752,421**	1,535,545
Allowance for inventory write-down	**115,889**	115,889
Allowance for impairment on advances to suppliers	**60,177**	60,177
Excess MCIT over RCIT	**11,929**	11,836
	₱704,243,276	₱692,770,433

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

	2023	2022
Net cumulative unrealized foreign exchange gain	**₱14,885,976**	₱15,801,737
Cumulative remeasurement gains on retirement liability	**20,454**	–
	₱14,906,430	₱15,801,737

As at December 31, 2023, 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	Balance at End of Year	Year of Expiration
2023	₱–	₱45,023,495	₱45,023,495	2026
2022	39,942,282	–	39,942,282	2025
2021	25,185,405	–	25,185,405	2026
2020	37,620,172	–	37,620,172	2025
	₱102,747,859	₱45,023,495	₱147,771,354	

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 2021 and 2022 can be carried over as a deduction from taxable income for the next five consecutive taxable years following the year of such loss.

Excess MCIT over RCIT

Year Incurred	Balance at Beginning of Year	Additions	Balance at End of Year	Year of Expiration
2023	₱–	₱93	₱93	2026
2022	11,836	–	11,836	2025
	₱11,836	₱93	₱11,929	

The reconciliation between the benefit from income tax based at statutory tax rate and the provision for income tax based at effective tax rates on loss before income tax follow:

	2023	2022	2021
At statutory tax rate	**(₱12,606,265)**	(₱276,599,167)	(₱4,350,498)
Change in unrecognized deferred tax assets	**11,472,843**	271,736,094	(3,611,324)
Tax effects of:			
Nondeductible expenses	**219,776**	2,994,910	3,748,980
Interest income already subjected to final tax	**(2,022)**	(63,512)	(613)
Expired NOLCO	**–**	10,390,244	8,783,945
Expired excess MCIT over RCIT	**–**	61	–
Effect of change in income tax rates	**–**	–	(676,089)
At effective tax rates	**(₱915,668)**	₱8,458,630	₱3,894,401

21. **Lease Commitments**

The Company renewed its office space lease in September 2019. The new lease has a term of 36 months, which ended in September 2022 and was not subsequently renewed.

The balances and movements in ROU assets as at December 31, 2022 are as follows (see Note 10):

Cost	
Balance at beginning of year	₱24,291,567
Derecognition	(24,291,567)
Balance at end of year	–
Accumulated Amortization	
Balance at beginning of year	18,556,058
Amortization	5,735,509
Derecognition	(24,291,567)
Balance at end of year	–
Carrying Amount	₱–

The balance and movements in lease liability as at and for the year ended December 31, 2022 are as follows:

	Note	
Balance at beginning of year		₱4,000,957
Rental payments		(4,062,195)
Interest expense	12	61,238
Balance at end of year - current		₱–

Short-term Lease - Company as a Lessee
In September 2022, the Company leased an office space from a third party. The lease agreement is on a three-month term and renewable upon mutual agreement of both parties. On December 31, 2022, the Company did not renew the lease agreement.

Rental expense under "General and administrative expenses" account amounted to nil and ₱251,640 in 2023 and 2022, respectively (see Note 16).

Refundable deposits amounted to nil and ₱2.3 million as at December 31, 2023 and 2022, respectively.

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, refundable deposits, loan receivable, trade and other payables (excluding statutory payables) and loans payable.

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

The Company 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 following table shows the Company's US dollar-denominated monetary financial assets and their Philippine Peso equivalent:

	2023		2022	
	Philippine Peso	**US Dollar**	Philippine Peso	US Dollar
Financial assets at amortized cost:				
Cash	**₱73,213**	**$1,318**	₱73,773	$1,315
Nontrade receivable from a third party	**366,196,032**	**6,590,171**	369,856,556	6,590,171
	₱366,269,245	**$6,591,489**	₱369,930,329	$6,591,486

For purposes of translating the outstanding balances of the Company's foreign currency-denominated financial assets as at December 31, 2023 and 2022, the exchange rates applied were ₱55.57 and ₱56.12 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, 2023 and 2022. 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 Income Tax
December 31, 2023	**+1.43%**	**₱5,222,286**
	-1.43%	**(5,222,286)**
December 31, 2022	+4.68%	17,317,045
	-4.68%	(17,317,045)

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, 2023 and 2022, the Company was exposed to changes in market interest rates through its bank borrowings, which are subject to monthly repricing (see Note 12). All other financial assets and liabilities are noninterest-bearing or have fixed interest rates.

The table below illustrates the sensitivity of the Company's loss before income tax to a reasonably possible change in interest rates using the volatility of interest rates as basis points during the year presented. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each year, and the financial instruments held at the end of each reporting period that are sensitive to changes in interest rates. All other variables are held constant.

	Increase/Decrease in Basis Points	Effect on Loss before Income Tax
December 31, 2023	**+10.01**	**(₱97,507)**
	-10.01	**97,507**
December 31, 2022	+12.21	(118,869)
	-12.21	118,869

Credit Risk

The Company's exposure to credit risk relates to the Company's cash in banks, trade and other receivables (excluding advances to employees), due from related parties, refundable deposits and loan receivable.

With the exception of trade receivables and due from related parties 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 ₱2,660.9 million as at December 31, 2023 and 2022.

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, 2023 and 2022. The amounts are presented by credit risk rating grades and represent the gross carrying amounts of the financial assets.

	2023					
	Neither Past Due nor Impaired					
	High Grade	**Standard Grade**	**Substandard Grade**	**Past Due but not Impaired**	**Credit-impaired**	**Total**
Lifetime ECL:						
Trade receivables from third parties*	**₱–**	**₱–**	**₱–**	**₱–**	**₱11,331,856**	**₱11,331,856**
Trade receivables from related parties*	–	–	–	–	**45,749,268**	**45,749,268**
Due from related parties	–	**317,673,848**	–	–	**2,603,854,491**	**2,921,528,339**
12-month ECL:						
Cash in banks	**580,021**	–	–	–	–	**580,021**
Nontrade receivable from a third party*	–	**1,593,912,458**	–	–	–	**1,593,912,458**
Other receivables*	–	**81,444,176**	–	–	–	**81,444,176**
	₱580,021	**₱1,993,030,482**	**₱–**	**₱–**	**₱2,660,935,615**	**₱4,654,546,118**

**Presented under trade and other receivables.*

	2022					
	Neither Past Due nor Impaired					
	High Grade	Standard Grade	Substandard Grade	Past Due but not Impaired	Credit-impaired	Total
Lifetime ECL:						
Trade receivables from third parties*	₱–	₱–	₱–	₱–	₱11,331,856	₱11,331,856
Trade receivables from related parties*	–	–	–	–	45,749,268	45,749,268
Due from related parties	–	330,711,200	–	–	2,603,854,491	2,934,565,691
12-month ECL:						
Cash in banks	7,731,165	–	–	–	–	7,731,165
Nontrade receivable from a third party*	–	1,597,572,982	–	–	–	1,597,572,982
Other receivables*	–	67,792,017	–	–	–	67,792,017
Refundable deposits	2,259,645	–	–	–	–	2,259,645
	₱9,990,810	₱1,996,076,199	₱–	₱–	₱2,660,935,615	₱4,667,002,624

**Presented under trade and other receivables.*

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.
- Substandard Grade - financial assets that require persistent effort from the Company to collect
- 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

Liquidity Risk

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, 2023 and 2022 based on contractual undiscounted payments:

	2023				
	On Demand	**Up to 6 Months**	**6 to 12 Months**	**Beyond 1 Year**	**Total**
Financial liabilities at amortized cost:					
Trade and other payables*	**₱–**	**₱42,070,295**	**₱–**	**₱–**	**₱42,070,295**
Loans payable**	**–**	**98,111,433**	**–**	**–**	**98,111,433**
Due to related parties	**956,540,726**	**–**	**–**	**–**	**956,540,726**
	₱956,540,726	**₱140,181,728**	**₱–**	**₱–**	**₱1,096,722,454**

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

	2022				
	On Demand	Up to 6 Months	6 to 12 Months	Beyond 1 Year	Total
Financial liabilities at amortized cost:					
Trade and other payables*	₱–	₱29,640,908	₱–	₱–	₱29,640,908
Loans payable**	–	98,272,512	–	–	98,272,512
Due to related parties	938,850,465	–	–	–	938,850,465
	₱938,850,465	₱127,913,420	₱–	₱–	₱1,066,763,885

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

23. Fair Value Measurement

The following table presents the fair values of the financial assets and liabilities of the Company with carrying amounts:

	2023		2022	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
At amortized cost:				
Cash	**₱600,021**	**₱600,021**	₱7,741,165	₱7,741,165
Trade and other receivables*	**1,675,356,634**	**1,675,356,634**	1,665,364,999	1,665,364,999
Due from related parties	**317,673,848**	**317,673,848**	330,711,200	330,711,200
Refundable deposits	**–**	**–**	2,259,645	2,259,645
	₱1,993,630,503	**₱1,993,630,503**	₱2,006,077,009	₱2,006,077,009
Financial Liabilities				
At amortized cost:				
Trade and other payables**	**₱42,070,295**	**₱42,070,295**	₱29,640,908	₱29,640,908
Loans payable	**97,377,719**	**97,377,719**	97,377,719	97,377,719
Due to related parties	**956,540,726**	**956,540,726**	938,850,465	938,850,465
	₱1,095,988,740	**₱1,095,988,740**	₱1,065,869,092	₱1,065,869,092

**Excluding advances to employees.*
***Excluding nonfinancial liabilities.*

Cash, Trade and Other Receivables (excluding Advances to Employees), Due from Related Parties, Refundable Deposits, Trade and Other Payables (excluding nonfinancial liabilities), 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.

There were no transfers between levels in the fair value hierarchy in 2023 and 2022.

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 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 2023 and 2022.

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.

The Company considers the following as capital employed as at December 31, 2023 and 2022:

	2023	2022
Capital stock	**₱1,690,000,000**	₱940,000,000
Additional paid-in capital	**2,733,047,906**	1,983,047,906
Deposits for future subscriptions	**–**	1,500,000,000
	₱4,423,047,906	₱4,423,047,906

On December 5, 2023, the SEC approved the application of the increase in authorized capital stock of the Parent Company. Consequently, the deposits for future subscriptions amounting to ₱1,500.0 million was reclassified to capital stock and additional paid-in capital.

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, 2023 and 2022, 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/Chief Executive Officer

Signature: ____________________
IGNATIUS F. YENKO
Vice-Chairman

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

Signed this ___ day of _____ 2024

SUBSCRIBED AND SWORN to before me on this APR 26 2024
at CALOOCAN CITY, Philippines by EFREN A. REALEZA, JR.
who has satisfactorily proven to me his identity through
his government issued ID PASSPORT # P4832475B
2/16/2020

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Series of 2024

ATTY. ORLANDO O. AILES
Commission No. C-358
Until December 31, 2024
Notary Public for Caloocan City
2/F ARCA Bldg. fronting SSS Deparo
Celia Subd., Deparo, Cal. City
MCLE VII-0022628 - 7/20/2022
PTR-1846670 - 1/02/2024 - Cal. City
IBP-416482 - 1/11/2024 - Cal. City
Roll No. 20332

MATERIAL RELATED PARTY TRANSACTIONS POLICY AND GUIDELINES

Pursuant to the Corporation's commitment to integrity in generating profitable returns, it is the policy of TKC Metals Corporation (the "Corporation") that Material Related Party Transactions between the Corporation and a Related Party, as defined below, shall be subject to the review and approval of the Corporation's Board of Directors in order to ensure that the transactions are arrived at on an arm's length basis, the terms are fair and inures to the best interest of the Corporation.

I. Purpose

The purpose of this policy is to provide guidelines that would ensure the integrity and transparency of Material Related Party Transactions (RPTs) and ensure that all transactions are made at terms equivalent to prevailing market standards and at arm's length basis, to the interest of the Corporation and in particular of its minority shareholders and other stakeholders.

II. Definition of Terms

a) **"Related Parties"** – covers the Corporation's directors, officers, substantial shareholders and their spouses and relatives within the fourth civil degree of consanguinity or affinity, legitimate or common-law, if these persons have control, joint control or significant influence over the Corporation. It also covers the Corporation's parent, subsidiary, fellow subsidiary, associate, affiliate, joint venture or an entity that is controlled, jointly controlled or significantly influenced or managed by a person who is a related party.

b) **"Substantial Shareholder"** – any person who is directly or indirectly the beneficial owner of more than ten percent (10%) of any class of its equity security.

c) **"Affiliate" –** refers to an entity linked directly or indirectly to the Corporation through any one or a combination of any of the following:

- Ownership, control or power to vote, whether by permanent or temporary proxy or voting trust, or other similar contracts, by a company of at least ten percent (10%) or more of the outstanding voting stock of the Corporation, or vice-versa;
- Interlocking directorship or officership, except in cases involving independent directors as defined under existing regulations;
- Common stockholders owning at least ten percent (10%) of the outstanding voting stock of the Corporation and the entity; or

- Management contract or any arrangement granting power to the Corporation to direct or cause the direction of management and policies of the entity, or vice-versa.

d) **“Associate” –** An entity over which the Corporation holds twenty percent (20%) or more of the voting power, directly or indirectly, or which the Corporation has significant influence.

e) **“Significant Influence” –** The power to participate in the financial and operating policy decisions of the corporation but has no control or joint control of those policies.

f) **“Control”** – A person or an entity controls the Corporation if and only if the person or entity has all of the following:

- Power over the Corporation;
- Exposure, or rights, to variable returns from its involvement with the Corporation; and
- The ability to use its power over the Corporation to affect the amount of the corporations’ returns.

g) **“Related Party Transactions”** – a transfer of resources, services or obligations between the Corporation and a related party, regardless of whether a price is charged. It should be interpreted broadly to include not only transactions that are entered into with related parties, but also outstanding transactions that are entered into with an unrelated party that subsequently becomes a related party.

h) **“Material Related Party Transactions”** – any related party transaction/s, either individually, or in aggregate over a twelve-month (12) period with the same related party, amounting to ten percent (10%) or higher of the corporation’s total assets based on its latest consolidated audited financial statement.

i) **“Materiality Threshold”** – Ten percent (10%) of the Corporation’s total assets based on its latest consolidated audited financial statement.

j) **“Related Party Registry” –** a record of the organizational and structural composition, including any change thereon, of the corporation and its related parties.

k) **“Abusive Material Related Party Transactions”** – refer to any material RPTs that are not entered into at arm’s length basis and unduly favor a related party.

III. Coverage and Materiality Threshold

This policy shall cover all transactions with amounts equivalent to ten percent (10%) or more of the total assets of the Corporation based on its latest consolidated audited financial statement.

Transactions meeting the materiality threshold that were entered into with an unrelated party that subsequently becomes a related party may be excluded from the limits and approval process required in this policy. However, any alteration to the terms and conditions, or increase in exposure level, related to these transactions after the non-related party becomes a related party shall subject the material RPTs to the approval requirements described in this policy.

Prior to execution, all potential material related party transactions to be entered into by the Corporation shall first be reviewed and approved in accordance with the guidelines set forth in this policy.

IV. Identification of Related Parties

Every director, officer, and/or substantial shareholder of the Corporation is obliged to disclose any person or entity that may be regarded as Related Party of the Corporation, in accordance with this policy, on account of his being a director, officer or substantial shareholder. Such declaration shall be submitted to the Board of Directors, through the Risk and Audit Committee ("the Committee"), at the end of every quarter. The Committee may also require for such declaration pending review of a potential material RPT.

V. Identification, Review and Approval of Related Party Transactions

a) Before the execution of any transaction, the Compliance Officer shall identify if each new or proposed transaction may be regarded as a potential material RPT, and shall prepare a report, to be submitted to the Risk and Audit Committee, which covers the following information:

   i) The terms, business purpose, benefits and other details of the material Related Party Transaction;
   ii) Nature of the relationship of the party or parties involved in the transaction in relation to the Corporation; and
   iii) The description of the transaction, including the affected periods to be disclosed in the financial statements, including the amounts, and such other information necessary for better understanding of the effect of the proposed transaction in the financial statements, which may include the amounts due to or from related parties to the transaction, if any, and the terms and manner of settlement.

b) Upon receipt of the report, the Risk and Audit Committee shall determine whether or not the proposed transaction is considered a material RPT.

The Committee shall review the material RPT in accordance with the principles of integrity, transparency and fairness. To ensure that the material RPT is at arm's length and that no preferential treatment is given to related parties that are not extended to unrelated parties under similar circumstances, the following measures shall be observed:

(1) *Effective Price Discovery Mechanism.* The Committee shall ensure the use of an effective price discovery mechanism as it may deem appropriate for the proposed material RPT under consideration. Such effective price discovery mechanism may include the engagement of an expert, subjecting the transaction to a bidding process, publication of available properties for sale, etc.

(2) *Disclosure of material RPTs.* The Committee shall require the members of the Board, the officers and the substantial shareholders to fully disclose, in writing, all material facts related to the material RPT as well as their direct and indirect financial interest thereon that may affect the Corporation.

(3) *Independent Evaluation.* An external independent party shall be appointed to evaluate the fairness of the terms of the material RPT to ensure the protection of the rights of the shareholders. An external independent party may include, but is not limited to, auditing or accounting firms and third party consultants and appraisers.

The evaluation shall consider the following relevant facts and circumstances:

i) The terms of the transaction;
ii) The aggregate value of the material RPT;
iii) Extent of the Related Party's interest in the transaction;
iv) Whether the material RPT would present an improper conflict of interest or special risks and contingencies for the Corporation, or the Related Party, taking into account the size of the transaction, the overall financial position of the Related Party, the direct and indirect nature of the Related Party's interest in the transaction and the nature of any proposed relationship;
v) Availability of other sources of comparable products and services; and
vi) Any other relevant information regarding the transaction.

Any member of the Committee who has an interest in the material RPT under review shall abstain from participating in the discussion and from voting thereon. In case of refusal to abstain, the attendance and the vote of such member shall not be counted for purposes of assessing the quorum and of determining majority approval.

b) The Committee shall then endorse the material RPT, together with the evaluation of the independent party, to the Board for approval.

All individual material RPTs shall be approved by at least two-thirds (2/3) vote of the Board, with at least a majority of the independent directors voting to approve the transaction. In case a majority of the independent directors' vote is not secured, the material RPTs may be ratified by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock.

For aggregate RPT transactions within a twelve-month (12) period that breaches the materiality threshold, the same Board approval would be required for the transaction/s that meets and exceeds the materiality threshold covering the same related party.

At all times, directors, officers, and/or substantial shareholders who have an interest in the material RPT under review shall abstain from participating in the discussion and from voting thereon. In case of refusal to abstain, their attendance shall not be counted for purposes of assessing the quorum, and their votes shall not be counted for purposes of determining approval.

c) During the implementation of the material RPT, the Risk and Audit Committee will conduct a periodic assessment of the following items:

   i) Collectability of receivables from related parties and the need to provide allowance for doubtful accounts for such receivables;
   ii) Market and financial risks faced by related parties;
   iii) Guarantees issued to or received from related parties; and
   iv) Financial and economic soundness of the Material RPTs (e.g. receivables and payables, cash placement and loans, investments in shares of stock, management/ service fees, etc.).

Should the Committee, during this periodic review, find the material RPT as abusive in nature, this fact will be reported to the Board for proper action.

Pursuant to Sections 26 and 27 of the Revised Corporation Code, an interested director or officer of a corporation shall be disqualified from being a director, trustee or officer of any other corporation on the basis of a final judgment rendered by a court of competent jurisdiction against the interested director or officer for abusive material RPTs. The disqualification shall be for a period of at least one (1) year or more, as may be determined by the Securities and Exchange Commission.

II. Whistle-blowing Mechanism

The Whistle-blowing Policy of the Corporation as stated in its Code of Business Conduct and Ethics shall apply to any abuse of related party transactions. Whistle-blowing in relation to material RPTs shall be reported to the Compliance Officer or to any member of the Risk and Audit Committee in accordance with the Rules and Procedure set forth in the aforementioned Code.

The confidentiality of any disclosure shall be maintained, without risk of reprisal to the whistle-blower. The whistle-blower shall refer to any person, including directors, officers, employees, shareholders, and other stakeholders.

III. Remedies for Abusive Material Related Party Transactions

Non-compliance with provisions of this policy shall result in the invalidation of the contract involved in the material RPT where applicable.

The Corporate Governance Committee ("CG Committee") shall have the authority to investigate violations of this policy. If after the investigation, the CG Committee concludes that disciplinary measures are necessary, it will recommend the same to the Board of Directors, which shall impose the appropriate penalties.

On the other hand, the Risk and Audit Committee, in addition to their mandated functions herein, shall recommend measures that would cut losses and allow recovery of losses or opportunity costs incurred by the Corporation arising from abusive or fraudulent RPTs including sanctions.

IV. Periodic Review of the Material RPT Policy

The Compliance Officer shall conduct a periodic review of the effectiveness of the Corporation's system and internal controls governing material RPTs to assess the consistency with the board-approved policies and procedures. The results will be communicated directly to the Risk and Audit Committee, and then to the Board of Directors.

The Board shall review and update the Related Party Registry of the Corporation on a quarterly basis in order to capture any organizational and structural changes in the Corporation and its related parties.

V. Disclosure of RPTs

In accordance with the SEC rules and regulations, full disclosure of the details, nature, extent, and all other material information on the material RPTs including but not limited to the financial or non-financial interest of the related parties, the type and nature of the transaction including a description of the assets involved, the percentage of the contract price to the total consolidated assets of the

Corporation, the rationale for entering into the transaction, and the approval obtained shall be made by the Corporation.

This Material RPT Policy shall also be posted on the company's website (https://tkcmetals.com.ph/) within five (5) days from its submission to the Securities and Exchange Commission.

The foregoing Policy was approved by the members of the Board of Directors on this 21st day of October 2019, at the principal office of the Corporation.

BEN C. TIU
Chairman, Board of Directors

WILFRIDO O. GAMBOA
Compliance Officer

ANNEX "D"

TKC METALS CORPORATION
THE BOARD OF DIRECTORS CHARTER

I. Purpose

Compliance with the principles of good corporate governance shall start with the Board. It is the Board's responsibility to foster the long-term success of the Corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders and other stakeholders. The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities to ensure a high standard of best practice for the Corporation, its stockholders and other stakeholders.

II. Membership

The Board of Directors shall be composed of such number of Directors as shall be provided in the Articles of Incorporation, duly elected by the stockholders entitled to vote in accordance with the By-Laws, the Corporation Code and the Securities Regulation Code.

The Board shall have at least three (3) Independent Directors qualified as such in accordance with the relevant provisions of the Securities Regulation Code and other regulations of the Securities and Exchange Commission.

III. Policies Relating to the Board

A. Board Diversity Policy

The Company shall promote and observe a policy on diversity in the composition of its Board of Directors. Diversity in age, gender, ethnicity, experience, field expertise, and personal qualities shall be considered by the Board as it installs a process of selection to ensure a mix of competent directors and key officers.

B. Policy on Multiple Board Seats

A director shall exercise due discretion in accepting and holding directorships outside of the Company. A director may hold directorships outside of the Corporation provided that these positions do not retract from the director's capacity to diligently perform his duties as a director of the Corporation.

The Non-Executive members of the Board of Directors should concurrently serve as directors only to a maximum of five (5) publicly- listed companies to ensure that they have sufficient time to fully prepare for meetings, challenge Management's proposals/views, and oversee the long-term strategy of the Company.

C. Term Limits for Independent Directors

The Board's Independent Directors shall serve for a maximum cumulative term of nine (9) years, after which, the Independent Director shall be perpetually barred from re-election as such in the Company. He may, however, continue to qualify for nomination and election as a non-independent director.

In instances where the Company will want to retain an Independent Director who has served for nine years, the Board shall provide meritorious justification/s and seek shareholders' approval during the annual meeting of the Company's shareholders.

D. Access to Information

To enable the Board to properly fulfill their duties and responsibilities, management should provide directors with complete and timely information about the matters in the agenda of the meetings. Directors should be given independent access to management and the Corporate Secretary, as well as to independent professional advice.

IV. The Chairman of the Board of Directors

The Board should be headed by a competent and qualified Chairman. The roles and responsibilities of the Chairman include, among others, the following:

A. Make certain that the meeting agenda focuses on strategic matters, including the overall risk appetite of the Company, considering the developments in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations.

B. Guarantee that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions.

C. Facilitate discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors.

D. Ensure that the Board sufficiently challenges and inquires on reports submitted and representations made by Management.

E. Assure the availability of proper orientation for first-time directors and continuing training opportunities for all directors.

F. Make sure that performance of the Board is evaluated at least once a year and discussed/followed up on.

To the extent that the operations of the Company shall allow, the roles of the Chairman and the Chief Executive Officer shall be separate to foster an appropriate balance of power, increased accountability, and better capacity for independent decision-making by the Board. A clear delineation of functions should be made between the Chairman and the Chief Executive Officer upon their election.

V. **Meetings**

A. The directors should attend and actively participate in all meetings of the Board in person or through tele-/video-conferencing conducted in accordance with the rules and regulations of the Securities and Exchange Commission; except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent them from doing so. In Board meetings, the director should review meeting materials and if called for, ask the necessary questions or seek clarifications and explanations.

B. The Board may, to promote transparency, require the presence of at least one (1) Independent Director in all of its meetings. However, the absence of an Independent Director shall not affect the quorum requirements if he is duly notified of the meeting but notwithstanding such notice fails to attend.

C. The Board of Directors shall meet at least six (6) times a year. Board meetings shall be scheduled in advance before the start of the year.

D. Items to be discussed during the board meeting shall be made available to each director at least five (5) days in advance. In emergency circumstances, however, the meeting may be called on a shorter notice.

E. Non-executive Directors, headed by the Lead Independent Director, shall meet periodically with the External Auditor and the Head of Internal Audit, without the presence of Executive Directors and key officers.

F. The presence of 2/3 of the directors is required when determining the quorum of the meeting.

VI. **Authority and Responsibilities of the Board of Directors**

To ensure a high standard of best practice for the Company, and to promote and protect the interest of the Company, its stockholders and its stakeholders, the Board shall conduct itself with honesty and integrity in the performance, among others, the following duties and responsibilities:

A. Install a process of selection to ensure a mix of competent directors and officers, regardless of age, gender, race and religion.

B. Set and regularly review the strategic objectives and the Company's vision and mission, determine investment policy, agree on performance criteria and delegate to management the detailed planning of implementation of that policy, in accordance with appropriate risk parameters.

C. Determine and oversee the implementation of the strategies and plans, review the operation and financial performance of the Company and to consider matters specifically reserved for its approval.

D. Ensure and adopt an effective succession planning program for directors, key officers and Management to ensure growth and a continued increase in the shareholders' value. This should include adopting a policy on the retirement age for directors and key officers as part of management succession and to promote dynamism in the Company.

E. Ensure that the Company complies with all relevant laws, regulations and codes of best business practices, and achievement against objectives, by holding Management accountable for its activity through the measurement and control of operations by regular reports to the Board, including monthly performance reporting and budget updates.

F. Identify the Company's major and other stakeholders and formulate a clear policy on communicating or relation with them through an effective investor relations program.

G. Identify the Company's stakeholders in the community in which it operates or are directly affected by its operations and formulate a clear policy of accurate, timely, and effective communication with them.

H. Adopt a system of internal checks and balances.

I. Identify and monitor with due diligence key risk areas and key performance indicators, and manage the same especially those categorized as having high impact with high probability of occurrence.

J. Properly discharge Board functions by meeting regularly. Independent views during Board meetings shall be given due consideration and all such meetings shall be duly minuted.

K. Keep Board authority within the powers of the institution as prescribed in the Articles of Incorporation, By-Laws and in existing laws, rules and regulations.

L. Formulate and implement policies to ensure the integrity of related party transactions between and among the company and its related companies, business associates, major stockholders, officers, directors and their spouses, children, dependent siblings and parents, and of interlocking director relationships.

M. Establish and maintain an alternative dispute resolution system to settle conflicts between the Corporation and its stockholders or other third parties, including regulatory authorities.

N. Align the remuneration of key officers and board members with the long-term interests of the Company. The Board shall adopt a policy specifying the relationship between remuneration and performance.

O. Designate a lead director among the Independent Directors if the Chairman of the Board is not independent, including if the positions of the Chairman of the Board and Chief Executive Officer are held by one person.

VII. Duties and Responsibilities of Directors

To ensure a high standard of best practice for the Company, its stockholders and other stakeholders, the members of the Board of Directors shall conduct themselves with honesty and integrity in the performance of, among others, the following specific duties and responsibilities:

A. Conduct fair business transactions with the Company and to ensure that personal interest does not bias Board decisions. He shall not use his position to make profit or to acquire benefit or advantage for himself and/or his related interests. He should avoid situations that may compromise his impartiality. Should an actual or potential conflict of interest arise, he should fully and immediately disclose the same and should not participate in the decision-making process.

B. Devote time and attention necessary to properly discharge his duties and responsibilities. He should devote sufficient time to familiarize himself with the Company's business. He should be constantly aware of, and knowledgeable with, the Company's operations to enable him to meaningfully contribute to the Board's work. He should attend and actively participate in Board and committee meetings, review meeting materials, and, if called for, ask questions or seek explanation.

C. He should act judiciously. He shall evaluate the issues, ask questions and seek clarifications necessary before deciding on any matter brought before the Board.

D. He should exercise independent judgment. He shall review each problem or situation objectively. Should a disagreement with other directors arise, he should carefully evaluate and explain his position. He should not be afraid to take unpopular positions if he thinks such ideas are beneficial to the Company.

E. He should have a working knowledge of the statutory and regulatory requirements affecting the Company, including the contents of its Articles of Incorporation and By-Laws, the requirements of the Securities and Exchange Commission, and where applicable, the requirements of other regulatory agencies. He shall also keep himself informed of the industry developments and business trends in order to safeguard the Company's competitiveness.

F. He should observe and keep confidentiality. He should keep secure and confidential all non-public information he may acquire or learn by reason of his position as director. He shall not disclose any information to any other person without the authority of the Board or the Executive Committee.

G. He should ensure the continuing soundness, effectiveness and adequacy of the Company's control environment.

H. Attend before assumption of office and annually thereafter a seminar on corporate governance conducted by a duly recognized private or government institute.

ANNEX E

TKC METALS CORPORATION
Code of Business Conduct and Ethics

TKC Metals Corporation (TKC) is fully committed to doing business in accordance with long-held values and ethical standards that have been the foundation for the growth and success of the Company. It is dedicated to comply with all applicable laws and regulations.

The directors, officers, employees, consultants, advisers, contractors and suppliers acting on behalf of the Company shall always act honestly, comply with all applicable laws and regulations, protect the name of the Company and safeguard its reputation.

I. COVERAGE

This Code of Business Conduct and Ethics states the principles that guide the Company's directors, officers, employees, consultants, advisers, contractors and suppliers in the performance of their duties and responsibilities and in their relationships with themselves and with investors, creditors, customers, competitors, the Government, other stakeholders and the general public.

The Company's contractors, suppliers, customers, stakeholders and shareholders must always align their dealings with the Company's Code of Business Conduct and Ethics and must not in any way compromise the Company's reputation.

II. LEGAL COMPLIANCE

The Company shall ensure that all of its business transactions are compliant with Philippine law and must not in any way compromise the good name and reputation of the Company. This includes legislation and regulations pertaining to financial reporting, upholding fair trade and competition, pricing, employment protection of the environment and other regulations.

A. Public Disclosures

The Company shall publicly disclose, in a timely and accurate manner, all financial and business transactions, Material Information and any other information required by law to be disclosed. The Company shall comply with all reportorial requirements of the Securities and Exchange Commission (SEC), Philippine Stock Exchange (PSE) and any other government agency or office.

B. Insider Trading

All directors, officers, employees, consultants, advisers and suppliers acting on behalf of the Company are prohibited from buying or selling (trading) shares of stock of the Company using material and confidential information that has not been disclosed to the public and obtained by reason of their position or other relationship with the Company or its directors, officers or employees. They are also prohibited from passing on such information to someone else who then buys or sells the Company's stocks. (Please refer to Annex 1 for the Insider Trading Policy).

Material Information refers to any non-public information that is significant enough to affect the value of the Company's stock, or to influence someone to buy or sell stock. Public Information is that which is available in a SEC and PSE filing or press release in major media communications channels.

C. Related Party Transactions

The Company adopts a policy of full disclosure in its financial statements and reports to the SEC and the PSE with regard to the details, nature, extent, and all other material information on transactions with related parties.

The Company's Management shall present the details of transactions entered into by the Company with related parties to the Related Party Transactions Committee and to the Board of Directors for review and approval. The Directors are required to abstain from participating in any board discussion, deliberation and decision-making concerning any issue or transaction where they are conflicted. The approval of the Board is necessary to ensure that all related-party transactions are at arm's length and at market rates. (Please refer to Annex 2 for the Related Party Transactions Policy).

III. Ethical Practices

A. Support for Diversity and Non-Discrimination

The Company upholds and observes a policy on diversity in the composition of the Company's Board of Directors and its Key Officers. Diversity in gender, age, ethnicity, culture, skill, competence and knowledge shall be considered in the nomination and selection of directors and key officers to ensure an appropriate mix of competence and expertise.

The Company also ensures that the process of hiring and promotion of its employees and the process of selection of the Company's contractors and suppliers are based on merits and value to shareholders. The Company is against any form of discrimination (race, age, religion, gender, etc.).

The Company shall implement a policy against any form of discrimination and harassment in the workplace and all of its mining sites. The Company's consultants, contractors, suppliers and any other third party dealing with the Company must also adhere to the said policy.

B. Respect for Confidentiality and Privacy of Information

Directors, officers, employees, consultants, contractors and suppliers acting on behalf of the Company are expected to maintain and safeguard the confidentiality of any information relating to the Company, its subsidiaries, affiliates, customers, stakeholders and any other third party with whom the Company relates unless such disclosures are allowed and mandated by law.

Financial reports, business plans and/or strategies, and any other proprietary, financial or non-financial information about the Company, its business activities shall not be disclosed unless required by law or with prior consent from the Company. The directors, officers, and employees shall ensure the accuracy of business information and protect the integrity of corporate records and other documents related to the operation of the Company.

Information regarding the Company's directors, officers, employees, shareholders and other stakeholders shall also be considered as confidential information and shall not be disclosed to unauthorized persons except when required by law or upon prior consent of the concerned individual.

C. Customer Welfare

The Company works closely with its clients to ensure that they are satisfied with the quality of the coal they source from the Company. Furthermore, the Company warrants that it has the capacity to deliver the agreed quantity. Likewise, the Company is committed to keeping its client information confidential, private and secure.

D. Employee Welfare

The hiring, selection, promotion and compensation of officers and employees shall be strictly based on qualification, merit and performance. The Company shall also provide quality and timely health and welfare services to its employees in order to avoid interruption on their jobs and to prevent conditions (physical, mental or social) that will preclude them from giving their full attention to their work. The Company shall also conduct training programs at the beginning of each project, not only to prevent any problems in the operations of the mine sites, but also to prevent work-related accidents.

All employees shall be treated fairly, with respect and shall not be discriminated on account of their race, age, gender, religious, political and other personal beliefs. The Company has the obligation to ensure that the employees' individual and collective rights shall be respected. The Company shall provide a safe and conducive workplace and operation sites that are compliant with all applicable health, safety and environmental laws. The Company shall strictly prohibit any form of illicit substances in the workplace and operation sites.

E. Corporate Social Responsibility

The Company is devoted in supporting the communities and rehabilitating the areas surrounding the operation sites. The Company is in continuous communications with the said communities in order to address any concerns and provide assistance, whether for physical, social, health-related or any other needs. The Company also takes part in the rehabilitation and maintenance of roads surrounding the operation sites. The Company, together with the said communities, also conducts reforestation projects

F. Environmental Sustainability

The Company is aware of the environmental risks and the health and safety concerns involved the mining business. Thus, the Company is fully committed in ensuring compliance with all health, safety and environmental laws and regulation and strictly implements the regulatory requirements on environmental compliance as mandated by the DENR and the DOE. The Company also works closely with the community and the local government leaders of its mine sites to ensure environmental concerns are addressed.

G. Avoiding Conflicts of Interest

All business decisions and actions made by the Board of Directors and Management must be for the best interests of the Company and should not be motivated by personal interest or gain.

All directors, officers and employees must fully disclose their existing business interests or shareholdings that may directly or indirectly conflict with the performance of their intended duties and responsibilities, under the penalty of perjury. The business interests or shareholdings of their immediate family or relatives must also be disclosed. They are also required to disclose any personal interest or benefit in any transaction involving the Company to ensure that potential conflicts of interest are brought to the attention of the Management. Even mere appearance or possibility of conflict of interest must be disclosed as well.

Directors, officers and employees have the obligation to use the Company's properties and resources exclusively for the benefit of the Company. Furthermore they shall not use their positions for their personal benefit and shall not engage in any unfair practices and dealings. The Company also prohibits any form of grant or loan agreements with its directors and officers unless the said agreements are at arm's length and have been approved by the Board of Directors.

Conflicts of Interest include but need not be limited to financial interest or any form employment and engagement in the business of the Company's contractors, suppliers, competitors, or customers, engagement in any other corporations or political office, and having relatives employed by the Company or its competitors (Please refer to Annex 3 for the Conflict of Interest Policy).

H. Prohibition on the Acceptance of Gifts and Entertainment

Acceptance of gifts and entertainment of significant value may not be accepted by directors, officers or employees from any contractor, supplier or customer of the Company. Neither can their immediate family and/or representatives accept such on behalf of the director, officer or employee (Please refer to Annex 3 for the Conflict of Interest Policy).

IV. Reporting Ethics Violations

Directors, officers, and employees may report verbally or in writing and anonymously any violations of this Code to any of the following members of the Ethics Committee:

1. Compliance Officer
2. Head of the Human Resources Department
3. Any member of the Audit Committee

All reports shall be handled by the Company in a confidential manner and confidentiality will be maintained to the fullest extent possible, consistent with the need to conduct an adequate investigation of the report and to perform subsequent remedial matters.

V. Accountability for Ethics Code Implementation

The Head of the Human Resources shall be responsible for the publication of this code and shall ensure that all directors, officers, employees, consultants, contractors and suppliers of the Company receive a copy.

All reports received are forwarded to the Audit Committee. The Committee will make the preliminary assessment of the issues raised and will then determine whether there is justification for an investigation and how it should be handled, should one be necessary. Depending on the issues involved, the Audit Committee, in some cases, decide to delegate responsibility for an investigation to the Compliance Officer or to a legal counsel who will report directly to the Audit Committee.

Prompt and appropriate corrective action will be taken in response to any finding of illegal and unethical behavior. If after the investigation, the Audit Committee concludes that disciplinary measures are necessary, it will recommend to the Board of Directors.

This Code shall take effect immediately upon the approval of the Board of Directors and shall be reviewed annually or such other frequency as mandated by the Board of Directors.

ANNEX 1
INSIDER TRADING POLICY

I. Objective

TKC Metals Corporation (the "Company")'s Insider Trading Policy shall implement the prohibitions on insider trading provided by the Security Regulation Code and ensure compliance with best practices on Corporate Governance.

II. Definition of Terms

A. Material Information – Any public information that is significant enough to affect the value of the Company's stock, or to influence someone to buy or sell stock. Such material information includes, but is not limited to, financial results, mergers and acquisitions, significant investments and litigation, major changes in key senior management positions and dividend declarations.

B. Public Information – Information available in a Securities and Exchange Commission ("SEC") and a Philippine Stock Exchange ("PSE") filing or press release in major media communication channels.

III. Policy Provision

Information acquired by virtue of office shall be treated with utmost confidentiality. The Company's non-public information should be safeguarded and shall not be disclosed to third parties. Directors, officers and employees are prohibited from buying or selling (trading) shares of stock of the Company using material non-public information and obtained by reason of position, contact within or other relationship with the Company. They are also prohibited from passing on such information to third parties for the purpose of buying or selling the Company's shares of stock.

IV. Covered Persons

The following are considered as Insiders and shall be covered by the provisions of this Policy:

A. The Company's directors, officers, employees, consultants and advisers;

B. Any person who may have been made aware of any material non-public information, with respect to the Company and its operations, either thru his work or other relationship with the Company or its directors, officers, employees, consultants and advisers;

C. Spouse or relatives by affinity or consanguinity within the second degree, legitimate or common law of those mentioned above.

V. Trading Restriction

A. Trading Restriction Period

Directors, officers, employees and the other covered persons mentioned above are prohibited from trading the Company's shares within five (5) trading days before and two (2) trading days after the disclosure of quarterly and annual financial results and any other material information.

B. Penalty

Any person who violates this Policy shall be subject to disciplinary action, without prejudice to any civil or criminal proceedings which may be filed against him.

VI. Reportorial Requirements

Director, officers and employees are required to report their trading of the Company's shares within three (3) business days after the transaction to the Compliance Officer via email stating the number of shares purchased or sold, price per share and the resulting percentage of shares owned to the Company's outstanding capital stock.

The Company, through the Compliance Officer or any authorized personnel, shall file the appropriate disclosure form to SEC and PSE for Employees and Other Covered Persons who:

A. acquired more than five percent (5%) of the Company's outstanding capital stock within five (5) business days after acquisition; or

B. acquired ten percent (10%) of the Company's outstanding capital shares within ten (10) calendar days after acquisition.

ANNEX 2
RELATED PARTY TRANSACTIONS POLICY

I. Objective

TKC Metals Corporation (the "Company")'s Related Party Transactions Policy shall establish guidelines to govern Related Party Transactions (RPT) in the manner that will safeguard the interest of the Company, its minority shareholders and other stakeholders.

II. Definition of Terms

A. Related Parties – Natural or juridical entities that have the ability to control, directly or indirectly, through one or more intermediaries or are controlled by, or under common control with the Company, including holding companies, and subsidiaries, or exercise significant influence over the other party in making financial and operational decisions. Associates and individuals owning, directly or indirectly, an interest in the voting power if the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

B. Material Transactions – transactions reaching the set threshold amount as recommended by Management and approved by the Board of Directors.

III. Coverage

This policy covers material transactions between the Company and Related Parties, which include, but are not limited to the Company's subsidiaries, affiliates, associates, directors, officers and employees.

IV. Policy Provision

The Company adopts a policy of full disclosure with regard to related party transactions. The terms and conditions of related party transactions are reported to the Board of Directors to ensure that the transactions with related parties are made at terms equivalent to prevailing market rates and at arm's length basis.

V. Guidelines

A. Management shall present material transactions entered into by the Company with related parties to the Related Party Transactions Committee for review prior to Board approval and Management execution.

B. The Related Party Transactions Committee shall periodically evaluate relations between and among business and counterparties to ensure that related party transactions are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice-versa) are captured.

C. In evaluating RPTs, the Related Party Transactions Committee shall take into account the following:

   i. The related party's relationship to the Company and interest in the transaction;
   ii. The material facts of the proposed RPT, including the proposed aggregate value of such transaction;

iii. The benefit to the company of the proposed RPT;
iv. The availability of other sources of comparable products or services; and
v. An Assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances.

D. The Company shall ensure the full disclosure of the details, nature and extent of Material Transactions with related parties in the Company's financial statements, quarterly and annual reports to the SEC and PSE.

ANNEX 3
CONFLICT OF INTEREST

I. Objective

TKC Metals Corporation (the "Company")'s Conflict of Interest Policy shall establish a procedure to determine any possible conflict of interest between the Company and its directors, officers, employees and/or their immediate family.

II. Definition of Terms

A. Conflict of Interest – a situation in which a director, officer or employee has a direct or indirect personal interest in any transaction involving the Company, which may influence or appear to have influenced him/her from acting in the best interests of the Company.

B. Significant shareholders- a shareholder who owns or controls at least 5% of the Company's outstanding capital stock.

III. Covered Persons

This policy covers and is made applicable to all directors, officers, employees and significant shareholders. This likewise covers any and all family, business and/or personal affiliations of those aforementioned who stand to be directly or indirectly benefitted.

IV. Policy

Everyone is duty bound to disclose fully their existing business interests, shareholdings, personal activities or relationships that may directly or indirectly conflict with the performance of their intended duties and responsibilities. All business decisions of the Board of Directors and of Management must be for the best interest of the Company and not motivated by personal gain and/or influenced by personal relationships.

V. Rules and Procedure

A. The Board of Directors determines whether each person's business interests, shareholdings, personal activities or relationships result in conflict with the duties and responsibilities in the Company. The Board and Management shall ensure that all the business transactions of the Company are compliant with all applicable laws.

B. To avoid potential conflict of interest or an appearance thereof, all directors, officers and employees are required to disclose in writing to Management any personal interest or possible gain in a transaction involving the Company.

C. Directors shall not participate in the deliberation and/or approval of any transaction where they may be conflicted. The Company is also prohibited from extending loans to its directors without prior Board approval to ensure that the terms and conditions of the said loan is at arms-length basis.

D. All employees shall conduct fair business transactions with the Company and ensure that his personal interests do not conflict with the interests of the Company.

ANNEX 4
ACCEPTANCE OF GIFTS POLICY

I. Objective

TKC Metals Corporation (the "Company")'s Acceptance of Gifts Policy aims to strengthen the Company's commitment in upholding and integrating ethical business practices and corporate governance practices in all of its business transactions. This policy also ensures the integrity of any form of procurement done by the Company.

II. Policy

To prevent any conflict of interest and/or undue influence, acceptance of gifts and entertainment of significant value may not be accepted by directors, officers or employees from any contractor, supplier or customer of the Company. Neither can their immediate family and/or representatives accept such on behalf of the director, officer or employee.

III. Guidelines

A. A Gift is any form gratuity or benefit, either monetary or otherwise, received by a director, officer, employee or their immediate family by reason of or in relation to his/her position and/or duties from the Company's prospective and current contractors, suppliers and customers. A Gift includes but not limited to cash, loans, commissions, allowances, employment, travel and any form of entertainment.

B. Directors, officers and employees are prohibited from soliciting or accepting gifts from the Company's contractors, suppliers, customers and other business partners of the Company.

C. Directors, officers and employees of the Company may accept gifts of nominal value provided that the said gifts were voluntarily given by a third person (*e.g.*, contractors, suppliers and customers) without any form of solicitation from the said director, officer or employee. A gift shall be considered as having nominal value if its approximate value does not exceed Three Thousand Pesos (P3, 000.00).

ANNEX 5
WHISTLE-BLOWING POLICY

I. Objective

TKC Metals Corporation (the "Company")'s Whistle-Blowing Policy provides for a procedure allowing directors, officers, employees and other stakeholders to inform the Company of any potential violation of laws, Company policies and rules, and allow the Company to address such matters.

II. Definition of Terms

A. Confidential Disclosure – refers to a written disclosure by a director, officer, employee or other stakeholders regarding actual or potential violation of any law or Company policies and rules committed by a director, officer, employee or other stakeholders of the Company.

B. Whistle-blower – refers to a director, officer, employee or other stakeholders who made a Confidential Disclosure to the Company's Compliance Officer, Human Resources Department Head or to any member of the Audit Committee.

C. Retaliation – refers to any form of retaliation, reprisal or unlawful actions directed to the Whistle-blower and/or his/her family by reason of a Confidential Disclosure made by the Whistle-Blower.

III. Policy

A. The Company shall ensure that any director, officer, employee or other stakeholders who made a Confidential Disclosure, in good faith, shall not be subject of any form of retaliation, harassment or any adverse acts as a consequence of the Confidential Report made. Any director, officer, employee or stakeholder who retaliates against the Whistle-Blower shall be subjected to disciplinary action, without prejudice to any criminal or civil action.

B. Directors, officers and employees of the Corporation are duty-bound to abide to the highest work and personal ethical standards in the performance of their duties and responsibilities. They must practice honesty and integrity in fulfilling their responsibilities and must always act in the performance of their duties consistent with laws and the Company's policies and rules.

IV. Rules and Procedure

A. A Whistle-Blower can make a Confidential Disclosure to the Compliance Officer, the Human Resources Department Head or to any member of the Audit Committee.

B. Any Confidential Disclosure made by a director, officer, employee or other stakeholders shall be considered as privileged communication and his/her identity shall not be disclosed to any person other than the Compliance Officer, the Human Resources Department Head and the members of the Audit Committee.

C. The Compliance Officer, the Human Resources Department Head and the members of the Audit Committee shall have the obligation to --

i. Maintain the confidentiality of the subject matter of the Confidential Disclosure, the identity of the Whistle-Blower and the identity of the person accused of violating any law or Company policies and rules.

ii. Ensure that the Whistle-Blower and his/her family are not subjected to any form of Retaliation.

D. Any Confidential Disclosure made to the Compliance Officer or the Human Resources Department Head must be reported to the Audit Committee within five working days. After deliberation and confirmation that the said report is considered as a Confidential Disclosure, the Audit Committee shall proceed with the investigation and shall render its decision within a reasonable period of time.

ANNEX F

OMNIBUS SECRETARY'S CERTIFICATE

I, **EDSON T. EUFEMIO**, Filipino, of legal age, with office address at Unit 15-F1 One Wilson Square, Ortigas Ave. cor. Wilson, Greenhills, San Juan, being the duly elected and qualified Corporate Secretary **TKC METALS CORPORATION**, a corporation duly organized and existing under the laws of the Republic of the Philippines, with principal address at Upper Penthouse, GSC Corporate Tower, Triangle Drive, BGC, Taguig City, does hereby certify that:

1. In 2023, the Board of Directors met three (3) times, and the attendance in the meetings are as follows:

Director	Date of Meeting			Attendance Turnout
	21 February	29 March	05 July	
Ben C. Tiu	Present	Present	Present	100%
Domingo S. Benitez Jr.*	Present	Present	[redacted]	100%
Ignatius F. Yenko	Present	Present	Present	100%
Prudencio Somera Jr.	Present	Present	Present	100%
Vicente de Villa Jr.	Present	Present	Present	100%
Kevin G. Khoe	Present	Present	Present	100%

*ceased to be a director upon resignation

2. In the Board Meetings, the directors are participative and ask the necessary questions or seek clarifications and explanations on the matters discussed therein.

3. The Board conducts itself with integrity in the discharge of its duties, functions, and responsibilities to ensure a high standard of best practices for the Company, its stockholders, and other stakeholders.

IN WITNESS WHEREOF, I have hereunto set my hand this MAY 30 2024 at QUEZON CITY.

EDSON T. EUFEMIO
Corporate Secretary

SUBSCRIBED AND SWORN to before me this MAY 30 2024 affiant exhibiting to me his Philippine Identification Card No. 2095 -0317-0187-5621 issued by the Philippine Statistics Authority on 24 November 2022.

Doc. No. 59
Page No. 13
Book No. XII-B
Series of 2024.

Y. RUBEN M. AZAÑES, JR.
NOTARY PUBLIC
Commission No. NP-025 (2023-2024)
VALID UNTIL DECEMBER 31,2024
2A 3rd Avenue, BAGONG LIPUNAN NG CRAME QUEZON CITY
IBP No. 384112 – 1/1/2024 – Qc
PTR No. 5555119 – 1/2/2024 – Qc
MCLE Compliance No. VII-0018605

ANNEX G
CR00020-2024

The PSE makes no representation on the accuracy, validity, correctness and completeness of the information stated in the respective PORs of listed companies. The PSE shall use the information contained in the POR submitted by the company in computing a company's weight in the index and this may be updated or adjusted consistent with the policy of the Exchange in managing the PSEi and sector indices.

TKC Metals Corporation
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PSE Disclosure Form POR-1 - Public Ownership Report
Reference: Amended Rule on Minimum Public Ownership

Report Type

- ☐ Monthly
- ☑ Quarterly
- ☐ Others

Report Date	Dec 31, 2023

Computation of Public Ownership

Number of Issued Common Shares	940,000,000
Less: Number of Treasury Common Shares, if any	0
Number of Outstanding Common Shares	940,000,000

Less :

A. Directors

Name	Direct	Indirect	Total direct & indirect shares	% to Total Outstanding Shares
Ben C. Tiu	1	0	1	0
Ignatius F. Yenko	1	0	1	0
Prudencio Somera Jr.	1	0	1	0
Vicente de Villa Jr.	1	0	1	0
Kevin G. Khoe	0	1	1	0

	4	1	5	0

B. Officers

Name	Direct	Indirect	Total direct & indirect shares	% to Total Outstanding Shares
Ben C. Tiu (same as above)	-	-	-	-
Ignatius F. Yenko (same as above)	-	-	-	-
Efren Realeza, Jr.	0	0	0	0
Atty. Edson T. Eufemio	0	0	0	-
Wilfredo O. Gamboa	0	0	0	0
	0	0	0	0

C. Principal/Substantial Stockholders

Name	Direct	Indirect	Total direct & indirect shares	% to Total Outstanding Shares
Star Equities, Inc.	667,000,598	0	667,000,598	70.96
	667,000,598	0	667,000,598	70.96

D. Affiliates

Name	Direct	Indirect	Total direct & indirect shares	% to Total Outstanding Shares
-	-	-	-	-
	0	0	0	0

E. Government

Name	Direct	Indirect	Total direct & indirect shares	% to Total Outstanding Shares
-	-	-	-	-
	0	0	0	0

F. Banks

Name	Direct	Indirect	Total direct & indirect shares	% to Total Outstanding Shares
-	-	-	-	-
	0	0	0	0

G. Employees

Name	Direct	Indirect	Total direct & indirect shares	% to Total Outstanding Shares
-	-	-	-	-
	0	0	0	0

H. Lock-Up Shares

Name	Direct	Indirect	Total direct & indirect shares	% to Total Outstanding Shares
-	-	-	-	-
	0	0	0	0

I. Others

Name	Direct	Indirect	Total direct & indirect shares	% to Total Outstanding Shares
-	-	-	-	-
	0	0	0	0

Number of Listed Common Shares	940,000,000
Total Number of Non-Public Shares	667,000,603
Total Number of Shares Owned by the Public	272,999,397
Public Ownership Percentage	29.04

Other Relevant Information
-

Filed on behalf by:

Name	EDSON EUFEMIO
Designation	Corporate Secretary

ANNEX H

CR00212-2024

TKC Metals Corporation

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PSE Disclosure Form 17-12-A - List of Top 100 Stockholders (Common Shares)

Reference: Section 17.12 of the Revised Disclosure Rules

Type of Securities

☑ Common

For the period ended	Dec 31, 2023

Description of the Disclosure
List of Top 100 Stockholders as of 4th Quarter of 2023

Number of Issued Common Shares	940,000,000
Number of Treasury Common Shares, if any	0
Number of Outstanding Common Shares	940,000,000
Number of Listed Common Shares	940,000,000
Number of Lodged Common Shares	268,175,021
; ;PCD Nominee - Filipino	265,460,020
; ;PCD Nominee - Non-Filipino	2,715,001
Number of Certificated Common Shares	671,824,979

Change from previous submission
-

Filed on behalf by:

Name	EDSON EUFEMIO
Designation	Corporate Secretary

TKC METALS CORPORATION

LIST OF TOP 100 STOCKHOLDERS
AS OF DECEMBER 31, 2023

RANK	NAME	TOTAL SHARES	PERCENTAGE (%)
1	STAR EQUITIES, INC.	667,000,598	70.9575
2	PCD NOMINEE CORPORATION	268,175,021	28.5293
	Filipino - 265,460,020		
	Non-Filipino - 2,715,001		
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	SOLAR SEC., INC.	230,000	0.0245
7	UY, MARIA CHARITO B.	125,000	0.0133
8	HERNANDEZ, ELMER C.	100,000	0.0106
9	KO, MICHAEL ANTHONY LEE	100,000	0.0106
10	UY, ANJELICA B.	25,000	0.0027
11	UY, JAN RAINER B.	25,000	0.0027
12	DE VILLA, HENRIETTA	20,000	0.0021
13	CHUA CO KIONG, WILLIAM N.	15,000	0.0016
14	RESURRECCION, ANTONIO	10,000	0.0011
15	INSUA, JOSE CESAR	10,000	0.0011
16	PUNO ORPHA C.	10,000	0.0011
17	ESTRADA, CLAUDIA PATRICIA D.	6,250	0.0007
18	EVANGELISTA, MARIA IMELDA C.	6,250	0.0007
19	GARCIA, LUNINGNING D.	6,250	0.0007
20	SAPLALA, VICTOR A.	6,250	0.0007
21	TESORIO, CLAIROL MARIE V.	6,250	0.0007
22	UTTAMCHANDANI, JAY	2,000	0.0002
23	SOLIVEN, STEPHEN G.	2,000	0.0002
24	YAP, JAMES	2,000	0.0002
25	LEAFAR COMMERCIAL CORPORATION	1,250	0.0001
26	REMOQUILLO, MELISSA M.	1,250	0.0001
27	YU, JAMES ONG	1,000	0.0001
28	ONG, PABLITO M.	1,000	0.0001
29	KHO, RICHARD	600	0.0001
30	AU, OWEN NATANIEL S. ITF: LI MARCUS AU	20	0.0000
31	DE VILLA, VICENTE	1	0.0000
32	DIZON, ANTHONY S.	1	0.0000
33	SOMERA, JR., PRUDENCIO	1	0.0000
34	TAN, A. BAYANI K.	1	0.0000
35	TIU, ALEXANDER Y.	1	0.0000
36	TIU, BEN C.	1	0.0000
37	TIU, DEXTER Y.	1	0.0000
38	VALDEZ, ENRICO G.	1	0.0000
39	YENKO, IGNATIUS F.	1	0.0000
40	FERNANDEZ, VICTOR C.	1	0.0000
41	BERMUNDO, PABLITO C.	1	0.0000
		940,000,000	

OUTSTANDING BALANCES FOR SPECIFIC COMPANY

December 29, 2023

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BPNAME	**QUANTITY**
FIDELITY SECURITIES, INC.	84,349,691
ABACUS SECURITIES CORPORATION	32,504,095
COL Financial Group, Inc.	28,678,671
LUCKY SECURITIES, INC.	18,242,000
FIRST METRO SECURITIES BROKERAGE CORP.	11,742,136
BDO SECURITIES CORPORATION	8,570,950
PHILSTOCKS FINANCIAL INC	7,301,441
AB CAPITAL SECURITIES, INC.	6,331,000
R. NUBLA SECURITIES, INC.	5,440,000
QUALITY INVESTMENTS & SECURITIES CORPORATION	5,061,400
BPI SECURITIES CORPORATION	3,814,030
DA MARKET SECURITIES, INC.	3,797,000
ASTRA SECURITIES CORPORATION	3,583,000
HDI SECURITIES, INC.	3,422,000
EAGLE EQUITIES, INC.	2,902,050
R. COYIUTO SECURITIES, INC.	2,229,000
MAYBANK SECURITIES, INC.	2,210,000
ASIASEC EQUITIES, INC.	2,062,000
TOWER SECURITIES, INC.	1,775,000
SB EQUITIES,INC.	1,531,050
INVESTORS SECURITIES, INC,	1,515,000
TRITON SECURITIES CORP.	1,290,000
G.D. TAN & COMPANY, INC.	1,287,350
BELSON SECURITIES, INC.	1,261,000
AAA SOUTHEAST EQUITIES, INCORPORATED	1,208,000
ASIA UNITED BANK - TRUST & INVESTMENT GROUP	1,184,000
UNICAPITAL SECURITIES INC.	1,085,000
SOLAR SECURITIES, INC.	1,057,100
PREMIUM SECURITIES, INC.	962,000
YU & COMPANY, INC.	864,000
AURORA SECURITIES, INC.	829,000
MERIDIAN SECURITIES, INC.	822,000
LANDBANK SECURITIES, INC.	754,000
EASTERN SECURITIES DEVELOPMENT CORPORATION	752,000
AP SECURITIES INCORPORATED	736,000
VENTURE SECURITIES, INC.	689,000
SUMMIT SECURITIES, INC.	687,000
EVERGREEN STOCK BROKERAGE & SEC., INC.	685,000

ASIA PACIFIC CAPITAL EQUITIES & SECURITIES CORP.	680,000
ANSALDO, GODINEZ & CO., INC.	659,250
WEALTH SECURITIES, INC.	642,001
PNB SECURITIES, INC.	641,000
STANDARD SECURITIES CORPORATION	598,000
A & A SECURITIES, INC.	581,000
E. CHUA CHIACO SECURITIES, INC.	549,000
PAPA SECURITIES CORPORATION	513,250
SINCERE SECURITIES CORPORATION	474,000
MERCANTILE SECURITIES CORP.	468,000
GUILD SECURITIES, INC.	447,000
GOLDEN TOWER SECURITIES & HOLDINGS, INC.	435,000
THE FIRST RESOURCES MANAGEMENT & SECURITIES CORP.	402,000
CAMPOS, LANUZA & COMPANY, INC.	401,000
REGINA CAPITAL DEVELOPMENT CORPORATION	394,050
F. YAP SECURITIES, INC.	363,000
GLOBALINKS SECURITIES & STOCKS, INC.	362,000
LARRGO SECURITIES CO., INC.	325,000
RTG & COMPANY, INC.	324,500
EQUITIWORLD SECURITIES, INC.	323,000
STANDARD CHARTERED BANK	300,000
CTS GLOBAL EQUITY GROUP, INC.	290,000
BA SECURITIES, INC.	261,000
IMPERIAL,DE GUZMAN,ABALOS & CO.,INC.	251,000
R. S. LIM & CO., INC.	250,000
SunSecurities, Inc.	250,000
MANDARIN SECURITIES CORPORATION	242,000
IGC SECURITIES INC.	231,300
NEW WORLD SECURITIES CO., INC.	223,000
INTRA-INVEST SECURITIES, INC.	222,000
STRATEGIC EQUITIES CORP.	204,000
RCBC SECURITIES, INC.	192,000
CUALOPING SECURITIES CORPORATION	190,000
TANSENGCO & CO., INC.	184,000
YAO & ZIALCITA, INC.	180,000
LOPEZ, LOCSIN, LEDESMA & CO., INC.	136,000
VALUE QUEST SECURITIES CORPORATION	134,000
MDR SECURITIES, INC.	122,000
PHILIPPINE EQUITY PARTNERS, INC.	120,000
LUYS SECURITIES COMPANY, INC.	112,000
CHINA BANK SECURITIES CORPORATION	102,000
VC SECURITIES CORPORATION	100,000
PAN ASIA SECURITIES CORP.	92,000
BENJAMIN CO CA & CO., INC.	89,000

DAVID GO SECURITIES CORP.	86,000
OPTIMUM SECURITIES CORPORATION	80,000
WESTLINK GLOBAL EQUITIES, INC.	80,000
ALAKOR SECURITIES CORPORATION	77,000
A. T. DE CASTRO SECURITIES CORP.	72,000
S.J. ROXAS & CO., INC.	55,000
DIVERSIFIED SECURITIES, INC.	52,000
WONG SECURITIES CORPORATION	50,000
AB CAPITAL & INVESTMENT CORP. - TRUST & INVESTMENT DIV.	50,000
JAKA SECURITIES CORP.	48,000
GOLDSTAR SECURITIES, INC.	47,000
TIMSON SECURITIES, INC.	36,000
FIRST ORIENT SECURITIES, INC.	23,000
H. E. BENNETT SECURITIES, INC.	20,000
PLATINUM SECURITIES, INC.	20,000
R & L INVESTMENTS, INC.	20,000
MOUNT PEAK SECURITIES, INC.	19,000
UPCC SECURITIES CORP.	13,000
JSG SECURITIES, INC.	12,000
I. B. GIMENEZ SECURITIES, INC.	12,000
SALISBURY SECURITIES CORPORATION	10,000
APEX PHILIPPINES EQUITIES CORPORATION	10,000
I. ACKERMAN & CO., INC.	4,000
SECURITIES SPECIALISTS, INC.	3,000
ARMSTRONG SECURITIES, INC.	2,000
HK SECURITIES, INC.	706
Total	**268,175,021**