COVER SHEET

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SEC Registration Number

TKC METALS CORPORATION (Formerly:
TKC STEEL CORPORATION) AND SUBSID
IARIES

(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)

Marissa R. Monterey
(Contact Person)

632-88138859
(Company Telephone Number)

1 2	3 1
Month	*Day*

(Fiscal Year)

1 7 - Q
(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

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

TKC METALS CORPORATION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2) (b) THEREUNDER

1. For the quarterly period ended: **June 30, 2024**

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

6. Industry Classification Code: ______ (SEC Use Only)

7. Address of issuer's principal office Postal Code: **1635**

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

8. Issuer's telephone number, including area code **(02) 88138857**

9. Former name, former address and former fiscal year, if changed since last report
   Unit B1-A&C, 2nd Floor, Bldg. B Karrivin Plaza, 2316 Chino Roces Ave. Ext., Makati City, Philippines

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 [ ]

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PART II - OTHER INFORMATION

TKC METALS CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30, 2024 Unaudited	December 31, 2023 Audited
ASSETS		
Current Assets		
Cash	2,151,545	2,852,650
Trade and other receivables	875,389,172	1,683,117,032
Due from related parties	318,147,729	318,297,229
Other current assets	220,401	-
Total Current Assets	1,195,908,847	2,004,266,911
Noncurrent Assets		
Property and equipment	1,614,575,302	1,621,782,780
Leasehold rights	10,426,667	11,346,667
Total Noncurrent Assets	1,625,001,969	1,633,129,447
	2,820,910,816	3,637,396,358
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables	293,498,342	296,867,899
Loans payable	297,270,080	297,270,080
Due to related parties	2,052,427,986	2,836,051,189
Total Current Liabilities	2,643,196,408	3,430,189,168
Noncurrent Liabilities		
Net retirement benefit liability	16,198,023	16,198,023
Deferred tax liabilities	28,232,129	28,232,129
Total Noncurrent Liabilities	44,430,152	44,430,152
Total Liabilities	2,687,626,560	3,474,619,320
EQUITY		
Capital Stock	1,690,000,000	1,690,000,000
Additional paid-in capital	2,733,047,906	2,733,047,906
Deficit	(4,210,094,882)	(4,181,097,294)
Other equity reserves	(5,200,748)	(5,200,748)
	207,752,276	236,749,864
Non-controlling interest	(74,468,020)	(73,972,826)
Total Equity	133,284,256	162,777,038
	2,820,910,816	3,637,396,358

See accompanying Notes to Unaudited Interim Consolidated Financial Statements

TKC METALS CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the three months and six months ended June 30, 2024 and June 30, 2023

	2024 - Unaudited		2023 - Unaudited	
	April 1 to June 30	**January 1 to June 30**	**April 1 to June 30**	**January 1 to June 30**
NET SALES	542,950	1,629,376	3,510,000	6,435,000
COST OF GOODS SOLD	1,173,972	3,885,086	10,816,809	19,931,374
GROSS INCOME (LOSS)	(631,022)	(2,255,710)	(7,306,809)	(13,496,374)
GENERAL AND ADMINISTRATIVE EXPENSES	(8,725,410)	(18,622,503)	(12,046,532)	(25,420,542)
FINANCE COSTS	(6,732,649)	(12,657,606)	(6,199,261)	(12,691,660)
OTHER INCOME	1,240,800	4,083,036	11,245,854.00	20,719,870
LOSS BEFORE INCOME TAX	(14,848,281)	(29,452,783)	(14,306,748)	(30,888,706)
PROVISION FOR (BENEFIT FROM) INCOME TAX	-	-	701	2,391
NET LOSS	(14,848,281)	(29,452,783)	(14,307,449)	(30,891,097)
OTHER COMPREHENSIVE INCOME (LOSS)	-	-	-	-
TOTAL COMPREHENSIVE INCOME (LOSS)	**(14,848,281)**	**(29,452,783)**	**(14,307,449)**	**(30,891,097)**
Net income(loss) attributable to:				
Shareholders of the Parent Company	(14,610,872)	(28,997,589)	(14,149,645)	(30,563,220)
Non-controlling interest	(237,409)	(455,194)	(157,804)	(327,877)
	(14,848,281)	(29,452,783)	(14,307,449)	(30,891,097)
Total comprehensive income (loss) attributable to:				
Shareholders of the Parent Company	(14,610,872)	(28,997,589)	(14,149,645)	(30,563,220)
Non-controlling interest	(237,409)	(455,194)	(157,804)	(327,877)
	(14,848,281)	(29,452,783)	(14,307,449)	(30,891,097)

See accompanying Notes to Unaudited Interim Consolidated Financial Statements

TKC METALS CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Six Months Ended June 30,	
	2024	2023
CAPITAL STOCK	**1,690,000,000**	940,000,000
ADDITIONAL PAID-IN CAPITAL	**2,733,047,906**	1,983,047,906
RETAINED EARNINGS (DEFICIT)		
Balance at beginning	**(4,181,097,294)**	(4,097,276,640)
Net loss	**(28,997,589)**	(30,563,220)
Balance at end	**(4,210,094,883)**	(4,127,839,860)
DEPOSIT FOR FUTURE SUBSCRIPTION	**-**	1,500,000,000
OTHER EQUITY RESERVES	**(5,200,748)**	(5,020,472)
NON-CONTROLLING INTEREST	**(74,468,020)**	(73,529,887)
	133,284,256	216,657,687

See accompanying Notes to Unaudited Interim Consolidated Financial Statements

TKC METALS CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended June 30	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(29,452,783)	(30,888,706)
Adjustments for:		
Depreciation and amortization	8,127,478	7,555,618
Finance costs	12,657,606	12,691,660
Finance income	2,425	(16,297)
Operating profit before working capital changes	(8,665,274)	(10,657,725)
Decrease (increase) in:		
Trade and other receivables	807,727,860	(819,006)
Input tax	(199,900)	(437,767)
Prepayment and other current assets	(20,503)	2,223,844
Increase (decrease) in:		
Trade and other payables	(3,369,557)	(3,726,898)
Net cash generated from operations	795,472,626	(13,417,552)
Interest paid	(12,697,603)	(12,694,051)
Interest received	(2,425)	16,297
Net cash provided by (used in) operating activities	782,772,598	(26,095,306)
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in due from related parties	149,500	4,456,887
Net cash used in investing activities	149,500	4,456,887
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase(decrease) in due to related parties	(783,623,203)	14,529,489
Net cash provided (used) by financing activities	(783,623,203)	14,529,489
NET DECREASE IN CASH AND CASH EQUIVALENTS	(701,105)	(7,108,930)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,852,650	10,487,730
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	**2,151,545**	**3,378,800**

See accompanying Notes to Unaudited Interim Consolidated Financial Statements

1. **Corporate 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 Subsidiary	Country of Incorporation	Nature of Business	Percentage of Ownership	
			2024	2023
Treasure Steelworks Corporation (Treasure)a	Philippines	Manufacture of steel products	98%	98%
Campanilla Mineral Resources, Inc. (Campanilla)*	Philippines	Mineral production	70%	70%

** Has not commenced commercial operation as of June 30, 2024.*

The Parent Company and its subsidiaries (the Group) are engaged in the operation of a smelting, melting and rolling plant in the production of billets, its main product.

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 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.

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 P1,500 million of his advances to Treasure to foreign investors who, in turn, reassigned these advances to the Parent Company and applies the advances against their subscription to the Parent Company's increase in authorized capital stocks.

The increase in authorized capital stock of the Parent Company from P1,000.0 million, divided into 1,000.0 million shares at P1 par value a share, to P3,000.0 million, divided into 3,000.0 million shares at P1 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 P2,000.0 million, divided into 2,000.0 million shares at P1 par value a share, 750.0 million shares, were subscribed by foreign investors for P1,500.0 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 P1,500.0 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 P1,500.0 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 Parent Company sold all of its interest in Billions at cost amounting to P=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 P4,181.1 million and P4,097.3 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 P=2,836.1 million as at December 31, 2023.

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

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.

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.

Amendments to PFRS and in Issue But Not Yet Effective or Adopted

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 permited.

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.

Basis of Consolidation

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

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

Changes in the controlling equity ownership (i.e., acquisition of non-controlling interest or partial disposal of interest over a subsidiary) that do not result in a loss of control are accounted for as equity transactions.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Non-controlling interests represent the portion of net results and net assets not held by the Parent Company. They are presented in the consolidated 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.

<u>Financial Assets and Liabilities</u>

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.

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.

Borrowing Costs

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

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

Other Noncurrent Assets

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.

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

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation 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.

Cost and Expense Recognition

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

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

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.

Basic and Diluted Income (Loss) per Share
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.

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 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 Accounting Judgments and Estimates

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 P4,181.1 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.

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.

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.

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 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.

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:

	June 30, 2024	2023
Cash in banks	**₱2,131,545**	₱ 2,832,650
Cash on hand	**20,000**	20,000
	₱2,151,545	₱2,852,650

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 P2,425 and P12,830 as of June 30, 2024 and 2023, respectively.

5. Trade and Other Receivables

This account consists of:

	June 30, 2024	2023
Trade receivables	**₱216,320**	₱980,637
Others	**875,172,852**	1,682,136,395
	₱875,389,172	₱1,683,117,032

Trade receivables are unsecured and non-interest 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.

Others pertain to advances to officers and employees and are subject to liquidation within a year and advances to a third party which are unsecured, noninterest-bearing and collectible on demand.

6. **Trade and Other Payables**

This account consists of:

	June 30, 2024	2023
Trade payables	**₱215,834,842**	₱188,054,570
Accruals	**46,274,740**	77,174,874
Salaries payable	**18,619,170**	18,216,140
Statutory payable	**4,769,590**	4,759,415
Others	**8,000,000**	8,662,900
	₱293,498,342	₱296,867,899

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.

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.

7. **Loans Payable**

This account represents unsecured peso loans of the Group with a local bank aggregating P297.3 million as at June 30, 2024 and December 31, 2023. 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 2024 and 2023, respectively.

Item 2 – Management Discussion and Analysis of Financial Conditions and Results of Operations

The table below presents the summary of operating and financial information of the company for the periods ending June 30, 2024, June 30, 2023 and December 31, 2023.

The information below is not necessarily indicative of the results of future operations or financial condition of the company:

Summary of Comprehensive Income		
Amounts in ₱ millions	Unaudited	Unaudited
	June 30, 2024	June 30, 2023
Revenues	1.63	6.43
Cost of sales and services	3.88	19.93
Gross profit	(2.25)	(13.50)
Operating expenses	18.62	25.42
Operating income (loss)	(20.87)	(38.92)
Other Income (Charges)	(8.58)	8.03

Profit (loss) before tax	(29.45)	(30.89)
Net profit (loss)	(29.45)	(30.89)
Comprehensive income (loss)	(29.45)	(30.89)

Difference in decimal numbers are due to rounding off

Summary of Financial Position		
Amount in ₱ millions	June 30, 2024 Consolidated – Unaudited	December 31, 2023 Consolidated – Audited
Assets		
Cash	2.15	2.85
Trade and other receivables	875.39	1,683.12
Due from related parties	318.15	318.30
Other current assets	0.22	-
Total Current Assets	**1,195.91**	**2,004.27**
Property and equipment – net	1,614.57	1,621.78
Leasehold rights	10.43	11.35
Total Noncurrent Assets	**1,625.00**	**1,633.13**
Total Assets	**2,820.91**	**3,637.40**
Liabilities and Equity		
Accounts and other payables	293.50	296.87
Due to related parties	2,052.43	2,836.05
Loans payable	297.27	297.27
Total Current Liabilities	**2,643.20**	**3,430.19**
Net retirement benefit liability	16.20	16.20
Deferred tax liabilities	28.23	28.23
Total Non-current Liabilities	**44.43**	**44.43**
Total Liabilities	**2,687.63**	**3,474.62**
Capital stock	1,690.00	1,690.00
Additional paid-in capital	2,733.04	2,733.04
Retained earnings	(4,210.09)	(4,181.09)
Other equity reserve	(5.20)	(5.20)
Total	**207.75**	**236.75**
Non-controlling interest	**(74.47)**	**(73.97)**
Total Equity	**133.28**	**162.78**
Total Liabilities and Equity	**2,820.91**	**3,637.40**

Difference in decimal numbers are due to rounding off

Material changes to the Statements of Comprehensive Income for the period ended June 30, 2024 and June 30, 2023.

Revenue

The group's revenue for the three months ending June 30, 2024, resulted in a 84% decrease from P3.5 million in 2023 to P0.5 million due to the non-operation of the steel subsidiary.

Cost of sales

The cost of sales for the three months ended June 30, 2024, totaled P1.2 million, a significant decrease from P10.8 million in 2023.

General and administrative expenses

The group's administrative and general expenses for the three months ended June 30, 2024, decreased by P3.3 million, declining from P12 million in 2023 to P8.7 million in 2024.

Finance cost

The finance costs incurred by the Group for the three months ended June 30, 2024, saw an increase of P533K from P6.2 million in 2023 to P6.7 million in 2024. The movement is attributable to the increase in interest rates.

Material changes to the Statements of Financial Position as of June 30, 2024 compared to the Statement of Financial Position as of December 31, 2023.

Cash

The cash balance decreased by 25%, from P2.8 million in 2023 to P2.1 million in 2024. This decrease is the net result of the collections from receivables and payments for costs and expenses incurred by the Group.

Trade and other receivables

Trade and other receivables decreased by ₱807.7 million. This reduction was primarily driven by the collection of a non-trade receivables from a third party.

Due to related parties

The group's due to related parties decreased by 28%, amounting to P783.6 million, from P2.8 billion in 2023 to P2.05 billion in 2024. The reduction was made possible by the payment of advances from the collections of non-trade receivables from the third party.

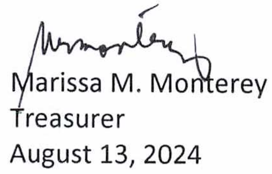
TKC METALS CORPORATION and SUBSIDIARIES
Aging of Trade Receivables
As of June 30, 2024

DESCRIPTION			PAST DUE			
	Amount	Current	30 days	60 days	90 days	120 days
Trade receivables	P216,320	P216,320	-	-	-	-
Less allowance for doubtful accounts	-	-	-	-	-	-
Net trade receivables	P216,320	P216,320	-	-	-	-

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer: TKC Metals Corporation
By:



Marissa M. Monterey
Treasurer
August 13, 2024