COVER SHEET

A1996-1062

TKC STEEL CORPORATION

(Company's Full Name)

Unit B1A 2nd Floor Bldg No. 2316
Karrivin Plaza Chino Roces
Avenue Extension Makati City

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

RIA CARMELA R. CRUZ

6320905/10

Company Telephone Number

12 31
Month Day

Fiscal Year

Day

Annual Meeting

DEFINITIVE 20-IS

Secondary License Type, if applicable

CFD

Department Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be Accomplished by SEC Personnel Concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

TO: ALL STOCKHOLDERS

Please take notice that the annual meeting of the stockholders of TKC Steel Corporation (the "Corporation") for 2014 shall be held on **Friday, 27 June 2014**, at **8:30** in the morning, at the **Heritage Room of the Elks Club, 7/F Corinthian Plaza, Paseo De Roxas, Legaspi Village, Makati City**, to consider the following:

AGENDA

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of the Minutes of the Previous Meeting of Stockholders
4. President's Report and Presentation of Audited Financial Statements
5. Approval of Increase of Capital Stock
6. Approval of Rights with Warrants Offer
7. Approval of Change of Name to "TKC Metals Corporation"
8. Approval of Change of Address
9. Ratification of all Acts of the Board of Directors and Officers
10. Election of Directors
11. Appointment of External Auditors
12. Other Matters
13. Adjournment

The Corporation has, in accordance with the By-Laws, fixed the close of business on **27 May 2014** as the record date for the determination of the stockholders entitled to notice of and to vote at such meeting and any adjournment therefore.

Registration for those who are personally attending the meeting will start at 7:30 a.m. and end promptly at 8:15 a.m. All stockholders who will not, are unable, or do not expect to attend the meeting in person are encouraged to fill out, date, sign, and send a proxy to the Corporation's Corporate Secretary at **2704 East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, 1605 Pasig City**. All proxies should be received by the Corporate Secretary on or before **15 June 2014**. Proxies submitted shall be validated by a Committee of Inspectors on 16 June 2014 at 10 o'clock in the morning at the aforementioned address. For corporate stockholders, the proxies should be accompanied by a Secretary's Certification on the appointment of the corporation's authorized signatory.

To avoid inconvenience in registering your attendance at the meeting, you or your proxy is requested to bring identification paper(s) containing a photograph and signature, *e.g.* passport, driver's license, or credit card.

City of Pasig, Metro Manila, 3 June 2014.

Very truly yours,

A. BAYANI K. TAN
Corporate Secretary

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS

Information Statement Pursuant to Section 20 of The Securities Regulation Code

SECURITIES AND EXCHANGE COMMISSION
RECEIVED
JUN 03 2014
MARKET REGULATION DEPT.
BY: _____ TIME: 4:40

1. Check the appropriate box:
   [ ] Preliminary Information Statement
   [X] Definitive Information Statement

2. Name of Registrant as specified in its charter
   TKC Steel Corporation

3. Province, country or other jurisdiction of incorporation or organization
   Metro Manila, Philippines

4. SEC Identification Number: **A1996-10620**

5. BIR Tax Identification Code: **005-038-162-000**

6. Address of Principal Office
   Unit B1-A/C, 2nd Floor, Building B, Karrivin Plaza, 2316 Chino Roces Avenue Extension, Makati City

7. Registrant's telephone number, including area code: **(632) 864-0736 / 840-4335**

8. Date, time and place of the meeting of security holders:
   Date: **27 June 2014**
   Time: **8:30 a.m.**
   Place: **Heritage Room of the Elks Club, 7/F Corinthian Plaza, Paseo De Roxas, Legaspi Village, Makati City**

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **05 June 2014**

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

Title of Each Class	Number of Shares of Common Stock Outstanding (as of 30 April 2014)
Common shares	**940,000,000 shares**

11. Are any or all of registrant's securities listed in a Stock Exchange?
    Yes [X] No [ ]

    If yes, disclose the name of such Stock Exchange and the class of securities listed therein:
    The Philippine Stock Exchange, Inc.; Common Shares

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY

GENERAL INFORMATION

Item 1. **Date, time and place of meeting of security holders:**

Date: 27 June 2014
Time: 8:30 a.m.
Place: Heritage Room of the Elks Club, 7/F Corinthian Plaza, Paseo De Roxas, Legaspi Village, Makati City
Registrant's Mailing Address: Unit B1-A/C, 2nd Floor, Building B, Karrivin Plaza, 2316 Chino Roces Avenue Extension, Makati City

The approximate date on which the information statement is first to be sent or given to security holders is 05 June 2014.

Item 2. **Dissenters' Right of Appraisal**

The Corporation Code of the Philippines, specifically Sections 42 and 81 thereof, gives to a dissenting stockholder who votes against certain corporate actions specified by law, the right to demand payment of the fair market value of the shares, commonly referred to as Appraisal Right.

The following are the instances provided by law when dissenting stockholders can exercise their Appraisal Right:

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

2. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code;

3. In case the Corporation decides to invest its funds in another corporation or business outside of its primary purpose; and

4. In case of merger or consolidation.

Under Section 82 of the Corporation Code, the appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the Corporation within thirty (30) days after the date on which the vote was taken for payment of the fair value of his shares. However, failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented or effected, the Corporation shall pay to such stockholder, upon surrender of the certificate or certificates of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action

If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the Corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the Corporation, and the third by the two thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the Corporation within thirty (3) days after such award is made, provided that no payment shall be made to any dissenting stockholder unless the

Corporation has unrestricted retained earnings in its books to cover such payment, and that upon payment by the Corporation of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the Corporation.

There is no matter or item to be submitted to a vote or acted upon in the annual stockholders' meeting of the Corporation which falls under the instances provided by law when dissenting stockholders can exercise their appraisal right.

Item 3. **Interest of Certain Persons in or Opposition to Matters to be Acted Upon**

a. No current director or officer of the Corporation, or nominee for election as directors of the Corporation or any associate thereof, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon other than election of office.

b. No director or security holders have informed the Corporation, in any form, that he intends to oppose any action to be taken by the Corporation at the meeting.

CONTROL AND COMPENSATION INFORMATION

Item 4. **Voting Securities and Principal Holders Thereof**

A. The Corporation has 940,000,000 outstanding common shares as of 30 April 2014. Each common share shall be entitled to one vote with respect to all matters to be taken up during the annual stockholders' meeting.

B. The record date for determining stockholders entitled to notice of and to vote during the annual stockholders' meeting is on 27 May 2014.

C. In the forthcoming annual stockholders' meeting, stockholders shall be entitled to elect eleven (11) members of the Board of Directors. Each stockholder may vote such number of shares for as many as eleven (11) persons he may choose to be elected from the list of nominees, or he may cumulate said shares and give one candidate as many votes as the number of his shares multiplied by eleven (11) shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by eleven (11).

D. Security Ownership of Certain Record and Beneficial Owners

(1) Security Ownership of Certain Record and Beneficial Owners

The following table shows the record and beneficial owners owning more than five percent (5%) of the outstanding capital stock as of 30 April 2014:

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner & Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage of Holdings
Common	Star Equities, Inc.[1] 2/F JTKC Center 2155 Chino Roces Avenue, Makati City Parent Company	Direct	Filipino	667,000,598	70.96%
Common	PCD Nominee Corporation[2] 37F Tower 1, The Enterprise Center 6766 Ayala Avenue corner Paseo de Roxas, Makati City	See footnote	Filipino	264,328.421	28.12%

(2) Security Ownership of Directors and Management as of 30 April 2014:

Title of Each Class	Name of Record/ Beneficial Owner	Amount and Nature of Record/ Beneficial Ownership		Percentage
Common	Tiu, Ben C.	1	Direct	--
Common	Yenko, Ignatius F.	1	Direct	--
Common	Dizon, Anthony S.	1	Direct	--
Common	Tan, A. Bayani K.	1	Direct	--
Common	Tiu Dexter Y.	1	Direct	--
Common	Bermundo, Pablito C.	1	Direct	--
Common	De Villa, Vicente V.	1	Direct	--
Common	Fernandez, Victor C.	1	Direct	--
Common	Somera, Jr., Prudencio C.	1	Direct	--
Common	Tiu, Alexander Y.	1	Direct	--
Common	Valdez, Enrico G.	1	Direct	--

---

[1] Star Equities, Inc. is an investment and holding company incorporated under the laws of The Philippines. Its present Board of Directors are Messrs. Ruben C. Tiu, Dexter Y. Tiu, John Y. Tiu, Jr., Alexander Y. Tiu and Ms. Evelyn T. Lim. The shares held by Star Equities, Inc. shall be voted or disposed of by the persons who shall be duly authorized by the corporation for the purpose. The natural person/s that has/have the power to vote on the shares of the Corporation shall be determined upon the submission of its proxy form to the Company.

[2] PCD Nominee Corporation ("PCDNC") is a wholly-owned subsidiary of Philippine Central Depository, Inc. ("PCD"). As stated above, the beneficial owners of such shares registered under the name of PCDNC are PCD's participants who hold the shares in their own behalf or in behalf of their clients. The PCD is prohibited from voting these shares, instead the participants have the power to decide how the PCD shares are to be voted.

(3) Voting Trust Holders of 5% or more

There is no party known to the Corporation which holds any voting trust or any similar agreement for 5% or more of the Corporation's voting securities.

(4) Changes in Control

The Corporation is not aware of any arrangement which may result in a change in control of the Corporation.

Item 5. **Directors and Executive Officers**

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

Name	Position	Age	Citizenship	Period Served
Ben C. Tiu	Chairman	60	Filipino	February 2007 - present
Ignatius F. Yenko	Vice-Chairman	60	Filipino	June 2007 - present
Anthony S. Dizon	President	66	Filipino	April 2007 - present
A. Bayani K. Tan	Corporate Secretary/ Director	57	Filipino	February 2007 - present
Dexter Y. Tiu	Treasurer/Director	41	Filipino	February 2007 - present
Vicente De Villa, Jr.	Independent Director	78	Filipino	April 2007 - present
Pablito C. Bermundo	Independent Director	69	Filipino	January 2011 - present
Victor C. Fernandez	Independent Director	69	Filipino	January 2011 - present
Prudencio C. Somera, Jr.	Director	68	Filipino	April 2007 - present
Alexander Y. Tiu	Director	37	Filipino	April 2007 - present
Enrico G. Valdez	Director	52	Filipino	February 2007 - present

Board of Directors

The following are the incumbent members of the Board of Directors who have likewise been nominated for re-election to the Board for the ensuing year. The information on the business affiliations and experiences of the above-named directors and officers, as shown below, are current and/or within the past five years:

Ben C. Tiu, Filipino, 62, is the **Chairman** of the Corporation. Mr. Tiu is also the President of JTKC Equities, Inc., and Union Pacific Ace Industries, Inc. Mr. Tiu is the Chairman of The Discovery Leisure Co., the owner of Discovery Suites Hotel, The Country Suites at Tagaytay and Discovery Shores Boracay. He served as Chairman and CEO of iRemit, Inc. from 2001 until 2004 and as Director from May 2006 to present. He is also Executive Vice President of Hotel System Asia, Inc., JTKC Realties Corporation and Executive Vice President and Treasurer of Aldex Realty Corporation, Inc., Treasurer of TERA Investments, Inc. Mr. Tiu is also a Corporate Nominee in the Philippine Stock Exchange of Fidelity Securities, Inc. and formerly the Chairman of the Board of Sterling Bank of Asia, Inc., and Vice Chairman of the Board and Chairman of the Executive Committee of International Exchange Bank. He holds a Masters in Business Administration from the Ateneo de Manila University and a degree in Mechanical Engineering from Loyola Marymount University, USA.

Ignatius F. Yenko, Filipino, 62, is the **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 Corporation 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.

Anthony S. Dizon, Filipino, 68, is the **President and Director** of the Corporation. He is also currently the President of Koldstor Centre Philippines, Inc. He serves as Director of JAPRL Development Corporation and SD Management Corporation. His socio-civic activities include functioning as President of Cold Chain Association of the Philippines, past Director of Makati Sports Club and Past President of Rotary Club of Makati East. He graduated from the University of the East with a degree of B.S. Electrical Engineering. He holds a Masters in Business Administration degree from De La Salle University. He also attended the Management Development Program at the Asian Institute of Management.

A. Bayani K. Tan, Filipino, 58, is a **Director and Corporate Secretary** of the Corporation. Mr. Tan has been a Director and the Corporate Secretary of the Corporation since February 2007. He is currently a Director, Corporate Secretary, or both, of the following reporting and/or listed companies: Asia United Bank Corporation[3] (February 2014-present), Belle Corporation (May 1994-present), Coal Asia Holdings, Inc. (July 2012-present), Destiny Financial Plans, Inc. (2003-present), Discovery World Corporation (March 2013 as Director, July 2003–present as Corporate Secretary), First Abacus Financial Holdings Corp. (May 1994 – present), I-Remit, Inc. (May 2007-present), Pacific Online Systems Corporation (May 2007-present), Philequity Balanced Fund, Inc. (March 2010-present), Philequity Dividend Yield Fund, Inc. (January 2013-present), Philequity Dollar Income Fund, Inc. (March 1999-present), Philequity Foreign Currency Fixed Income Fund, Inc. (March 2010-present), Philequity Fund, Inc. (June 1997-present), Philequity Peso Bond Fund, Inc. (June 2000-present), Philequity PSE Index Fund, Inc. (February 1999-present), Philequity Resources Fund, Inc. (March 2010-present), Philequity Strategic Growth Fund, Inc. (April 2008-present), Sinophil Corporation (December 1993-present), Tagaytay Highlands International Golf Club, Inc. (November 1993-present), Tagaytay Midlands Golf Club, Inc. (June 1997-present), The Country Club at Tagaytay Highlands, Inc. (August 1995-present), The Spa and Lodge at Tagaytay Highlands, Inc. (December 1999-present), Vantage Equities, Inc. (January 1993-present) and Yehey! Corporation (June 2004-present). Mr. Tan is also a Director[4] and the Corporate Secretary of Sterling Bank of Asia Inc. since December 2006. Mr. Tan is the Managing Partner of the law offices of Tan Venturanza Valdez (1988 to present), Managing Director/President of Shamrock Development Corporation (May 1988-present), Director of Destiny LendFund, Inc. (December 2005-present) and Pascual Laboratories, Inc. (March 2014-present), President of Catarman Chamber Elementary School Foundation, Inc. (August 2012-present), Managing Trustee of SCTan Foundation, Inc. (1986-present), Trustee and Treasurer of Rebisco Foundation, Inc. (April 2013-present) and Trustee and Corporate Secretary of St. Scholastica's Hospital, Inc. (February 2011-present). He is currently the legal counsel of Xavier School, Inc.

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

Dexter Y. Tiu, Filipino, 42, is **Treasurer and Director** of the Corporation. He is also a director of Coal Asia Holdings, JTKC Equities, Inc. and Star Equities, Inc., Vice-Chairman of Zhangzhou Stronghold Steel

---

[3] Subject to BSP approval

[4] Subject to SEC approval of the amendments of Section 6 of the Bank's Articles of incorporation increasing the number of directors from eleven (11) to fifteen (15).

Works Co., Ltd. (a subsidiary of the Company in China), President of Stronghold Steel Corporation, Chairman of Pacifico Sul Mineracao Corporation, and Titan Exploration & Development Corporation. He earned his Bachelor of Science Degree in Mechanical Engineering from De La Salle University in 1993.

Vicente V. de Villa, Jr., a Filipino, 81, 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.

Pablito C. Bermundo, a Filipino, 72, is an **Independent Director** of the Corporation. He holds a Bachelor of Science degree in Commerce – Accounting and is a Certified Public Accountant. He is currently a Director/Consultant in Symrise, Inc. (2008-present), a Corporation where he was once the Chief Executive Officer (1983-2008). Symrise, Inc. is engaged in the manufacture and marketing of flavors and fragrances. He is also currently serving as Executive Director of the Texicon Group of Companies (2009-present).

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

Victor C. Fernandez, a Filipino, 70, is an **Independent Director** of the Corporation. He holds a Bachelor of Laws degree from the University of the Philippines (Class of 1971) where he was a member of the Order of the Purple feather (U.P. College of Law Honor Society) and ranked tenth in his class. He has a Bachelor of Arts major in Economics degree from the University of the Philippines (Class of 1967).

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

Prudencio C. Somera, Jr., Filipino, 70, is a **Director** of the Corporation. He is likewise 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). He is a columnist of Philippine Daily Inquirer. He holds a Master of Business Administration Degree from the University of the Philippines.

Alexander Y. Tiu, Filipino, 39, is a **Director** of the Corporation. He is President of Goodyear Steel Pipe Corporation and Executive Vice-President of British Wire Industries Corporation and Goodway Marketing Corporation. Mr. Tiu earned his Bachelor's Degree in Economics from Simon Fraser University in 1999.

Enrico G. Valdez, Filipino, 53, is a **Director** of the Corporation. He is likewise a Director of Manta Ray Holdings, Inc., Lion City Landholdings, Inc. and Harbor Holdings Corporation, Inc. and Corporate Secretary of TBWA Santiago Mangada Puno Advertising, Inc. and Jan De Nul (Phils.), Inc. He is a Partner of Tan Venturanza Valdez and Treasurer of T & V Realty Holdings Inc. He took up his Bachelor of Science Degree in Business Administration from the Philippine School of Business Administration and his Bachelor of Laws Degree from the Ateneo de Manila University. He also has a Master Degree in Business Administration from the University of the Philippines. He is a member of the Integrated Bar of the Philippines and Philippine Institute of Certified Public Accountants. He served as former Director of the Tax Management Association of the Philippines and former Vice Chairman of the Taxation Committee of the Inter-Pacific Bar Association.

Executive Officers

Anthony S. Dizon - President and Chief Operating Officer (Please refer to page 7.)

A. Bayani K. Tan – Corporate Secretary (Please refer to page 7.)

Dexter Y. Tiu – Treasurer (Please refer to page 7.)

Mr. Nicanor L. de la Paz, Filipino, 60, is the **Chief Financial Officer** of the Corporation. He took up his Bachelor of Science Degree in Business Administration major in Accountancy from the Philippine School of Business Administration. Prior to joining the Corporation, he was previously the Head of Accounting Department of Pilipino Telephone Corporation (PILTEL) which he served for 23 years. He was also the Chief Financial Officer of Teleperformance, one of the biggest contact centers in the world. He was also the Financial Consultant of Vinnel Belvoir corporation from 2010 to 2012. He is a Certified Public Accountant.

Wilfrido O. Gamboa, Filipino, 59, is the **Head of Corporate Services and Chief Compliance Officer** of the Corporation. Before he joined the Corporation, he was president of Fabricom Realty & Development Corporation. Previous experiences of Mr. Gamboa include fund sourcing, rehabilitation planning and debt portfolio restructuring. He has also experiences in the real property sector with tasks including developing new real estate projects. He graduated with a degree of Bachelor of Arts in Economics and Bachelor of Science in Business Administration from De La Salle University.

Efren A. Realeza, Jr, Filipino, 53, is the **Head of Accounting Services** of the Corporation. Before he joined the Corporation, he held various positions in the areas of finance, audit, cost and manufacturing. He was the Audit Manager of VBP Group of Companies-Dermpharma and Dermclinics, Triumph Development Corporation-a cement manufacturing company operating in China and Ajinomoto Philippines Corporation and later as Cost Accounting Manager. He served also as the Financial Controller of the following subsidiaries of Ajinomoto Philippines Corporation like Flavor Food Products International Inc., Union Hikari Fertilizer International, Inc. and Global Cebu Foods Corporation. He graduated with a degree of Bachelor of Sciene in Accountancy from the Polytechnic University of the Philippines. He is a Certified Public Accountant.

Ria Carmela R. Cruz, Filipino, 29, is the Corporation's **Assistant Corporate Secretary**. She concurrently serves as Assistant Corporate Secretary of listed firms Asia United Bank and Coal Asia Holdings Incorporated, and private companies Winstone Industrial Manufacturing Corporation and Goodyear Steel Pipe Corporation.

Atty. Cruz is an associate at Tan Venturanza Valdez Law Offices. She holds a Juris Doctor degree and a Bachelor of Art Degree in Public Administration, cum laude, both from the University of the Philippines. She was admitted to the Philippine Bar in 2011.

Ruben C. Tiu - Filipino, 58, is the **Chief Liaison Officer** of the Corporation. He is also the Chairman and President of Star Equities, Inc., President of JTKC Realty Corporation, Pan Asean Multi Resources Corp., Aldex Realty Corporation, Oakridge Properties, Inc., Hotel Systems Asia, Inc., JTKC Land, Inc., The Discovery Leisure Company, Inc., and Discovery Country Suites, Inc., Executive Vice President of JTKC Equities, Inc. and Union Pacific Ace Industries, Inc., and a Director of Palawan Cove Corporation, Discovery World Corporation, Cay Islands Corporation, Tera Investments, Inc., Sonoran Corporation, Sterling Bank of Asia, Inc., and I-Remit, Inc. He was previously a director of Southern Visayas Property Holdings, Inc. (2003 - 2009), International Exchange Bank (1995 - 2006), and I - Remit, Inc. (2002 -

2004). He holds a Bachelor of Science degree in Business Administration from the De La Salle University.

John Kacho Y. Tiu, Jr. – Filipino, 37, is the **Chief Logistic Officer** of the Corporation. He holds a Bachelor of Science degree in Electrical Engineering Minor in Mathematics from the University of Washington, Seattle, Washington, USA. He is currently the Chairman and President of Tera Investments, Inc; the President of Southern Visayas Property Holdings, Inc. and Fidelity Securities, Inc.; the Vice President and a Director of JTKC Realty Corporation, and, the Treasurer and a Director of Sonoran Corporation, Cay Islands Corporation, Palawan Cove Corporation, Tofino Corporation, Star Equities, Inc., Discovery Country Suite, Inc., JTKC Land, Inc., JTKC Equities, Inc., Touch Solutions, Inc., and The Discovery Leisure Company, Inc. He is also a director of Zhangzhou Stronghold Steel Works Co., Ltd., Sagesoft Solutions, Inc., Oakridge Properties, Inc., and I-Remit, Inc.

Process and Criteria for Selection of Nominees for Directors

The Board of Directors set 27 May 2014 as the deadline for the submission of nominations to the Board of Directors. The Nominations Committee composed Mr. Ignatius Yenko as Chairman and Messrs. Ben C. Tiu and Vicente V. de Villa, Jr. as members, screened the nominees for election to the Board of Directors in accordance with the Corporation's Corporate Governance Manual, applicable laws and rules.

The Committee assessed the nominees based on their background, educational attainment, work experience and expertise as would enable them to effectively participate in deliberations on corporate actions.

Independent directors are further screened as regards their business affiliations and activities to ensure that they have all the qualifications and none of the disqualifications for independent directors as set forth in the Corporate Governance Manual of the Corporation and in applicable laws and rules.

The Nomination Committee, in a meeting held on 27 May 2014, endorsed the respective nominations given in favor of Messrs. Bermundo (by Mr. Dexter Tiu), De Villa (by Mr. A. Bayani K. Tan) and Fernandez (by Mr. Enrico G. Valdez). The Nomination Committee has determined that these nominees for independent directors possess all the qualifications and have none of the disqualifications for independent directors as set forth in Rule 38 of the Implementing Rules of the Securities Regulation Code.

Nominees for Election at Annual Stockholders' Meeting on 27 June 2014

The Nominations Committee screened the nominees to determine whether they have all of the qualifications and none of the disqualifications for election to the Board of Directors, and prepared the Final List of Nominees for election to the Board of Director at the annual shareholders' meeting.

The following have been nominated for election to the Company's Board of Directors:

1. Ben C. Tiu
2. Ignatius F. Yenko
3. Anthony S. Dizon
4. A. Bayani K. Tan
5. Dexter Y. Tiu
6. Vicente De Villa, Jr. (Independent Director)
7. Pablito C. Bermundo (Independent Director)
8. Victor C. Fernandez (Independent Director)
9. Prudencio C. Somera, Jr.
10. Alexander Y. Tiu
11. Enrico G. Valdez

The experience and background of Nominees Ben C. Tiu, Yenko, Dizon, Tan, Dexter Y.Tiu, De Villa, Bermundo, Fernandez, Somera, Alexander Y. Tiu, and Valdez are contained in pages 6 to 8.

There are no relationships between the foregoing nominees for independent director and the persons who nominated them. Messrs.

No director has resigned or declined to stand for re-election to the Board of Directors due to disagreement on any matter.

B. Significant Employees

The Corporation has no significant employees.

C. Family Relationships

Messrs. Ben Tiu, Dexter Tiu and Alexander Tiu are siblings.

D. Involvement in Certain Legal Proceedings

As a result of the delay in the delivery of the facilities of the Universal Leisure Club, Inc. (ULC), some of its members initiated legal actions against ULC, the Universal Rightfield Property Holdings, Inc. (URPHI) and the Universal Leisure Corp. (ULCorp), as well as their respective officers and directors, including their former Corporate Secretary, Atty. A. Bayani K. Tan, a Director and the incumbent Corporate Secretary of the Corporation. The cases filed include: (i) a Complaint for Syndicated Estafa (docketed as I.S. No. 02-50443-F), which was dismissed on 18 June 2003 by the City Prosecutor of Mandaluyong City for lack of probable cause and which dismissal was affirmed on 26 May 2004 by the Department of Justice on a Petition for Review filed by the complainants; (ii) a criminal case for Estafa and Large-Scale Swindling (docketed as Criminal Case No. Q02-114052) before the Regional Trial Court (RTC) of Quezon City, which was dismissed by the RTC in its Omnibus Order dated 29 November 2005 and which dismissal was affirmed with finality on 22 February 2007 by the RTC due to complainant's failure to file a proper notice of appeal within the prescribed period; (iii) another Complaint for Estafa (I.S. No. 08K-89713) which was submitted for resolution in 2009 was only acted upon and dismissed by Office of the City Prosecutor of Manila on March 18, 2013. (iv) Civil actions for breach of contract and/or annulment of contract, specific performance, quieting of title and reimbursement, damages with request for receivership and preliminary attachment (Civil Case Nos. MC03-075, MC03-77 and MC04-082) before the RTC of Mandaluyong City, which cases have been settled and the RTC Mandaluyong has on March 6, 2006, promulgated a Joint Decision approving the settlement agreement. However, while the main cases have been settled, a group of UCLI members who were not included in the settlement and were not in favor of its terms initiated suit to nullify the same. RTC Mandaluyong rejected moves to assail the settlement prompting this group to elevate their complaint to the Court of Appeals, The Court of Appeals partially granted the group's prayer and revived the writs of attachment and garnishment but only to such extent as to cover the remaining claims (P10,423,724.00), which ruling was affirmed by the Supreme Court in its Resolution dated 16 November 2009.

On October 11, 2012, the same group of people who were not included in the settlement-filed a Motion for Re-Issuance of Writs of Attachment and Garnishment in SEC Case No. MC-03-075, which the RTC-Mandaluyong, Branch 211 granted in an Order dated 28 November 2013. This Order is still the subject of a Motion for Reconsideration that has yet to be resolved by the Court. Atty. Tan moved for the dismissal of the case plaintiff's failure to prosecute the same, but the RTC Mandaluyong denied his motion, Atty. Tan then filed a Petition for Certiorari with the Court of Appeals.

Except as provided above, the Corporation is not aware of any of the following events wherein any of its directors, nominees for election as director, executive officers, underwriter or control person were involved during the past five (5) years, up to the latest date:

(a) any bankruptcy petition filed by or against any business of which any of the above persons was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

(b) any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement of any of the above persons in any type of business, securities, commodities or banking activities; and,

(c) any finding by a domestic or foreign court of competent jurisdiction (in civil action), the SEC or comparable foreign body, or a domestic of foreign exchange or electronic marketplace or self-regulatory organization, that any of the above persons has violated a securities or commodities law, and the judgment has not been reversed, suspended or vacated.

At present, 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 Corporation.

E. Certain Relationships and Related Transactions/List of Parents of Corporation

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

The Group's reportable segments follow:

Parent Company – an operating and holding company located in the Philippines engaged in the manufacture of steel products.

Treasure – engaged in the manufacturing of billets. The plant facility is located in the southern part of the Philippines.

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

Included in the revenues generated by the Group are revenues amounting to ₱ 598.5 million which arise from sales to the Group's largest customers. No other single customer constitutes to 10.00% or more of the Group's total revenues.

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

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

	2013			
	Philippines		China	
	TKC	Treasure	ZZ Stronghold	Total
Results of operations:				
Revenue	₱109,683,157	₱688,269,624	₱177,043,112	₱974,995,893
Cost of goods sold	95,872,578	944,205,509	188,528,348	1,228,606,435
Gross profit (loss)	13,810,579	(255,935,885)	(11,485,236)	(253,610,542)
Operating expenses	(27,330,040)	(119,080,967)	(72,956,263)	(219,367,270)
Interest expense	(24,175,886)	(14,885,727)	(57,924,911)	(96,986,524)
Interest income	1,339,044	489,561	474,858	2,303,463
Other income	483,996	–	21,148,114	21,632,110
Loss before income tax	(35,872,307)	(389,413,018)	(120,743,438)	(546,028,763)
Income tax expense	13,892,681	163,326,298	–	177,218,979
Segment net loss	(₱49,764,988)	(₱552,739,316)	(₱120,743,438)	(₱723,247,742)
Segment assets	₱1,410,842,607	₱3,284,361,737	₱2,445,267,066	₱7,140,471,410
Segment liabilities	₱880,072,822	₱4,806,325,729	₱2,775,656,486	₱8,462,055,037
Capital expenditures	₱42,036	₱336,445,903	₱100,028,876	₱436,516,815
Depreciation and amortization	₱2,169,298	₱46,017,450	₱38,583,068	₱86,769,816

	2012			
	Philippines		China	
	TKC	Treasure	ZZ Stronghold	Total
Results of operations:				
Revenue	₱29,852,494	₱1,640,799,977	₱508,061,963	₱2,178,714,434
Cost of goods sold	27,107,543	2,020,031,776	479,428,122	2,526,567,441
Gross profit (loss)	2,744,951	(379,231,799)	28,633,841	(347,853,007)
Operating expenses	(29,252,708)	(77,574,771)	(133,256,656)	(240,084,135)
Interest expense	(22,628,159)	(15,001,528)	(77,345,791)	(114,975,478)
Interest income	3,312,071	137,377	420,620	3,870,068
Other income	44,000	20,235,242	5,777,151	26,056,393
Loss before income tax	(45,779,845)	(451,435,479)	(175,770,835)	(672,986,159)
Income tax expense	17,536	710,010	–	727,546
Segment net loss	(₱45,797,381)	(₱452,145,489)	(₱175,770,835)	(₱673,713,705)
Segment assets	₱1,673,781,342	₱3,313,823,408	₱2,242,317,197	₱7,229,921,947
Segment liabilities	₱655,418,077	₱4,284,437,604	₱2,491,165,369	₱7,431,021,050
Capital expenditures	₱4,800,111	₱265,198,100	₱269,998,211	₱539,996,422
Depreciation and amortization	₱1,903,608	₱73,304,572	₱21,090,986	₱96,299,166

	2011			
	Philippines		China	
	TKC	Treasure	ZZ Stronghold	Total
Results of operations:				
Revenue	₱86,117,047	₱1,065,177,471	₱1,084,599,887	₱2,235,894,405
Cost of goods sold	87,019,301	1,376,794,447	996,560,893	2,460,374,641
Gross profit (loss)	(902,254)	(311,616,976)	88,038,994	(224,480,236)
Operating expenses	(25,897,324)	(114,762,081)	(99,756,299)	(240,415,704)
Interest expense	(19,900,738)	(12,920,968)	(62,486,726)	(95,308,432)
Interest income	4,853,919	132,488	–	4,986,407
Other income	252,128	40,831	30,074,144	30,367,103
Loss before income tax	(41,594,269)	(439,126,706)	(44,129,887)	(524,850,862)
Income tax expense (benefit)	5,021,314	(51,895,126)	–	(46,873,812)
Segment net loss	(₱46,615,583)	(₱387,231,580)	(₱44,129,887)	(₱477,977,050)
Segment assets	₱1,842,155,347	₱3,211,521,719	₱2,481,002,825	₱7,534,679,891
Segment liabilities	₱768,257,550	₱3,734,908,278	₱1,376,957,552	₱5,880,123,380
Capital expenditures	₱1,032,781	₱312,825,863	₱254,323,620	₱568,182,264
Depreciation and amortization	₱606,333	₱55,036,517	₱12,744,176	₱68,387,026

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

	2013	2012
Assets of all reportable segments	₱7,140,471,410	₱7,229,921,947
Intercompany eliminations	(1,089,383,767)	(746,323,818)
Assets of nonreportable segment	2,504,553	2,558,607
Group assets	₱6,053,592,196	₱6,486,156,736

Reconciliation of Liabilities

	2013	2012
Liabilities of all reportable segments	₱8,462,055,037	₱7,431,021,050
Intercompany eliminations	(2,992,769,980)	(2,085,171,888)
Liabilities of nonreportable segment	1,000,000	1,000,000
Group liabilities	₱5,470,285,057	₱5,346,849,162

Reconciliation of Profit

	2013	2012	2011
Net loss of all reportable segments	(₱723,247,742)	(₱673,713,705)	(₱477,977,050)
Net loss of nonreportable segment	(54,054)	(836,003)	(105,386)
Group net loss	(₱723,301,796)	(₱674,549,708)	(₱478,082,436)

The following information relate to geographical segments:

Revenues from external customers

	2013	2012	2011
Philippines	₱797,952,780	₱1,670,652,471	₱1,150,898,518
China	177,043,113	508,061,963	1,084,995,887
	₱974,995,893	₱2,178,714,434	₱2,235,894,405

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.

	2013	2012
Philippines:		
Property, plant and equipment	**₱2,463,334,407**	₱2,163,376,720
Leasehold rights	**29,746,667**	31,586,667
Advances to contractors	**64,525,175**	217,716,158
Others	**3,486,114**	20,960,557
	2,561,092,363	2,433,640,102
China:		
Property, plant and equipment	**1,715,100,832**	1,485,404,839
Leasehold rights	**226,057,194**	209,637,108
	1,941,158,026	1,695,041,947
	4,502,250,389	₱4,128,682,049

F. Disagreement with Director

None of the directors have resigned or declined to stand for re-election to the Board of Directors since the date of the last annual meeting of security holders because of disagreement with the Corporation on any matter relating to the Corporation's operations, policies or practices.

Item 6. Compensation of Directors and Executive Officers

The Executive Officers and Directors' compensation for the years 2012, 2013 and 2014 are presented below:

2012

Name and Principal Position	Salary (Annual)	Bonus	Other Annual Compensation
Ignatius F. Yenko Vice-Chairman			
Anthony S. Dizon President and Chief Operating Officer			
Vicente L. Araña Chief Financial Officer			
Wilfrido O. Gamboa Head of Corporate Services/ Chief Compliance Officer			
Efren A. Realeza Jr. Head of Accounting Services			
Aggregate Compensation of all Above-named Officers	8,580,000		
Aggregate Compensation of all Above-named Officers and Directors	8,668,000		

2013

Name and Principal Position	Salary (Annual)	Bonus	Other Annual Compensation
Ignatius F. Yenko Vice-Chairman			
Anthony S. Dizon President and Chief Operating Officer			
A. Bayani K. Tan Corporate Secretary			
Dexter Y. Tiu Treasurer			
Vicente L. Araña Chief Financial Officer			
Wilfrido O. Gamboa Head of Corporate Services/ Chief Compliance Officer			
Efren A. Realeza Jr. Head of Accounting Services			
Paula Danica B. Landayan Assistant Corporate Secretary			
Ruben C. Tiu Chief Liaison Officer			
John Kacho Y. Tiu, Jr. Chief Logistics Officer			
Aggregate Compensation of all Above-named Officers	8,414,450		
Aggregate Compensation of all			

Above-named Officers and Directors	8,450,000		

2014 (Estimated)

Name and Principal Position	Salary (Annual)	Bonus	Other Annual Compensation
Ignatius F. Yenko Vice-Chairman			
Anthony S. Dizon President and Chief Operating Officer			
Nicanor dela Paz Chief Financial Officer			
Wilfrido O. Gamboa Head of Corporate Services/ Chief Compliance Officer			
Efren A. Realeza Jr. Head of Accounting Services			
Aggregate Compensation of all Above-named Officers	7,670,000		
Aggregate Compensation of all Above-named Officers and Directors	7,758,000		

Note: Members of the Board receive per diem only.

Except for Messrs. Ignatius Yenko and Anthony Dizon, all of the Corporation's directors have not received any form of compensation from inception up to present. They contributed efforts to the Corporation on a voluntary basis.

There is no employment contract between the Corporation and any of its executive officers. In addition, except as provided below, there are no compensatory plans or arrangements with any executive officer/director of the Corporation that will result from the resignation, retirement or termination of such executive officer/director or from a change-in-control in the Corporation.

Item 7. **Independent Public Accountant**

The principal accountants and external auditors of the Corporation is the accounting firm of Reyes, Tacandong & Co., (RT & Co.) with address at 39 Phinma Plaza, Rockwell Center. The same accounting firm is being recommended for re-appointment at the scheduled annual stockholders' meeting. Representatives of the said firm are expected to be present at the upcoming annual stockholders' meeting to respond to appropriate questions and to make a statement if they so desire.

In compliance with Rule 68 (3)(b)(iv) of the Securities Regulation Code, the assignment of RT&Co.'s engagement partner for the Corporation shall not exceed five (5) consecutive years. Ms Carolina P. Angeles, whose assignment commenced in 2011, shall remain as RT & Co.'s engagement partner for the Corporation.

Changes in and Disagreements with Accountants on Accounting or Financial Disclosure

There have been no disagreements with accountants on accounting and financial disclosure. The Corporation's Board of Directors reviews and approves the engagement of services of the Corporation external auditors, as recommended by the Corporation's audit committee composed of Messrs. Vicente de Villa, Jr. as Chairman, and Dexter Y. Tiu, Pablito B. Bermundo and Alexander Y. Tiu, as members. Engagement Agreements are executed for every type of engagement, which provides for the scope of the work, timetable, fees, engagement team, etc. for each project.

The audit and audit-related fees paid by the Corporation to RT & Co. for 2013 and for 2012 are as follows:

	2013	2012
A. Audit and Audit-related Fees	770,000.00	770,000.00
1. Audit of the registrant's annual financial statements or services that are normally provided by the external auditor in connection with the statutory and regulatory filings or engagements.	770,000.00	770,000.00
2. Other assurance and related services by the external auditor that are reasonably related to the performance of the audit or review of the registrant's financial statements	---	---
B. Tax fees	---	---
C. All other fees	---	---

OTHER MATTERS

Action with Respect to Reports

The Corporation will seek the approval by the stockholders of the Minutes of the previous Stockholders' Meeting during which the following matters were taken up: (1) Call to Order, (2) Proof of Notice and Certification of Quorum, (3) Approval of the Minutes of the Previous Meeting of Stockholders, (4) President's Report and Presentation of Audited Financial Statements, (5) Ratification of all Acts of the Board of Directors and Officers, (6) Election of Directors, (7) Appointment of External Auditors, (8) Other Matters and Adjournment.

The Company will also seek approval by the stockholders of the 2013 Operations and Financial Results (the "President's Report"), as contained and discussed in the Management Report attached and made part of this Information Statement. Approval of the reports will constitute approval and ratification of the acts of management and of the Board of Directors for the past year.

Two inspectors, who are officers or employees of the Company, shall be appointed by the Board of Directors to count the votes to be cast before or at each meeting of the stockholders, if no such appointment shall have been made or if the inspectors appointed by the Board of Directors refused to act or fail to attend then the appointment shall be made by the presiding officer of the meeting.

Amendment of Charter, By-laws or Other Documents

At the meeting of the members of the Board of Directors on 12 May 2014, a majority of the Board approved the following amendments to the Articles of Incorporation and By-Laws of the Corporation, subject to the approval of the stockholders in accordance with the Corporation Code:

1. The amendment of the Articles of Incorporation and By-Laws of the Corporation to change the corporate name to "TKC METALS CORPORATION" is consistent with the Company's current business activities.

2. The amendment to Article THIRD is in compliance with SEC Memorandum Circular No. 6 Series of 2014 requiring the incorporation of the full address of the principal office in the Articles of Incorporation.

3. The increase of authorized capital stock of the corporation to Three Billion Pesos (P3,000,000,000.00) is part of the Company's plan for capital restructuring. The Capital Restructuring Plan shall involve a Rights Offer based on the ratio of 1.38 Rights Shares for every Common Share presently held at P2.00 per Rights Share, with Bonus Warrants to be given for each Rights Share to be subscribed at 1 Warrant for every 3 Rights Shares. Based on this ratio,

1.3 Billion new shares will be issued. The proceeds will be used for further equip the Company's plant to be able to process and produce Nickel Pig Iron.

Except as explained above, on the Company's planned capital restructuring involving a rights with warrants offer, the amendments do not have any other effect on the business, operations and/or capital structure of the issuer.

Exhibit A is attached to this Information Statement showing the proposed language of the amendments, subject to clearance and approval of the Securities and Exchange Commission. The amendments do not have any effect on the business, operations, and/or capital structure of the Company.

Other Proposed Action

The items covered with respect to the ratification of the acts of the Board of Directors and officers for the past year up to the date of the meeting are those items entered into in the ordinary course of business, such as: the opening of bank accounts and designation of bank signatories; the financing activities of the Corporation and transactions with different private and government agencies.

Voting Procedures

(a) Actions to be taken at the Annual Stockholders' Meeting shall require the vote of the stockholders representing at least a majority of the Corporation's outstanding capital stock.

(b) Two inspectors shall be appointed by the Board of Directors before or at each meeting of the stockholders, at which an election of directors shall take place; if no such appointment shall have been made or if the inspectors appointed by the Board of Directors refused to act or fail to attend then the appointment shall be made by the presiding officer of the meeting.

(c) Stockholders may vote at all meetings either in person or by proxy duly given in writing in favor of any person of their confidence and each stockholder shall be entitled to one vote for each share of stock standing in his name in the books of the corporation; provided, however, that in the election of Directors, each stockholder shall be entitled to cumulate his votes in the manner provided for by law. In the forthcoming annual stockholders' meeting, stockholders shall be entitled to elect eleven (11) members to the Board of Directors. Each stockholder may vote such number of shares for as many as eleven (11) persons he may choose to be elected from the list of nominees, or he may cumulate said shares and give one candidate as many votes as the number of his shares multiplied by eleven (11) shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by nine

(d) The By-Laws of the Corporation 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.* The Corporate Secretary, as assisted by other employees of the Corporation, shall count the votes cast in the forthcoming annual stockholders' meeting.

(e) Upon confirmation by the inspectors that there is a mathematical impossibility for certain nominees to be elected into office based on proxies held and votes present/represented in the meeting, the actual casting and counting of votes for the election of Directors may be dispensed with.

Omitted Items

Items 8, 9, 10, 11, 12, 13, 14, 15, and 16 are not responded to in this report, the Corporation having no intention to take any action with respect to the information required therein.

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 hereunto duly authorized. This report is signed in the City of Makati on 30 May 2014.

TKC STEEL CORPORATION

By:

ANTHONY S. DIZON
President and COO

REPUBLIC OF THE PHILIPPINES)
PASIG CITY, METRO MANILA) S.S.

CERTIFICATION

A. BAYANI K. TAN, of legal age, Filipino, with office address at 2704 East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City, Metro Manila, after having been sworn to in accordance with law, does hereby certify that:

1. I am the duly elected and incumbent Corporate Secretary of **TKC STEEL CORPORATION** (the "Corporation"), a corporation organized and existing under the laws of the Philippines, with principal office at Unit B1-A/C, 2nd Floor, Building B, Karrivin Plaza, 2316 Chino Roces Avenue Extension, Makati City;

2. Based on the information provided to the Corporation by the members of its Board of Directors and its principal executive officers, none of said members of the Board of Directors and principal executive officers of the Corporation are presently employed by any office or agency of the Philippine Government.

IN WITNESS WHEREOF, this Certificate was signed this JUN 03 2014 day of June 2014 at Pasig City, Metro Manila.

A. BAYANI K. TAN
Corporate Secretary

SUBSCRIBED AND SWORN to before me this JUN 03 2014 day of June 2014 at Pasig City, Metro Manila, affiant exhibiting his Community Tax Certificate No. 34260634 issued on 01.14.14 in Manila and TIN 102-054-041 as his Competent Evidence of Identity.

Doc. No. 319;
Page No. 65;
Book No. II;
Series of 2014.

MARIO VINCENT N. DIAZ
Notary Public for
Pasig City, San Juan, Taguig & Pateros
Appointment No. 296 (2013-2014)
Commission Expires on December 31, 2014
2704 East Tower, PSE Centre Exchange Road
Ortigas Center 1605 Pasig City
PTR No. 9443772 / 01.02.2014 / Quezon City
IBP No. 945791 / 12.27 2013 Quezon City
Roll No. 62170

f:\data\clients\1000\2014 asm\for printing\sec cert - directors officers no govt employment.doc
ABKT/JCN/RCC/BRM 1000-2-214

TKC STEEL CORPORATION

BUSINESS AND GENERAL INFORMATION

Business Development

TKC Steel Corporation (formerly SQL*Wizard, Inc.) was organized and registered with the Securities and Exchange Commission (SEC) on 28 November 1996. SQL was originally incorporated to engage in computer training, consulting services and selling of software licenses and other related information solution services. It was listed in the Small and Medium Enterprise Board of the Philippine Stock Exchange (PSE) on 19 July 2001.

On 19 January 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 desire to shift its business direction to new areas, both foreign and domestic, SQL shareholders have decided to take advantage of the new investment opportunities that will 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 28 February 2007. Likewise, on 25 July 2007, the PSE approved the reclassification of the Corporation'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 (FOO) of shares by the Corporation which culminated with the listing of the offer shares on 23 November 2007.

Business Consolidation

In meetings held on 9 February 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 Corporation;
   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 ₱40.0 million, divided into 40 million shares with par value of ₱1.00 a share to ₱1.0 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 ₱1.00 per share or total subscription price of ₱240.0 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 28 February 2007, except for the increase in authorized capital stock, which was approved on 13 April 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 Corporation as defined in the Investment Corporation 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 the Corporation

As stated above, SEI subscribed to 240.0 million common shares at ₱1.00 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 the Corporation.

On 16 April 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 the Corporation.

(b) Transfer of SEI Subsidiaries to the Corporation

SEI intended the Corporation to be its vehicle for listing of its investments in the steel business. In line with this, SEI consolidated its interests in Treasure Steelworks Corporation (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 30 April 2007, an Agreement was executed whereby the Corporation's major shareholder, SEI, assigned all of its rights and interest in Billions to the Corporation for ₱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. On the other hand, ZZS was incorporated under the laws of the People's Republic of China on 13 July 12005. 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 officially begun after acceptance by its customer of the first batch of steel pipes manufactured and delivered.

ii) Acquisition of TSC

On 29 June 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 ₱95,999,500.00 to the Corporation on account. After execution of the Deed of Sale, the Corporation has 96% direct interest in TSC.

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

Name of Subsidiary	Country of Incorporation	Nature of Business	Percentage of Ownership	
			Direct	Indirect
Treasure Steelworks Corporation (TSC)	Philippines	Manufacture of steel products	98%	–
Billions Steel International Limited (Billions)	Hong Kong	Investment holdings	100%	–
Zhangzhou Stronghold Steel Works Co. Ltd. (ZZS)	People's Republic of China or PRC	Manufacture of steel pipes	–	90%*
Campanilla Mineral Resources, Inc. (Campanilla)**	Philippines	Mineral production	70%	–

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

Business of Issuer

Products

The Corporation is engaged in the business of manufacturing and distributing steel products primarily through its two (2) subsidiaries, as follows:

(a) 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) 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 219mm to 1820mm, length of up to 6 meters long, and thickness from 4mm to 20mm.

Sales generated and the resulting net loss of the Corporation, TSC and ZZS (China) are presented below, broken down according to major markets (in millions):

(a) Sales

Country	Amount	%
Philippines	₱ 1,670.7	77
China	508.1	23

(b) Net Loss

Country	Amount	%
Philippines	₱ 499.1	74
China	175.8	26

Distribution

Steel billets produced by TSC are primarily sold to local customers.

Marketing of steel pipes produced by ZZS is done by ZZS' in-house marketing team. Aside from its sales offices in Xiamen, representative offices have likewise been set up in the cities of Fuzhou and Quanzhou. The export market is likewise covered by ZZS' in-house marketing team under the direct supervision of the Assistant General Manager. To provide sufficient reach in the international market, the Corporation taps the services of affiliate offices and trading houses in various countries like the Philippines, Indonesia, Singapore, the Middle East and North America.

The Corporation distributes its C-purlins and corrugated roofing through commissioned agents.

Competition

TSC

TSC has the largest installed capacity for steel billet manufacturing in the Philippines. Other manufacturers produce billets for their own production of downstream steel products.

Top billet producers in the Philippines are:

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

ZZS

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

Raw Materials

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

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

Customer Base

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

Patents and other Intellectual Property Rights

For marketing and distribution of its corrugated roofing sheets, the Corporation acquired "Philgalume" and "Philgabond" as trademarks from the Bureau of Patents. The registration has a term of five (5) years commencing from 26 January 2009. Whereas the Corporation's subsidiaries have no patents, trademarks, copyrights, licenses, franchises, concessions and royalty agreements covering any of its products and the marketing or distribution thereof.

Government Regulations

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

Cost and effect of Compliance with Environmental Laws

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

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

Employees

TKC currently has 12 employees, namely: Vice-Chairman, President and Chief Operating Officer, Chief Financial Officer, Head of Corporate Services/Compliance Officer, Chief Liaison Officer, Chief Logistic Officer, Head of Accounting, two (2) Managers and three (3) Administrative Staff.

Recent Issuance of Securities Constituting an Exempt Transaction

The subscription of SEI to 240,000,000 Common Shares of the Corporation, on 9 February 2007, at the par value of ₱1.00 per share (or a total of ₱240,000,000.00) issued from its unsubscribed capital on the increase in the authorized capital stock of the Corporation to ₱1,000,000,000.00 constitutes an exempt transaction under the Philippine Securities and Regulation Code, in particular, Sec. 10.1 (i) thereof. A notice of exemption (SEC Form 10.1) for this transaction was filed with the Philippine SEC on 13 April 2007.

Subsequently, on 16 April 2007, SEI subscribed to an additional 440,000,000 Common Shares of the Corporation at the par value of ₱1.00 per share (or a total of ₱440,000,000.00) issued from its unsubscribed capital stock. A notice of exemption (SEC Form 10.1) for this additional subscription was filed under SRC 10.1 (k) with the Philippine SEC on 20 April 2007. No underwriter was engaged for both of the transactions.

All of SEI's subscribed shares or a total of 680,000,000 Common Shares have been applied, and subsequently, approved for listing with the Philippine Stock Exchange.

Aside from the foregoing, there are no recent sales of unregistered or exempt securities or issuance constituting an exempt transaction involving the Corporation's shares known to the Corporation.

Management Discussion and Analysis of Financial Condition and Results of Operations (Last Three Years: 2013, 2012 and 2011)

a. Corporate Restructuring

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

1. On 13 April 2007 and 7 June 2007, the primary business purpose was changed from providing complete information solutions to operating and holding investments in steel companies;
2. On 13 April 2007, the SEC approved the increase in authorized capital stock from ₱40 million to ₱1 billion;
3. Capital Stock was increased from ₱25 million to ₱705 million;
4. On 30 April 2007, it acquired 90% equity interest in ZZ Stronghold (ZZS), a Corporation located in China;
5. On 29 June 2007, it acquired 96% equity interest in TSC, a Corporation located in the Philippines.

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

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

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

b. Financial Highlights

- Results of Operations

Accounts In Million Pesos)	2013	2012	2011	Increase (Decrease) 2013/2012 (%)	Increase (Decrease) 2012/2011 (%)
Revenue	975	2,179	2,236	(55 %)	(3%)
Cost of Sales	1,229	2,526	2,460	(51 %)	3%
Gross Loss	(254)	(347)	(224)	(27 %)	55 %
Operating Expenses	292	326	300	-10%	9%

Net Income	(723)	(675)	(478)	7 %	41 %

Operating performance posted again a net loss for the current year due to the adverse market conditions and the Corporation's focus on its plant modernization and expansion program. The Corporation posted net losses of Ps. 723 million, Ps. 675 million and Ps. 478 million in 2013, 2012 and 2011, respectively, primarily due to lower production and sales volume coupled with lower price in the market.

Total sales dropped to Ps. 975 million in 2013 from Ps. 2,179 million and Ps. 2,236 million in 2012 and 2011, respectively. The sharp drop in revenue was driven by a decline in sales volume. Average selling prices dropped marginally in 2013 as compared to 2012 which resulted in a Gross Loss of Ps. 254 million in 2013 compare to a Gross Loss of Ps. 347 million in 2012.

Our operating cost decreased by 10% from Ps. 326 million in 2012 to Ps. 292 million in 2013, primarily due to decrease in finance charges by 12% and freight and handling by 43%.

- **Financial Condition**

Accounts (In Million Pesos)	2013	2012	2011	Increase(Decrease) 2013/2012 (%)	Increase(Decrease) 2012/2011 (%)
Current Assets	1,539	2,190	2,520	(30 %)	(13%)
Total Assets	6,054	6,486	6,714	(7 %)	-3 %
Current Liabilities	5,432	5,332	4,896	2 %	9 %
Total Liabilities	5,470	5,347	4,909	2 %	9 %
Equity	583	1,139	1,805	(49 %)	(37 %)

Our total asset base slightly reduced by 7% to Ps. 6,054 million from the previous year's level of Ps.6,486 million. The decrease was driven by a reduction in prepayments by 35% to Ps.131 million from Ps. 204 million as well as significant drops of 85% in refundable deposits from Ps. 20 million to Ps. 3 million and advances to contractors and suppliers by 70% from Ps. 218 million to Ps. 65 million . These were offset, however with increases in the following accounts: a) Creditable Input Vat by 11% or Ps. 31 million; b) Trade and other receivables by 27% or Ps. 69 million; and c) Property, plant and equipment by 15% or Ps. 530 million.

Current ratio dropped to 0.3:1 in 2013 from 0.4:1 in 2012 while debt-to-equity ratio increased to 9.37:1 in 2013 from 4.69:1 in 2012.

c. 2013 versus 2012

- **Results of Operations**

The Corporation registered a net loss of Ps.723 million in 2013 compared to a net loss of Ps. 675 million a year ago. This was due to: (1) lower sales volume, (2) lower production volume (3) relatively lower market price which resulted in a negative gross margin. TSC and ZZS both reported a net loss of Ps. 553 million and Ps. 121 million respectively.

Revenue declined by 55% to Ps. 975 million compared to a year ago of Ps. 2,179 million. Of the total sales, TSC generated Ps. 688 million while ZZS and TKC recorded Ps. 177 million and Ps. 110 million respectively. TSC's revenue decreased by 58% due to lower sales volume of 43% from 51,222 MT in

2012 to 29,242 MT in 2013 brought about by a prolonged power crisis and the scarcity of scrap supply in Mindanao which greatly curtailed production. On the side of ZZS, sales dropped by 65% from Ps. 509 million in 2012 to Ps. 177 million in 2013.

The Corporation registered a gross loss of Ps. 254 million in 2013 compared to a gross loss of Ps. 347 million in 2012. As a result of lower production and sales volume coupled with a lower selling price, TSC registered gross loss of Ps. 256 million in 2013. On the other hand, ZZS registered a gross losst of Ps. 11 million in 2013 due to lower production and sales volume compared to a gross profit of Ps. 34 million in 2012.

Operating expenses went down by Ps. 34 million, 10% lower from the 2012 level of Ps. 326 million. The major driver of lower operating expenses were in the following accounts: a) Finance charges, down by 12% from Ps. 98 million to Ps. 88 million; b) Freight and handling, down by 43% from Ps. 45 million to Ps. 26 million; c) Representation and entertainment, down by 50% from Ps. 14.5 million to Ps. 7.2 million; and d) Office supplies, down by 73% from Ps. 3.9 million to Ps. 1 million.

- **Financial Condition**

Total assets went down to Ps. 6,054 million in 2013 from last year's figure of Ps. 6,486 million. The reduction was due to liquidation of prepayments by about 35%, refundable deposits by about 85% and advances to contractors and suppliers by 70%. There were increases however in input vat and fixed asset by Ps. 31 million and Ps. 530 million respectively that was propelled by higher capital expenditures in line with our expansion programs in both TSC and ZZS. Current assets accounted for 25 % of total assets in 2013 compared to 34% in 2012 resulting in a slightly reduced current ratio of 0.3:1 in 2013.

In 2013, total liabilities slightly grew by 2% to Ps. 5,470million compared to Ps. 5,347 million in 2012. The increase in total liabilities was due primarily to an increase in due to related parties of Ps. 129 or 4% higher compared in 2012. Current liabilities stood at 99% of the total liabilities, since all shareholder advances are classified as current, almost the same percentage with that of 2012.

Our capital base declined to Ps. 583 million compared to Ps. 1,139 million a year ago. The decline was attributable to the decrease in retained earnings as a result of the net loss for the year of Ps. 723 million but significantly recovered with a favorable currency translation adjustment of Ps. 165.7 million. As a result of the decline in capital base, debt to equity ratio went up to 9.37:1 from a year ago of 4.69:1.

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

- Cash and cash equivalents fell by 84% to Ps. 130 million from Ps. 833 million a year ago due to increased spending on property, plant and equipment and liquidation of short-term credit facilities for the year.

- Inventories slightly file up by Ps. 21 million or 4 % due to increase in the level of raw materials by 1% and finished goods inventory by 28% as a result of slower sales activity.

- Creditable withholding and value-added taxes increased by Ps. 31 million or 11 % mainly due to spending on the plant modernization program.

- Other current assets went down by Ps. 72 million or 35% due to liquidation and deliveries of prepayments, inventory in transit and refundable deposits of Ps. 11 million, Ps. 15 million and Ps. 47 million respectively.

- Property, plant and equipment jumped by Ps. 530 million from Ps. 3,648 million a year ago to Ps. 4,178 or 15 % in line with our expansion and development projects.

- Other non-current assets went down by 71% to Ps. 68 million from Ps. 239 million a year ago mainly due to liquidation of advances and deposits to contractors and suppliers which decreased by Ps. 171 million.

- Trade and other payables went up by Ps. 153 million or 18 % primarily due to increases in regular and other payables.

- Loans payable went down by Ps. 182 million or 14 % as a result of settlement of short-term credit facilities of ZZS.

- Equity declined by Ps. 556 million or 49 % as a result of the net loss for the year of Ps. 723 million but slightly improved by a favorable currency translation of Ps. 165.7 million.

d. 2012 versus 2011

- Results of Operations

The Corporation registered a net loss of Ps.675 million in 2012 compared to a net loss of Ps. 478 million a year ago. This was due to: (1) lower sales volume, (2) lower production volume (3) relatively lower market price which resulted in a negative gross margin. TSC and ZZS both reported a net loss of Ps. 452 million and Ps. 176 million respectively.

Revenue declined by 3% to Ps. 2,179 million compared to a year ago of Ps. 2,236 million. Of the total sales, TSC generated Ps.1,641 million while ZZS and TKC recorded Ps. 508 million and Ps. 30 million respectively. TSC's revenue increased by 54% due to increases in sales volume by 37% from 37,487 MT in 2011 to 51,222 MT in 2012 in spite of prolonged power crisis and the scarcity of scrap supply in Mindanao which greatly curtailed production. On the side of ZZS, sales dropped by 53% from Ps. 1,085 million in 2011 to Ps. 508 million in 2012.

The Corporation registered a gross loss of Ps. 348 million in 2012 compared to a gross loss of Ps. 224 million in 2011. In spite of 38% and 37% increases in production and sales volume, TSC registered gross loss of Ps. 379 million in 2012 as a result of lower selling price coupled with higher cost of power. On the other hand, ZZS registered a gross profit of Ps. 34 million in 2012 despite lower sales volume and selling price.

Operating expenses slightly went up by Ps. 26 million or an increase of 9% from the 2011 level of Ps. 300 million. The major driver of higher operating expenses was the jump in Finance charges, up by Ps. 13 million.

- Financial Condition

Total assets went down to Ps. 6,486 million in 2012 from last year's figure of Ps. 6,714 million. The reduction was due to lower accounts receivable and inventories. There were increases however in input vat and fixed asset by Ps. 25 million and Ps. 168 million respectively that was propelled by higher capital expenditures in line with our expansion programs in both TSC and ZZS. Current assets accounted for 34 % of total assets in 2012 compared to 38% in 2011 resulting in a slightly reduced current ratio of 0.4:1 in 2012.

In 2012, total liabilities grew by 9% to Ps. 5,347million compared to Ps. 4,909 million in 2011. The increase in total liabilities was due primarily to an increase in due to related parties of Ps. 707 million. Current liabilities stood at 99% of total liabilities, since all shareholder advances are classified as current, almost the same percentage with that of 2011.

Our capital base declined to Ps. 1,139 million from Ps. 1,805 million from a year ago. The decline were attributable to the decrease in retained earnings as a result of the net loss for the year of Ps. 675 million but slightly recovered with a favorable currency translation adjustment of Ps. 8 million. As a result of the decline in capital base, debt to equity ratio went up to 4.69:1 from a year ago of 2.72:1.

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

- Cash and cash equivalents fell by 3% to Ps. 833 million from Ps. 859 million a year ago due to increased spending on property, plant and equipment and liquidation of short-term credit facilities for the year.

- Inventories declined by Ps. 281 million or 33 % due to decrease in the level of raw materials inventory as a result of lower sales volume.

- Creditable withholding and value-added taxes increased by Ps. 28 million or 11 % mainly due to an increase in input vat due to spending on the plant modernization program.

- Other current assets went up by Ps. 151 million or 285% due to increase in refundable deposits of Ps. 94 million and advances to suppliers of Ps. 76 million respectively.

- Property, plant and equipment jumped by Ps. 168 million or 5 % in line with our expansion and development projects.

- Other non-current assets went down by 33% to Ps. 251 million from Ps. 370 million a year ago mainly due to liquidation of advances to contractors and suppliers which decreased by Ps. 116 million.

- Trade and other payables went up by Ps. 11 million or 1 % primarily due to increases in regular payables and other deposits.

- Loans payable went down by Ps. 164 million or 11 % as a result of settlement of short-term credit facilities of ZZS.

Equity declined by Ps. 666 million or 37 % as a result of the net loss for the year of Ps. 675 million but slightly improved by a favorable currency translation of Ps. 8 million.

e. 2011 versus 2010

- **Results of Operations**

The Corporation registered a net loss of Ps.478 million in 2011 compared to a net loss of Ps. 500 million a year ago. This was due to: (1) lower sales volume, (2) relatively higher costs which resulted in a negative gross margin. TSC and ZZS both reported a net loss of Ps.412 million and Ps. 45 million, respectively.

Revenue declined by 9% to Ps. 2,236 million compared to a year ago of Ps. 2,468 million. Of the total sales, TSC generated Ps.1,065 million while ZZS and TKC recorded Ps. 1,085 million and Ps.86 million respectively. TSC's revenue declined by 36% due to a 44% reduction in sales volume from 67,241 MT in 2010 to 37,487 MT in 2011 as a result of the prolonged power crisis and the scarcity of scrap supply in Mindanao which greatly curtailed production. On the side of ZZS, sales increased by 42% from Ps. 762 million in 2010 to Ps. 1,085 million in 2011.

The Corporation registered a gross loss of Ps. 224 million in 2011 compared to a gross loss of Ps. 281 million in 2010. TSC registered gross loss of Ps. 311 million in 2011 due primarily to low production volume and higher raw materials cost which increased from 83% of sales in 2010 to 84% in 2011. ZZS registered a gross profit of Ps. 88 million in 2011 as a result of higher sales.

Operating expenses went up to Ps. 86 million or an increase of 40% from the 2010 level of Ps. 214 million. Major drivers of higher operating expenses are: a) Provision for inventory write-down, up by Ps. 49 million and b) Finance charges, up by Ps. 35 million.

- **Financial Condition**

Total assets expanded to Ps. 6,714 million in 2011 from last year's figure of Ps. 6,135 million. The increase in asset base was propelled by higher capital expenditures in line with our expansion programs in both TSC and ZZS which was offset by decreases in the following accounts: a) cash and cash equivalent; b) inventories; and c) prepayments and other current assets. This was funded by a combination of shareholder advances and bank loans. Current assets accounted for 38 % of total assets in 2011 compared to 43% in 2010 resulting in a slightly reduced current ratio of 0.5:1 in 2011.

In 2011, total liabilities grew by 26% to Ps. 4,909 million compared to Ps. 3,906 million in 2010. The increase in total liabilities was due to a) increase in short-term credit facilities of Ps. 332 million b) increase in shareholder advances of Ps. 510 million and c) Advances from customers Ps. 258 million. Current liabilities stood at 99% of total liabilities, since all shareholder advances are classified as current, almost the same level with that of 2010.

Our capital base declined to Ps. 1,805 million from Ps. 2,229 million a year ago. The decrease was due primarily to the decrease in retained earnings as a result of the net loss for the year of Ps. 478 million. As a result of the decline in capital base, debt to equity ratio went up to 2.72:1 from a year ago of 1.75:1..

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

- Cash and cash equivalents fell by 8 % to Ps. 858 million due to increased spending on property, plant and equipment and lower collections as a result of lower sales for the year.

- Inventories declined by Ps.183 million or 18 % due to decrease in the level of raw materials inventory as a result of lower sales volume.

- Creditable withholding and value-added taxes increased by Ps. 64 million or 34 % mainly due to an increase in input vat due to spending on the plant modernization program.

- Prepayments and other current assets decreased by Ps. 31 million or 37% due to liquidation of advances to scrap suppliers of Ps. 36 million by TSC.

- Property, plant and equipment jumped by Ps. 514 million or 17 % in line with our expansion and development projects.

- Other non-current assets went up by 44% to Ps. 358 million mainly due to higher advances to contractors which increased by Ps. 156 million.

- Trade and other payables went up by Ps. 157 million or 21 % mainly as a result of higher deposits received of Ps. 258 million.

- Loans payable increased by Ps. 332 million or 28 % as a result of importations of raw materials by TKC and TSC towards the end of the year which was partially offset by loan settlements by ZZS.

Equity declined by Ps. 424 million or 19 % as a result of the net loss for the year of Ps. 478 million. This was however offset by a favorable currency translation of Ps. 49 million.

f. Key Performance Indicators

Performance Ratios	2013	2012	2011

Revenue Growth (%)	(55 %)	(3 %)	(9 %)
Gross Profit Margin (%)	(26 %)	(16 %)	(10%)
Basic Loss per share 1/	(Ps. 0.75)	(Ps. 0.69)	(Ps. 0.50)
Current Ratio 2/	0.3	0.9	0.5
Debt-to-Equity Ratio 3/	9.37	4.7	2.7
Return on Equity 4/	(84.0 %)	(45.8 %)	(23.7%)

1/ Net income (loss) applicable to majority shareholders/weighted average of outstanding common shares
2/ Total current assets/total current liabilities
3/ Total liabilities/equity
4/ Net income (loss) /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 FOO on 23 November 2007 that raised gross proceeds of ₱2,275 million to finance expansion and development plans of its two (2) subsidiaries, TSC and ZZS. These projects are ongoing both in the Corporation's 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.

Management Discussion And Analysis Of Results Of Operations And Financial Condition (First Quarter 2013)

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

1. On 13 April 2007 and 7 June 2007, the primary business purpose was changed from providing complete information solutions to operating and holding investments in steel companies;
2. On 13 April 2007, the SEC approved the increase in authorized capital stock from ₱40 million to ₱1 billion;
3. Capital Stock was increased from ₱25 million to ₱705 million;
4. On 30 April 2007, it acquired 90% equity interest in ZZ Stronghold (ZZS), a Corporation located in China;
5. On 29 June 2007, it acquired 96% equity interest in TSC, a Corporation located in the Philippines.

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

As disclosed in Note 1 to the consolidated financial statements, SEI (the immediate parent Corporation) intended the Corporation to be a backdoor listing vehicle for its investments in the steel business. Consistent with the provisions of Philippine Financial Reporting Standard (PFRS) 3, the acquisition of the Corporation was accounted for as a reverse acquisition as the arrangement was for TSC and ZZS to be "acquired" by a smaller public entity as a means of obtaining a stock exchange listing. Legally, the Corporation, as the issuing public entity is regarded as the parent Corporation. From an accounting perspective, TSC and ZZS are considered the "acquirers" since they have the power to govern the financial and operating policies of the Corporation.

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

The Group registered a net loss of ₱113 million for the three months ended March 31, 2013 versus a net loss of ₱175 million for the same period last year. The Group posted a negative gross profit of ₱58 million as of the first quarter of 2013 compared to the negative gross profit of ₱92 million for the same period in 2012. The consolidated sales of the Group decrease by 68% to ₱198 million. ZZS registered a sharp 83% decline in sales for the first three months of 2013 which was partially offset by a lower production cost resulting to a positive gross margin of ₱3.2 million. TSC also registered a decline in sales by 70% compared to the same period last year due to lower sales volume by about 65%. Production cost improves by 5% per metric ton produced as compared to the same period last year however power and other raw materials consumption per metric ton increases by 30% and 16% respectively resulting in a gross loss of ₱51 million. This was however offset by a 33% decrease in operating costs as compared to the same period last year.

The Group's financial condition, however, remains stable with 3.23% increase in the consolidated total assets from ₱6,486 million at year-end 2012 to ₱6,696 million as of March 31, 2013. The Corporation continues to invest in its property/plant/equipment which increased by 1.7% from ₱3,469 million at year-end 2012 to ₱3,711 million which is consistent with the capital expansion and development projects both in Iligan and China.

Stockholders' equity decreased to ₱952 million as against the level of ₱1,139 million at year-end 2012. The decline in capital base was due to the net loss recognized for the period and the effect of currency translation adjustment.

Total liabilities amounted to ₱5,743 million, an increase of ₱396 million or 7.4% over the December 31, 2012 level of ₱5,347 million. The increase in total liabilities was primarily due to a 20.2% increase in Due to related parties and other payables.

Causes of major movements in financial statements

Balance Sheet Items
(December 2012 vs. December 2013)

Cash and cash equivalents – 85% decreased from 833 million to ₱130 million

Cash decreased by ₱702 million due to the following investments in ZZS and refurbishment and upgrading of billet plant and installation of beneficiating plant.

Trade and other receivables – 26% increase from ₱261 million to ₱330 million

Inventories – 4% increase from ₱575 million to ₱596 million

Inventories slightly file up by Ps. 21 million or 4 % due to increase in the level of raw materials by 1% and finished goods inventory by 28% as a result of slower sales activity.

Creditable Withholding/Input VAT - 11% increase from ₱281 million to ₱312 million

Creditable withholding and value-added taxes increased by Ps. 31 million or 11 % mainly due to spending on the plant modernization program.

Prepayments and other current assets – 36% decrease from ₱204 million to ₱131 million

Other current assets went down by Ps. 72 million or 35% due to liquidation and deliveries of prepayments, inventory in transit and refundable deposits of Ps. 11 million, Ps. 15 million and Ps. 47 million respectively.

Property and equipment, net – 15% increase from ₱3,649 million to ₱4,178 million

Property, plant and equipment jumped by Ps. 530 million from Ps. 3,648 million a year ago to Ps. 4,178 or 15 % in line with our expansion and development projects.

Trade and other payables –18% increase from ₱845 million to ₱999 million

Trade and other payables went up by Ps. 153 million or 18 % primarily due to increases in regular and other payables.

Long-term debt – Nil

Current – Nil

This account pertains to the net present value of the leasehold right on the land where the manufacturing plant of ZZ Stronghold is situated.

Due to related parties – 4% increase from ₱3136 million to ₱3,265 million

Equity – 49% decrease from ₱ 1,139 million to ₱ 583 million

Equity declined by Ps. 556 million or 49 % as a result of the net loss for the year of Ps. 723 million but slightly improved by a favorable currency translation of Ps. 165.7 million.

Income Statement Items

(End of December 2013 vs. End of December 2012)

Revenue/Sales – 55% decrease from ₱2,179 million to ₱975 million

The loss was due to the temporary suspension of Treasure's whole plant operation in August 2013. The shortage in power supply in Mindanao was the main reason for the suspension of operation. For the past 3 years, Treasure facilities in Iligan had been receiving less than half of its power requirement from PSALM. With the further reduction of power supply and fluctuations, the continued operation of the Electric Arc Furnace facilities will cause further damage to the equipment and endanger the plant personnel. In the latter part of 2013, Treasure also had to temporarily terminate its contracts with its plant employees leaving some maintenance team and key management personnel.

ZZ Stronghold, the other subsidiary, also contributed to the net loss of P120.MM due to further slowdown of its operations due to weak steel demand in China as a slowing economy curbs demand for building materials. Existing steel supply also exceeded demand resulting in decline in steel prices.

Cost of sales – 51% decrease from ₱2,527 million to ₱1,229 million

Cost of sales decrease is primarily due to the lower sales of TSC and ZZS as compared to the same period last year

Other operating expense – 11% decrease from ₱240 million to ₱214 million

Operating expenses decrease by 11% primarily due to lower freight and handling and commission.

SCHEDULE OF EXHIBITS

Exhibit No.	Description
A	Amendments to the Articles of Incorporation and By-laws
B	Annual Report with the Company's Audited Consolidated Financial Statements as of 31 December 2013 (SEC Form 17-A)
C	Statement of Management's Responsibility
D	Quarterly Report with the Company's Interim Financial Statements as of 31 March 2014 (SEC Form 17-Q)
E	Secretary's Certificate

DESCRIPTION OF PROPERTY

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

Leases

TKC leases its main office located at Unit B1-A/C, 2nd Floor Bldg. B Karrivin Plaza, 2316 Chino Roces Ave. Ext., Makati City. This covers a period of three (3) years which will expire on February 2015.

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

The memorandum of agreement (MOA) is for 25 years starting 2005. 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 them 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 ₱46 million in 2006.

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

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

During the first semester of 2010, China Merchants, as mandated by the Fujian Provincial Government, made some revisions in the original contract as follows: 1) the term of the lease for Phase 1 was reduced to forty two (42) years from fifty (50) years. ZZ Stronghold received a refund of ₱9.3 million (RMB 1.4 million) during the first quarter of 2010 to reflect the shorter lease term; 2) a portion of the land for Phase 2 (55,089.567 square meters out of the original 179,374.822 square meters) will no longer be delivered; and 3) due to China Merchants' inability to reclaim the land, Phase 3 land will no longer be delivered to ZZ Stronghold. As a consequence of the non-delivery of a portion of Phase 2 land and the entire area of Phase 3, the cost of leasehold rights was reduced by ₱114.0 million and the long term debt was reduced to nil in 2010. ZZS has fully paid for both Phase 1 and 2 land as of the end of 2011.

LEGAL PROCEEDINGS

The Corporation or any of its subsidiaries 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 Corporation.

MARKET INFORMATION

The common shares of the Corporation have been listed on the Philippine Stock Exchange since 19 July 2001. Following the amendment of the articles of incorporation whereby the (a) primary purpose was changed to that of a holding Corporation, (b) corporate name was changed from SQL*Wizard to TKC

Steel Corporation, (c) authorized capital stock was increased from ₱40 million (par value of ₱1.00 per share) to ₱1 billion with the same par value, and the assignment and/or sale of all and/or substantially all of the Corporation's existing IT business assets in favor of a new corporation, the Corporation undertook a FOO of 235,000,000 common shares on 23 November 2007 based on the offer price of ₱9.68 per share. After the FOO was completed, the Corporation's total issued and outstanding common shares stood at 940,000,000 shares. The offer shares represented 25% of the Corporation's issued and outstanding common shares.

Presented in the table below are the high and low prices of the Corporation's shares as traded at the PSE for 1st quarter of 2014 and for each quarter within the last two (2) years in 2013 and 2012:

	High	Low
1st Quarter, 2014	1.67	1.62
Year Ended December 31, 2013		
1st Quarter	1.79	1.69
2nd Quarter	2.30	2.05
3rd Quarter	2.09	2.08
4th Quarter	1.83	1.78
Year Ended December 31, 2012		
1st Quarter	2.58	2.49
2nd Quarter	2.19	2.11
3rd Quarter	2.10	2.04
4th Quarter	1.75	1.69

As of 29 May 2014, the Corporation's shares are trading at 1.88 per share.

Holders of Common Equity

As of 30 April 2014, the Corporation has a total of 940,000,000 issued and outstanding shares, owned by 44 common shareholders.

As of 30 April 2014, the top twenty (20) shareholders and their corresponding shares and percentage ownership of the Corporation are as follows:

Name of Stockholders	No. of Shares	% to Total Outstanding
1. Star Equities, Inc.	667,000,598	70.9575%
2. PCD Nominee Corp (Filipino)	264,328,421	28.1200
3. PCD Nominee Corp (Non-Filipino)	3,343,600	0.3557
4. Chuahiong, Gertim G.	2,912,000	0.3098
5. Sio, Elsi Chua	900,000	0.0957
6. Quality Investments & Securities Corp.	525,000	0.0319
7. Napoles, Janet L.	300,000	0.0213
8. Uy, Francisco A.	200,000	0.0213
9. Hernandez, Elmer C.	100,000	0.0106
10. Ko, Michael Anthony Lee	100,000	0.0096
11. Martin, Francisca A.	90,000	0.0096

12. Enrile, William T.	50,000	0.0053
13. Chua, Melanie Dianne T.	50,000	0.0053
14. De Villa, Henrietta	20,000	0.0021
15. Chua Co Kiong, William N.	15,000	0.0016
16. Resurreccion, Antonio	10,000	0.0011
17. Insua, Jose Cesar	10,000	0.0011
18. Estrada, Claudia Patricia D.	6,250	0.007
19. Evangelista, Maria Imelda C.	6,250	0.007
20. Garcia, Luningling D.	6,250	0.0007

Based on the records of our Stock Transfer Agent, Professional Stock Transfer, Inc., the Corporation has 29.0425% public ownership level as of March 31, 2014.

DIVIDENDS

The Corporation did not declare dividends in 2013 and 2012.

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

CORPORATE GOVERNANCE

The Corporation has been monitoring compliance with SEC Memorandum Circular No. 6, Series of 2009, as well as other relevant SEC circulars and rules on good corporate governance. As proof of continuing compliance with the leading practices and principles in good corporate governance, the Corporation, in compliance of SEC Memorandum No. 2010-0574 submitted on April 01, 2013 its Corporate Governance Guidelines Disclosure Survey.

The Corporation is not aware of any deviations made in its Manual of Corporate Governance. Likewise, the Corporation has no plans yet to improve corporate governance. However, the Compliance Officer shall always take note of any improvements that need to be made in the Corporation's Manual.

UPON WRITTEN REQUEST OF ANY SHAREHOLDER OF RECORD ENTITLED TO NOTICE OF AND VOTE AT THE MEETING, THE REGISTRANT SHALL FURNISH SUCH SHAREHOLDER WITH A COPY OF THE REGISTRANT'S ANNUAL REPORT ON SEC FORM 17-A WITHOUT CHARGE. ANY SUCH WRITTEN REQUEST SHALL BE ADDRESSED TO:

A. BAYANI K. TAN
THE CORPORATE SECRETARY
TKC STEEL CORPORATION
2704 EAST TOWER
PHILIPPINE STOCK EXCHANGE CENTRE
EXCHANGE ROAD, ORTIGAS CENTER
PASIG CITY, METRO MANILA, PHILIPPINES

F:\data\CLIENTS\1000\2014 ASM\for printing\2014 - 20-IS Definitive - FINAL.docx
ABKT\JCN\RCC\BRM 1000-224

TKC STEEL CORPORATION

EXHIBIT A – AMENDMENTS TO THE ARTICLES OF INCORPORATION AND BY-LAWS

(A) ARTICLES OF INCORPORATION

Title:

TKC METALS CORPORATION
(formerly TKC Steel Corporation)

Article FIRST

FIRST: That the name of the Corporation shall be **TKC METALS CORPORATION**

Article THIRD

THIRD: That the place where the principal office of the Corporation is to be established or located is at Unit B1-A/C, 2nd Floor, Building B, Karrivin Plaza, 2316 Chino Roces Avenue Extension, Makati City.

Article SEVENTH

SEVENTH: That the authorized capital stock of the Corporation is **THREE BILLION PESOS (₱ 3,000,000,000.00)** Philippine Currency, and said capital stock is divided into **ONE BILLION (1,000,000,000.00)** shares with par value of **ONE PESO (₱1.00)** each.

(B) BY-LAWS

Title:

TKC METALS CORPORATION
(formerly TKC Steel Corporation)

TKC STEEL 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 **March 31, 2014**

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

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

   Unit B1-A&C, 2nd Floor, Bldg. B Karrivin Plaza, 2316 Chino Roces Ave. Ext., Makati City, Philippines

8. Issuer's telephone number, including area code **(02) 864-07-36**

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

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

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

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

    Yes [•] No [ ]

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

    Philippine Stock Exchange - **940,000,000 Common**

12. Indicate by check mark whether the registrant:

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

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

Table of Contents

TKC STEEL CORPORATION AND SUBSIDIARIES

(Formerly SQL*Wizard, Inc.)

UNAUDITED INTERIM CONSOLIDATED BALANCE SHEETS

March 31, 2014

(With Comparative Figures for December 31, 2013)

	March 31 2014	December 31 2013
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	**₱159,418,654**	₱130,477,261
Trade and other receivables (Note 7)	**258,639,690**	329,816,629
Inventories (Note 8)	**589,873,366**	595,682,880
Creditable withholding and input value-added tax (Note 9)	**309,328,777**	311,580,965
Due from related parties (Note 14)	**79,134,398**	39,808,878
Prepayments and other current assets (Note 10)	**99,535,570**	131,421,787
Total Current Assets	**1,495,930,455**	1,538,788,400
Noncurrent Assets		
Property, plant and equipment	**4,219,799,276**	4,178,435,239
Leasehold rights (Note 11)	**199,285,186**	255,803,861
Goodwill (Note 2)	**11,803,406**	11,803,406
Deferred tax assets	**0**	0
Other noncurrent assets	**82,516,616**	68,761,290
Total Noncurrent Assets	**4,513,404,484**	4,514,803,796
	₱6,009,334,939	₱6,053,592,196
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 12)	**₱958,772,801**	₱999,218,433
Loans payable (Note 13)	**1,220,421,906**	1,167,471,317
Due to related parties (Note 14)	**3,270,155,515**	3,265,105,130
Total Current Liabilities	**5,449,350,222**	5,431,794,880
Noncurrent Liabilities		
Deferred tax liabilities-net	**21,962,746**	-
Deferred liability	**3,388,613**	21,962,745
Retirement benefit liability	**16,527,432**	16,527,432
Total Noncurrent Liabilities	**41,878,791**	38,490,177
Equity Attributable to Equity Holders of the Parent		
Capital stock (Notes 2 and 15)	**940,000,000**	940,000,000
Additional paid-in capital (Note 2)	**1,983,047,906**	1,983,047,906
Cumulative translation adjustments	**167,419,712**	194,191,335
Cumulative re-measurement gain(loss) on retirement liability	**1,235,153**	1,235,153
Retained Earnings/(Deficit)	**(2,634,290,040)**	(2,580,743,827)
Adjustment to equity	**(46,444,389)**	(46,444,389)
Total Equity Attributable to Equity Holders of the Parent	**410,968,342**	491,286,178
Minority interest	**107,137,584**	92,020,961
Total Equity	**518,105,926**	583,307,139
	₱6,009,334,939	₱6,053,592,196

See accompanying Notes to Consolidated Financial Statements.

TKC STEEL CORPORATION AND SUBSIDIARIES
(Formerly SQL*Wizard, Inc.)
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2014
(With Comparative Figures for the Three Months Ended March 31, 2013)

	2014	2013
SALES OF STEEL PRODUCTS	₱57,150,739	₱198,092,771
COST OF STEEL PRODUCTS SOLD (Note 16)	59,169,294	255,690,522
GROSS PROFIT	(2,018,555)	(57,597,751)
OTHER EXPENSES	36,683,445	28,933,129
FINANCE COST	17,421,069	25,978,934
	54,104,514	54,912,063
INCOME BEFORE INCOME TAX	(56,123,069)	(112,509,814)
PROVISION FOR (BENEFIT FROM) INCOME TAX		
Current		
Deferred	302	132,558
	302	132,558
NET INCOME	(56,123,371)	(112,642,372)
Attributable To		
Equity holder of Parent	(53,546,213)	(108,253,218)
Minority interest	(2,577,158)	(4,389,154)
	(56,123,371)	(112,642,372)
Basic Earnings Per Share	(0.06)	(0.12)

TKC STEEL CORPORATION AND SUBSIDIARIES
(Formerly SQL*Wizard, Inc.)
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2014
(With Comparative Figures for the Three Months Ended March 31, 2013)

	2014	2013
NET INCOME	(₱56,123,371)	(₱112,642,372)
OTHER COMPREHENSIVE INCOME:		
Exchange differences on translating foreign operations	(29,752,810)	(71,755,910)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(85,876,181)	(184,398,282)
Attributable To		
Equity holder of Parent	(80,323,742)	(172,833,537)
Minority interest	(5,552,439)	(11,564,745)
	(85,876,181)	(184,398,282)
Basic Earnings Per Share	(0.09)	(0.20)

TKC STEEL CORPORATION AND SUBSIDIARIES
(Formerly SQL*Wizard, Inc.)

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2014

	Equity Attributable to Equity Holders of the Parent							
	Capital Stock (Note 2 and 15)	Additional Paid-in Capital (Note 2)	Retained Earnings/ (Deficit)	Cumulative Translation Adjustments	Adjustment to Equity	Total	Minority Interest	Total Equity
Balance at January 31, 2014	**₱940,000,000**	**₱1,983,047,906**	**(₱2,580,743,827)**	**₱195,432,394**	**(₱46,444,389)**	**₱491,292,084**	**₱92,015,055**	**₱583,307,139**
Issuance during the period	–	–	–	–	-	0	20,674,968	20,674,968
Translation adjustments during the period	–	–	–	(26,777,529)	–	(26,777,529)	(2,975,281)	(29,752,810)
Business combination	–	–	–	–	–	–	-	-
Net income for the period	–	–	(53,546,213)	–	–	(53,546,213)	(2,577,158)	(56,123,371)
Balance at March 31, 2014	**₱940,000,000**	**₱1,983,047,906**	**₱(2,634,290,040)**	**168,654,865**	**(46,444,389)**	**₱410,968,342**	**₱107,137,584**	**₱518,105,926**

	Equity Attributable to Equity Holders of the Parent							
	Capital Stock (Note 2 and 15)	Additional Paid-in Capital (Note 2)	Retained Earnings/ (Deficit)	Cumulative Translation Adjustments	Adjustment to Equity	Total	Minority Interest	Total Equity
Balance at January 1, 2013	**₱940,000,000**	**₱1,983,047,906**	**(₱1,879,681,641)**	**₱43,385,748**	**(₱14,706,557)**	**₱1,072,045,456**	**₱67,250,388**	**₱1,139,295,844**
Issuance during the period	–	–	–	–	(2,465,075)	(2,465,075)	–	(2,465,075)
Translation adjustments during the period	–	–	–	(64,580,319)	–	(64,580,319)	(7,175,591)	(71,755,910)
Business combination	–	–	–	–	–	–	-	-
Net income for the period	–	–	(108,253,218)	–	–	(108,253,218)	(4,389,154)	(112,642,372)
Balance at March 31, 2013	**₱940,000,000**	**₱1,983,047,906**	**₱(1,987,934,859)**	**₱(21,194,571)**	**(17,171,632)**	**₱896,746,844**	**₱55,685,643**	**₱952,432,487**

TKC STEEL CORPORATION AND SUBSIDIARIES
(Formerly SQL*Wizard, Inc.)

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE THREE MONTHS ENDED MARCH 31, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**(₱56,123,069)**	(₱112,509,814)
Adjustments for:		
Depreciation and amortization	**9,748,166**	16,422,479
Interest expense	**17,421,069**	25,978,934
Interest income	**(1,599)**	(662,933)
Operating income before working capital changes	**(28,955,433)**	(70,771,334)
Decrease (increase) in:		
Trade and other receivables	**64,917,166**	65,956,774
Inventories	**3,864,822**	(89,507,292)
Input value-added tax	**2,252,188**	(24,355,823)
Prepayments and other current assets	**29,544,251**	51,932,436
Other non-current assets	**(12,827,911)**	(67,915,054)
Increase (decrease) in:		
Trade and other current liabilities	**(38,273,012)**	(126,586,048)
Accrued retirement expense	**0**	0
Net cash used in operations	**20,522,071**	(261,246,341)
Interest paid	**(17,421,069)**	(25,978,934)
Interest received	**1,599**	662,933
Income tax paid	**4,987,572**	(132,558)
Net cash used in operating activities	**8,090,173**	(286,694,900)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property, plant and equipment	**(77,185,147)**	(159,801,240)
Advances to related party	**(38,940,525)**	(4,878,734)
Leasehold cancellation	**42,056,908**	60,661,973
Decrease (increase) in other noncurrent assets	**(713,657)**	(844,780)
Net cash used in investing activities	**(74,782,421)**	(104,862,781)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Increase (decrease) in due to stockholders	**6,321,765**	14,320,720
Increase(decrease) in advances from related parties	**0**	0
Increase(decrease) in Deferred liability	**(18,607,378)**	3,971,857
Increase(decrease) in long-term liability	**0**	0
Increase in due to related parties	**47,688,099**	631,077,790
Increase(decrease) in loans payable	**60,838,200**	(98,307,223)
Proceeds from issuance of capital stocks	**0**	0
Net cash provided by financing activities	**96,240,686**	551,063,144
NET FOREIGN EXCHANGE DIFFERENCE	**(607,045)**	(29,200,474)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**28,941,393**	130,304,989
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**130,477,261**	832,745,753
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**₱159,418,654**	963,050,742

See accompanying Notes to Consolidated Financial Statements.

TKC STEEL CORPORATION
Aging of Trade Receivables
As of March 31, 2014

Description	Amount	Current	Past Due		
			1 - 30 Days	31 - 60 Days	61 - 90 Days
Trade receivables:					
Export Sales	9,675,731	9,675,731	-	-	-
Domestic Sales	246,284,901	134,695,368	6,793,483	13,442,504	75,995,883
Total	255,960,632	144,371,099	6,793,483	13,442,504	75,995,883
Less allowance for doubtful accounts	-	-	-	-	-
Net Trade and Other Receivables	255,960,632	144,371,099	6,793,483	13,442,504	75,995,883

TKC STEEL CORPORATION AND SUBSIDIARIES
(Formerly SQL*Wizard, Inc.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

TKC Steel Corporation (the Parent Company or TKC, formerly SQL*Wizard, Inc. or SQL) was organized and registered with the Philippine Securities and Exchange Commission (SEC) on November 28, 1996. SQL was originally incorporated to engage in computer training, consulting services and selling of software licenses.

SQL was acquired by Star Equities, Inc. (SEI), a company incorporated in the Philippines on September 13, 2006. SEI, which now owns 70.96% of the Parent Company, intended TKC to be a backdoor listing vehicle for its investment in the steel business. In line with this objective, the board of directors (BOD) and stockholders of SQL approved a resolution to (a) change the primary purpose of business from that of engaging in computer training, consulting services and selling of software licenses to marketing and selling of various steel products, principally, but not limited to billets and, investment holdings, and (b) the corporate name from SQL to TKC Steel Corporation.

On June 22, 2007, the SEC approved the amendments in Article II Primary Purpose of the Parent Company's Articles of Incorporation. Under the amended article, the Parent Company's primary purpose is to invest, operate, 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 metals, steel or other alloys of metallic, non-metallic or other 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.

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

Name of Subsidiary	Country of Incorporation	Nature of Business	Percentage Ownership	
			Direct	Indirect
Treasure Steel Corporation (Treasure)[a]	Philippines	Manufacture of steel products	98%	–
Billions Steel International Limited (Billions)[b]	Hong Kong	Investment holdings	100%	–
Campanilla Mineral Resources, Inc. (Campanilla)d	Philippines	Mineral production	70%	--
ZhangZhou Stronghold Steel Works Co. Ltd. (ZZ Stronghold)	People's Republic of China or PRC	Manufacture of steel pipes	–	91%c

[a] *Acquired on June 29, 2007 (see Note 2)*
[b] *Acquired on April 30, 2007 (see Note 2)*
[c] *Through Billions Steel*
d Has not commenced commercial operation

TKC and its subsidiaries (the Group) are engaged in the operation of a smelting, melting and rolling plant. Its main products are billets, steel bars, rods, plates, sheets, pipes and similar items.

The details of the change in the capital structure and ownership of the Parent Company as well as the accounting for the foregoing transactions are discussed further in Note 2.

The ultimate parent company of TKC is JTKC Equities, Inc., a domestic corporation.

The registered office address of the Parent Company is Unit B1-A/C Ground and 2nd Floor, Bldg. B Karrivin Plaza, 2316 Chino Roces Ave. Ext., Makati City, Philippines.

2. Business Reorganization

The following transactions were consummated from a legal standpoint:

a. Acquisition of Interest in TKC by SEI

On February 9, 2007, in addition to the change in the corporate name from SQL to TKC Steel Corporation, the legal Parent Company (see Note 1), TKC's shareholders and BOD also approved the increase in authorized capital stock from ₱40.0 million divided into 40 million common shares, with par value of ₱1.00 a share to ₱1.0 billion divided into 1.0 billion common shares, with the same par value. Such increase in authorized capital stock was approved by the SEC on April 13, 2007.

Upon the change in capital structure of TKC on April 13, 2007, SEI subscribed 240.0 million shares of common stock at ₱1.00 a share for a total of ₱240.0 million, out of the increased authorized capital stock. 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 stock at ₱1.00 a share for a total of ₱440.0 million, increasing its holdings to a total of 680.0 million shares out of the total outstanding capital stock of 705.0 million shares representing 96.45% ownership interest in TKC.

On November 23, 2007, additional 235.0 million common stocks were issued by TKC as a follow-on offering. Such issuance decreased the percentage ownership of SEI in TKC to 72.32%.

The movements of shares of stocks are as follows

	Number of Shares	Par	Additional Paid -in Capital
Balance at beginning of period	25,000,000	₱25,000,000	₱3,000,000
Subscriptions during the period:			
April 13, 2007	240,000,000	240,000,000	
April 16, 2007	440,000,000	440,000,000	
November 23, 2007	235,000,000	235,000,000	1,980,047,906
Total subscriptions during the period	915,000,000	915,000,000	1,980,047,906
Balance at end of period	940,000,000	₱940,000,000	₱1,983,047,906

b. Transfer of SEI Subsidiaries to TKC

As discussed in Note 1, SEI had intended the acquisition of the Parent Company as its vehicle for a backdoor listing for its holdings in the steel business. In line with this, SEI consolidated its interests in Treasure and Billions (together with the latter's 90% interest in ZZ Stronghold) as follows:

i) Acquisition by TKC of Billions

On April 30, 2007, a Deed of Sale was executed whereby the majority shareholder group, SEI, sold and transferred all of its interest in Billions to the Parent Company for ₱594,056,700. Billions has a 90% direct interest in ZZ Stronghold. Billions is a limited liability company incorporated under the laws of the Republic of Mauritius. ZZ Stronghold was incorporated on July 13, 2005 and began construction of its facilities thereafter. Its first batch of manufactured steel pipes was completed and sold in June 2007. Commercial operations of ZZ Stronghold began officially after acceptance by the customer of the first batch of steel pipes manufactured and delivered.

ii) Acquisition by TKC of Treasure

On June 29, 2007, SYL Holdings, Inc. and Billions (in-trust for the controlling shareholder group of SEI) each owning 48% in Treasure, collectively transferred their holdings consisting of 479,998 shares and 479,997 shares, respectively, with total par value of ₱95,999,500 to TKC on account. After execution of the Deed of Sale, TKC had 96% direct interest in Treasure (see Note 1).

Accounting for the Business Combination. In accordance with the provisions of Philippine Financial Reporting Standard (PFRS) 3, the acquisition of Treasure and Billions was accounted for as a reverse acquisition as the arrangement was for the two subsidiaries to be "acquired" by a smaller public entity as a means of obtaining a stock exchange listing. Legally however, TKC, as the issuing public entity, is regarded as the Parent Company. From an accounting perspective, Treasure and Billions are considered the "acquirer" since they have the power to govern the financial and operating policies of TKC.

In accordance with the reverse acquisition provisions of PFRS 3, the Group reflected the fair value of the net assets of TKC (the "acquiree" for financial accounting purposes) totaling to ₱696.2 million. TKC also determined the cost of business combination to be ₱708.0 million which is the fair value of the Parent Company's capital stock. The difference between the cost of combination and the fair values of assets and liabilities amounting to ₱11.8 million was accounted for as goodwill and was evaluated for possible impairment.

Goodwill was computed as follows:

	Amount
Cost of business combination	₱708,000,000
Less fair value of net assets of TKC	696,196,597
Goodwill	₱11,803,403

The cash inflow related to the reverse acquisition is as follows:

	Amount
Cash from stock issuance SEI	₱680,000,000
Less cash outflow for the purchase of interest of Billions	(594,056,700)
Net cash inflow	₱85,943,300

The following is a summary of the fair values of the assets acquired and liabilities assumed as of the date of the acquisition:

	Fair Value Recognized on Acquisition	Carrying Value
Assets		
Cash and cash equivalents	₱103,864,584	₱103,864,584
Creditable withholding and input value-added taxes	11,019,765	11,019,765
Investment in subsidiaries	829,372,022	829,372,022
Other assets	10,405,863	10,405,863
	954,662,234	954,662,234
Liabilities		
Trade and other payables	1,466,137	1,466,137
Loans payable	161,000,000	161,000,000
Advances from stockholders and subsidiaries	95,999,500	95,999,500
	258,465,637	258,465,637
Net assets	₱696,196,597	₱696,196,597

Group Reorganization

On January 9, 2009, Billions Steel International Limited (BSIL Mauritius), a company incorporated in Mauritius, sold its entire interest in ZZ Stronghold to Billions HK, a company registered in Hong Kong. Both companies are wholly owned subsidiaries of the Parent Company. The sale was made in line with the group reorganization of Billions for the purpose of rationalizing its group structure. The group reorganization was accounted using pooling of interests method classified as uniting of interests in consideration of the substance of the transaction and since the entities in the transaction are under common control of the Parent Company.

3. Summary of Significant Accounting Policies

Basis of Preparation
The accompanying financial statements have been prepared using the historical cost basis. The consolidated financial statements are presented in Philippine Peso which is the functional and presentation currency of the Parent Company. All values are rounded to the nearest peso unless otherwise stated.

Statement of Compliance
The financial statements of the Group have been prepared in compliance with PFRS.

Basis of Consolidation
The Group's financial statements comprise the financial statements of the Parent Company and its subsidiaries: Billions, ZZ Stronghold and Treasure. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company using consistent accounting policies.

The functional currency of Treasure is the Philippine Peso, while that of Billions and ZZ Stronghold is the Renminbi (RMB, currency of PRC). The accounts of Billions and ZZ Stronghold have been translated into Philippine Peso at the rate of exchange prevailing at the reporting date.

All inter-company balances, transactions, income and expenses and profits and losses resulting from inter-company transactions that are recognized in assets, if any, are eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Parent Company. Control is achieved where the Parent Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Consolidation of subsidiaries ceases when control is transferred out of the Parent Company. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of income from the date of acquisition or up to the date of disposal, as appropriate.

Minority interest represents the portion of net assets and profit or loss not held by the Parent Company and is presented separately in the Group's statement of income and within equity in the Group's statement of financial position, separate from equity attributable to equity holders of the Parent Company.

Changes in Accounting Policies
The accounting policies adopted are consistent with those of the previous year except for the following new and amended PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations which are adopted beginning January 1, 2010. The adoption of these new and amended PFRS, PAS and Philippine Interpretations did not have a significant impact to the Group's consolidated financial statements.

- PFRS 2 Amendments - *Group Cash-settled Share-based Payment Transaction*
- PFRS 3, *Business Combinations* (Revised)
- PAS 27, *Consolidated and Separate Financial Statements* (Amended)

- PAS 39 Amendment - *Eligible Hedged Items*
- Philippine Interpretation International Financial Reporting Interpretation Committee (IFRIC) 17, *Distributions of Non-Cash Assets to Owners*

The Group conducted an evaluation of the possible impact of the adoption of PFRS 9 and decided that the Group will not early adopt PFRS 9.

The following new and amended standards are applicable to the Company:

- PAS 27 (Amended)
- Amendments to PFRS 7
- PFRS 10
- PFRS 12
- PFRS 13

The Company is currently evaluating the impact of the applicable new and amended standards based on the financial statements as at and for the year ended December 31, 2012.

Improvements to PFRSs
Improvements to PFRSs, an omnibus of amendments to standards, deal primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

Improvements to PFRSs 2008
The amendment arising from the 2008 Improvements to PFRSs is effective for annual periods beginning on or after July 1, 2009.

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, clarifies that when a subsidiary is classified as held for sale, all its assets and liabilities are classified as held for sale, even when the entity remains a non-controlling interest after the sale transaction.

Improvements to PFRSs 2009

- PFRS 5 clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in PFRS 5. The disclosure requirements of other PFRSs only apply if specifically required for such non-current assets or discontinued operations. The amendment has no impact on the financial position or financial performance of the Group.

- PFRS 8, *Operating Segments*, clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. The amendment has no impact on the financial position or financial performance of the Group.

- PAS 7, *Statement of Cash Flows*, states that only expenditure that results in recognizing an asset can be classified as a cash flow from investing activities. This amendment has no impact on the Group's statements of cash flows.

- PAS 36, *Impairment of Assets*, the amendment clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in PFRS 8 before aggregation for reporting purposes. The amendment has no impact on the Group as the annual impairment test is performed before aggregation.

Other amendments resulting from the 2009 Improvements to PFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group.

- PFRS 2, *Share-based Payment*
- PAS 1, *Presentation of Financial Statements*
- PAS 17, *Leases*
- PAS 38, *Intangible Assets*
- PAS 39, *Financial Instruments: Recognition and Measurement*
- Philippine Interpretation IFRIC-9, *Reassessment of Embedded Derivatives*
- Philippine Interpretation IFRIC-16, *Hedge of a Net Investment in a Foreign Operation*

Summary of Significant Accounting Policies

Foreign Currency Translation
Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The statement of income of ZZ Stronghold (a foreign entity) is translated into the Group's reporting and functional currency at average exchange rates for the period and the statement of financial position is translated at exchange rate ruling at period end.

Exchange differences arising on monetary items that form part of an entity's net investment in a foreign operation are reclassified to equity (cumulative translation adjustments) in the statement of financial position and are only released to the statement of income upon the disposal of the foreign operation. The individual financial statements of each of the entities included in these financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

Transaction and balances
For financial reporting purposes, the foreign currency-denominated monetary assets and liabilities are translated in Philippine pesos based on the Philippine Dealing System (PDS) closing rate prevailing at end of the year and foreign currency-denominated income and expenses, at the average PDS weighted average rate (PDSWAR) for the year. Foreign exchange differences arising from restatements of foreign currency-denominated assets and liabilities are credited to or charged against operations in the period in which the rates change.

Non-monetary 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. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Business Combination
The business combination and reorganization of the legal subsidiaries, Treasure and Billions (together with ZZ Stronghold), were treated as reverse acquisition and reorganization of companies under common control, respectively, and is thus, accounted for in a manner similar to

the pooling-of-interests method. The reverse acquisition involved the "purchase" by the legal subsidiaries, of TKC. This was accounted for using the purchase method. Under the purchase method, the assets, liabilities and contingent liabilities of the identified "acquiree" were measured at fair value with the cost of combination allocated to all identifiable assets and liabilities. Any difference between the cost of combination and fair value of identifiable assets were recognized as goodwill.

Financial Instruments - Initial Recognition and Subsequent Measurement

Date of recognition

Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial recognition of financial instruments

All financial assets are initially recognized at fair value. Except for financial assets at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, Held-to-maturity (HTM) investments, Available-for-sale (AFS) investments, and loans and receivables. Financial liabilities are classified as financial liabilities at FVPL and financial liabilities carried at cost. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date. As of September 30, 2013 and December 31, 2012, the Group has no outstanding financial assets or financial liabilities at FVPL, AFS investments, and HTM investments.

Determination of fair value

The fair value for financial instruments traded in active markets at the statement of financial position date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, option pricing models, and other relevant valuation models.

'Day 1' difference

Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the consolidated statement of income in 'Other income.'

In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' difference amount.

Receivables
These are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as other financial assets held for trading, designated as AFS or Financial assets designated at FVPL.

After initial measurement, these financial assets are subsequently measured at amortized cost using the effective interest method, less allowance for impairment losses. 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 (EIR). The amortization is included in 'Interest income' in the consolidated statement of income. The losses arising from impairment of such receivables are recognized in 'Provision for impairment losses' in the consolidated statement of income.

The Group's trade and other receivables and due from related parties are classified as receivables.

Other financial liabilities
This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations (e.g., payables, accruals or borrowing).

The liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

Derecognition of Financial Assets and Liabilities
Financial asset
A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired; or
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights 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 the risk and rewards of the asset but has transferred the control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liability
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of income.

Impairment of Financial Assets

The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Assets Carried at Amortized Cost

If there is objective evidence that an impairment loss on receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original EIR. The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in the statement of income.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Assets Carried at Cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Inventories

Inventories are carried at the lower of cost and net realizable value. Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

Finished goods	–	cost includes direct materials and labor, determined using the specific identification method, and a proportion of manufacturing overhead costs based on normal operating capacity excluding borrowing costs; and
Raw and scrap materials and factory supplies	–	purchase cost determined on a first-in, first-out basis.

Net realizable value of finished goods is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Net realizable value of raw and scrap materials and factory supplies is the current replacement cost.

When the net realizable value of the inventories is lower than its cost, the inventories are written down to its net realizable value and the difference between the cost and net realizable value of the inventories is charged to 'Miscellaneous expense' account in the statement of income.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, excluding costs of day-to-day servicing, less accumulated depreciation, amortization and any impairment in value.

The initial cost of property, plant and equipment consists of its purchase price and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing part of such property, plant and equipment when the recognition criteria are met and the present value of the estimated cost of dismantling and removing the asset and restoring the site where the asset is located.

Expenditures incurred after the property, plant and equipment have been put into operations, such as repairs and maintenance, are charged to income in the year the costs are incurred. When each major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied.

Depreciation and amortization are computed using the straight-line basis over the following estimated useful lives of the assets:

Building	20 years
Leasehold improvements	3 years or term of lease, whichever is shorter
Machinery and equipment	5 - 10years
Office equipment, furniture and fixtures	3 - 5 years
Tools	3 years
Transportation equipment	5 - 10 years

The useful lives and depreciation and amortization method of the assets are reviewed, and adjusted if appropriate, as of each reporting date, to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from the items of property, plant and equipment.

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 and any resulting gain or loss is recognized in the statement of income in the period such is realized.

Construction in-progress represents plant under construction/development and is stated at cost which includes cost of construction and other direct costs. Construction in-progress is not depreciated until such time the relevant assets are substantially available for operational use.

Leasehold Rights
The leasehold rights of Treasure and ZZ Stronghold are stated at cost less accumulated amortization and any impairment in value. The amortization of the leasehold rights is computed on a straight-line basis over the term of the lease agreements of 25 years (Treasure) and 42 years and 50 years (ZZ Stronghold).

Borrowing Costs
Borrowing costs are generally expensed as incurred. Borrowing costs, including exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs, are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized.

For income tax reporting purposes, borrowing costs are treated as deductible expense in the period such are incurred.

Impairment of Nonfinancial Assets
This accounting policy applies primarily to the Group's property, plant and equipment, leasehold rights and goodwill.

At each reporting date, the Group assesses whether there is any indication that its nonfinancial assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's (or cash-generating unit's) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash generating unit to which it belongs.

Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit).

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

Goodwill

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the Goodwill relates. Goodwill sometimes cannot be allocated on a non-arbitrary basis to individual cash-generating units, but only to the groups of cash-generating units. As a result, the lowest level within the Parent Company at which the Goodwill is monitored for internal management purposes sometimes comprises a number of cash-generating units to which the Goodwill relates but cannot be allocated. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (or group of cash-generating units) to which Goodwill has been allocated (or to the aggregate carrying amount of a group of cash-generating units to which the Goodwill relates but cannot be specifically allocated), an impairment loss is recognized.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of the provisions are to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income, net of reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Revenue Recognition

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and other sales taxes or duties.

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

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually upon delivery of the goods to customers and when the amount of revenue can be reliably measured.

Interest income
Interest income is recognized on a time proportionate basis that reflects the effective yield on the asset.

Expense Recognition
Expenses are recognized when it is probable that decrease in future economic benefits related to decrease in asset or an increase in liability has occurred and that the decrease in economic benefits can be measured reliably. Expenses that may arise in the course of ordinary regular activities of the Group include among others the operating expenses on the Group's operation. Expenses are recognized as incurred.

Leases
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

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

For income tax reporting purposes, expenses under operating lease arrangements are treated as deductible expenses in conformity with the terms of the lease agreements.

Taxes
Current tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as of the reporting date.

Deferred tax
Deferred income tax is provided, using the balance sheet liability method, on 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, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry-forward benefits of unused tax credits from excess minimum corporate income tax (MCIT) for Philippine-based entities and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward benefits of unused tax credits from excess MCIT over regular corporate income tax (RCIT) and unused NOLCO can be utilized and as applicable to Philippine-based entities, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences 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 taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Any unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the years when the assets are realized or the liabilities are settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as of the reporting date.

Income tax relating to items recognized directly in equity, if any, is recognized in equity and not in the statement of income.

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

Valued-added tax (VAT)
Revenues, expenses and assets are recognized net of the amount of VAT except:

- where the VAT incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the input tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of VAT included.

<u>Earnings Per Share</u>
Basic earnings per share (EPS) is computed by dividing net income for the year by the weighted average number of common shares issued and outstanding during the year, after giving retroactive effect to any stock dividends or stock splits, if any, declared during the year. Diluted EPS is computed by dividing net income applicable to common stockholders by the weighted average number of common shares issued and outstanding during the year after giving effect to assumed conversion of diluted potential common shares.

<u>Contingencies</u>
Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Segment Reporting
The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 6 to the consolidated financial statements.

Standards Issued but not yet Effective
Standards issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below. This listing is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective. Except as otherwise indicated, the Group does not expect the adoption of these amended PFRS and Philippine Interpretation to have significant impact on its consolidated financial statement.

PAS 12, *Income Taxes* (Amendment) - *Deferred Tax: Recovery of Underlying Assets*
The amended standard is effective for annual periods beginning on or after January 1, 2012. The amendment provides a practical solution to the problem of assessing whether recovery of an asset will be through use or sale. It introduces a presumption that recovery of the carrying amount of an asset will, normally, be through sale.

PAS 24, *Related Party Disclosures* (Amended)
The amended standard is effective for annual periods beginning on or after January 1, 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.

PAS 32, *Financial Instruments: Presentation* (Amendment) - *Classification of Rights Issues*
The amendment to PAS 32 is effective for annual periods beginning on or after February 1, 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

PFRS 7, *Financial Instruments: Disclosures* (Amendments) - *Transfers of Financial Assets*
The amendments to PFRS 7 are effective for annual periods beginning on or after 1 July 2011. The amendments will allow users of consolidated financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

PFRS 9, *Financial Instruments: Classification and Measurement*
PFRS 9, as issued in 2010, reflects the first phase of the work on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. The standard is effective for annual periods beginning on or after January 1, 2013. In subsequent phases, hedge accounting and de-recognition will be addressed. The completion of this project was expected in early 2011.

Philippine Interpretation IFRIC-14 (Amendment) - *Prepayments of a Minimum Funding Requirement*
The amendment to Philippine Interpretation IFRIC-14 is effective for annual periods beginning on or after January 1, 2011, with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset.

Philippine Interpretation IFRIC-15, *Agreement for Construction of Real Estate*
This Interpretation, effective for annual periods beginning on or after January 1, 2012, covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The Interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion.

Philippine Interpretation IFRIC-19, *Extinguishing Financial Liabilities with Equity Instruments*
This Interpretation is effective for annual periods beginning on or after July 1, 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss.

Improvements to PFRSs 2010
Improvement to IFRSs is an omnibus of amendments to PFRSs. The amendments have not been adopted as they become effective for annual periods on or after either July 1, 2010 or January 1, 2011. The Group, however, expects no impact from the adoption of the following amendments on its financial position or performance:

- PFRS 3, *Business Combinations*
- PFRS 7, *Financial Instruments: Disclosures*
- PAS 1, *Presentation of Financial Statements*
- PAS 27, *Consolidated and Separate Financial Statements*
- Philippine Interpretation IFRIC-13, *Customer Loyalty Programmes*

4. **Significant Accounting Judgments and Estimates**

The Group's financial statements prepared in conformity with PFRS require management to make judgments, estimates and assumptions that affect amounts reported in the financial statements and related accompanying notes. In preparing the Group's financial statements, management has made its best judgments and estimates of certain amounts, giving due consideration to materiality.

The estimates and assumptions used in the financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the Group's financial statements. Actual results may differ from such estimates.

Judgments

Impairment of Nonfinancial Assets

The Group performs impairment testing of assets when there are indications of impairment. The impairment testing of assets which are not used in operations requires an estimation of its fair value less cost to sell. Fair value is the amount obtainable from the sale of an asset or cash-generating unit in an arm's-length transaction between knowledgeable willing parties.

Management estimates the value in use of the cash-generating units in testing impairment of property, plant and equipment and leasehold rights. Value in use is determined by making an estimate of the expected future cash flows from the cash-generating unit and to apply a suitable discount rate in order to calculate the present value of those cash flows.

Operating Leases

The Group has entered into various lease agreements as a lessee. The Group has determined that the lessor retains all significant risk and rewards of ownership of these properties which are leased out on operating lease arrangements.

Estimates

a) Impairment losses of trade and other receivables

The Group reviews its trade and other receivable portfolios to assess impairment at each financial position date. In determining whether an impairment loss should be recorded in the consolidated statement of income, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of trade and receivables before the decrease can be identified with an individual trade and other receivable in that portfolio. This evidence may include such observable data as:

- significant financial difficulty of the borrower;
- breach of credit terms such as a default/delinquency in interest or principal payments;
- granting of a concession by the lender to the borrower which the lender would not otherwise consider;
- disappearance of an active market because of financial difficulties or significant market decline for the products of borrowers; and
- adverse changes in the industry or economic conditions.

The Group assessed that there is no impairment on trade and other receivables since there is no such indication of impairment.

b) Impairment of nonfinancial assets

The Group performs impairment testing of assets when there are indications of impairment. The impairment testing of assets which are not used in operations requires an estimation of its fair value less cost to sell. Fair value is the amount obtainable from the sale of an asset or cash-generating unit in an arm's-length transaction between knowledgeable willing parties.

Management estimates the value in use of the cash-generating units in testing impairment of property, plant and equipment and leasehold rights. Value in use is determined by making an estimate of the expected future cash flows from the cash-generating unit and to apply a suitable discount rate in order to calculate the present value of those cash flows.

c) Realizability of creditable withholding tax and VAT
The carrying amounts of the creditable withholding and input taxes are reduced to the extent that it available to allow all or part of the creditable withholding and input taxes to be utilized.

Any allowance for unrecoverable portion of creditable withholding tax is maintained at a level based on past application experience and other factors that may affect realizability.

As of March 31, 2014 and December 31, 2013 creditable withholding taxes amounted to ₱69.4 million and ₱69.1 million, respectively, while input VAT amounted to ₱232.0 million and ₱234.0 million, respectively (see Note 9). No allowance for impairment loss was recognized since the Group believes that the creditable withholding tax and input VAT are recoverable.

d) Net realizable values of inventories
The Group carries inventories at net realizable value when it is lower than cost due to damage, *physical deterioration, obsolescence, changes in price levels or other causes. The net realizable* value of inventories is reviewed on an annual basis to reflect the accurate valuation in the financial records.

As of March 31, 2014 and December 31, 2013, allowance for inventories amounted to ₱51.3 and ₱51.3 million respectively. As of March 31, 2014 and December 31, 2013, the carrying values of inventories amounted to ₱590 million and ₱596 million, respectively (see Note 8).

e) Fair value of financial assets and financial liabilities
The determination of fair value of certain financial assets and liabilities requires extensive use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, volatility rates), the amount of changes in fair value would differ if the Group utilized different valuation methodologies.

f) Impairment of 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 considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

The Group recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher between the net selling price and the value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

As of March 31, 2014 and December 31, 2013, no allowance was provided on the Group's property, plant and equipment and leasehold rights.

g) Useful lives of property, plant and equipment
The Group estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property, plant and equipment is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the factors mentioned in the foregoing. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

As of March 31, 2014 and December 31, 2013, property, plant and equipment amounted to ₱4.2 billion and ₱4.2 billion, respectively.

h) Impairment of goodwill
The Group's management conducts an annual review for any impairment in value of the goodwill. Goodwill is written down for impairment where the net present value of the forecasted future cash flows from the business is insufficient to support its carrying value. The impairment on goodwill is determined by comparing (a) the carrying value of goodwill plus the net tangible assets of the merged entity and (b) the present value of the annual projected cash flows for five years computed under the discounted cash flow method.

As of March, 2014 and December 31, 2013, there was no impairment on goodwill.

i) Estimating retirement benefits
The determination of the obligation and cost of pension and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include among others, discount rates, expected returns on plan assets and future salary increase rates. In accordance with PFRS, 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 believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension and other retirement obligations.

j) Realizability of deferred tax assets
The Group reviews its deferred tax assets at each financial position date and written off the carrying amount as 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. As of March 31, 2014 and December 31, 2013, deferred tax assets amounted to nil.

5. Financial Risk Management Objectives and Policies

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

The BOD is directly responsible for risk management. Management carries out risk management policies approved by the BOD. The Finance Department of the Group, in coordination with the operating units, 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 market risk, liquidity risk and credit risk.

<u>Market Risk</u>
Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rate, foreign exchange rates and equity prices.

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.

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

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

The table below summarizes the Group's exposure to foreign exchange risk. Included in the table are the Group's assets and liabilities at carrying amounts in foreign currency, categorized by currency.

	USD	RMB
Assets		
Cash and cash equivalents	3,951	6,490,735
Trade and other receivables	–	26,162,759
Inventories	–	18,010,230
Creditable withholding tax and input value-added tax	–	-
Prepayments and other current assets	–	9,884,058
Total assets	3,951	60,547,782
Liabilities		
Trade and other payables	–	36,909,380
Due to related parties	–	0
Total liabilities	–	36,909,380
Net exposure	3,951	23,638,402

Presented below is the sensitivity analysis to demonstrate the impact of assumed changes in the exchange rate between the Philippine Peso and the USD and RMB with all other factors constant:

March 31, 2014 Rate of Change in Exchange Rate	Effect on Net Income (in PHP)	Effect on Equity (in PHP)
+5.0%	8,853	8,518,433
-5.0%	(8,853)	(8,518,433)
+2.5%	4,427	4,259,217
-2.5%	(4,427)	(4,259,217)

Interest Rate Risk
Interest rate risk arises from fluctuations in market interest rates. As of March 31, 2014 and December 31, 2013, the Group does not have any re-pricing financial assets or liabilities.

Liquidity Risk
Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet or settle its obligation at a reasonable price.

The Group monitors its risk to a shortage of funds through monitoring of financial investments and financial assets and projected cash flows from operations. 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; and c) to be able to access funding when needed at the least possible cost.

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

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

	On demand	Up to 1 month	2 to 3 months	4 to 6 Months	7 to 12 months	Beyond 1 Year	Total
Trade and other payables	₱3,514,339	₱219,256,583	₱138,114,803	₱23,578,160	₱127,590,074	₱377,632,367	₱889,686,326
Loans payable	-	75,740,662	528,543,548	388,890,040	3,342,083	255,276,250	1,251,792,583
	₱3,514,339	₱294,997,245	₱666,658,351	₱412,468,200	₱130,932,157	₱632,908,617	₱2,141,478,909

Credit risk

With respect to credit risk arising from the financial assets of the Group, the Group's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying amount of these instruments.

a. Credit risk exposure

The table below shows the gross maximum exposure to credit risk of the Group as of March 31, 2014 and December 31, 2013 without considering the effects of collaterals and other credit risk mitigation techniques.

	2014	2013
Cash and cash equivalents (Note 6)	**₱159,418,654**	₱130,477,261
Trade and other receivables (Note 7)	**258,639,690**	329,816,629
Due from related parties (Note 14)	**79,134,398**	39,808,878
Refundable deposits	**2,941,114**	53,595,552
	₱500,133,856	₱553,698,320

b. Risk concentrations of the maximum exposure to credit risk

Concentrations arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location. Such credit risk concentrations, if not properly managed, may cause significant losses that could threaten the Group's financial strength and undermine public confidence.

The Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. In order to avoid excessive concentrations of risk, identified concentrations of credit risks are controlled and managed accordingly.

i. Concentration by geographical location

The Group's credit risk exposures before taking into account any collateral held or other credit enhancements, is categorized by geographic location as follows:

	Philippines	China	Total
Cash and cash equivalents (Note 6)	₱112,637,947	₱46,780,707	₱159,418,654
Trade and other receivables (Note 7)	70,077,286	188,562,404	258,639,690
Due from related parties (Note 14)	39,894,165	39,240,233	79,134,398
Refundable deposits	2,941,114	-	2,941,114
	₱225,550,512	₱274,583,344	₱500,133,856

ii. Concentration by industry

The table below shows the industry sector analysis of the Group's financial assets as before taking into account any collateral held or other credit enhancements.

	Manufacturing	Financial Intermediaries and Others	Total
Cash and cash equivalents (Note 6)	₱–	₱159,418,654	₱159,418,654
Trade and other receivables (Note 7)	254,540,632	4,099,058	258,639,690
Due from related parties (Notes 14)	79,134,398	-	79,134,398
Refundable deposits	2,941,114	–	2,941,114
	₱336,616,144	₱163,517,712	₱500,133,856

c. Credit quality per class of financial assets

As of March 31, 2014, all of the Group's financial assets are neither past due nor impaired.

The table below shows the credit quality per class of financial assets that are neither past due nor impaired, based on the Parent Company's rating system:

	High Grade	Standard Grade	Total
Cash and cash equivalents (Note 6)	₱159,418,654	₱–	₱159,418,654
Trade and other receivables (Note 7)	–	258,639,690	258,639,690
Due from related parties (Notes14)	–	79,134,398	79,134,398
Refundable deposits	–	2,941,114	2,941,114
	₱159,418,654	₱340,715,202	₱500,133,856

Capital Management

The Group is committed to maintaining 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.

It aims to achieve acceptable level of debt-to-equity ratio. This ratio is calculated as total liabilities divided by total equity. The Group's long-term strategy is to sustain a healthy debt-to-equity ratio. On a short-term basis, the Group intends to improve substantially this ratio as reflected, as follows:

	Amount
Total liabilities	₱5,491,229,013
Total equity	518,105,926
Debt-to-equity ratio	10.60:1

The Group's main sources of capital include but are not limited to:

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

The Group will seek to generate reasonable rate of return on its capital. Corollary to this, the Group's dividend policy will be dictated by the level of retained earnings and ongoing business earnings.

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

6. Cash and Cash Equivalents

This account consists of:

	2014	2013
Cash in banks	**₱159,373,794**	₱ 130,408,386
Cash on hand	**34,131**	58,146
Short-term deposits	**10,729**	10,729
	₱159,418,654	₱130,477,261

Cash in banks earns interest at prevailing bank deposit rates. Short-term deposits are made for varying periods of up to three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

7. Trade and Other Receivables

This account consists of:

	2014	2013
Trade receivables	**₱254,540,632**	₱273,190,843
Others	**4,099,058**	56,625,786
	₱258,639,690	₱329,816,629

Treasure and ZZ Stronghold sells to customers on a cash-on-delivery basis. The outstanding balance of the trade receivables account only pertains to 2013 deliveries settled by customers with post-dated checks. These checks were subsequently deposited and cleared with the banks.

8. Inventories

This account consists of:

	2014		2013	
	At Cost	**At Net Realizable Value**	At Cost	At Net Realizable Value
Raw materials, spare parts and factory supplies	**₱511,930,059**	**₱511,930,059**	₱553,615,277	₱504,461,037
Finished goods	**63,044,625**	**63,044,625**	78,153,377	78,153,377
Scrap metals	**12,840,322**	**12,840,322**	12,840,322	10,648,777
Work in progress	**2,058,360**	**2,058,360**	2,419,689	2,419,689
	₱589,873,366	**₱589,873,366**	₱647,028,665	₱595,682,880
Lower of cost and net realizable value		**₱589,873,366**		₱595,682,880

9. Creditable Withholding and Input Value-added Tax (VAT)/Prepayments and Other Current Assets

Creditable Withholding and Input VAT
This account consists of:

	2014	2013
Input VAT	**₱231,599,674**	₱233,754,528
Creditable withholding tax	**69,442,060**	69,079,000
Sub-VAT subsidy check	**0**	0
Deferred input VAT - current	**8,287,043**	8,747,437
	₱309,328,777	₱311,580,965

10. Prepayments and Other Current Assets

This account consists of:

	2014	2013
Advances to suppliers	**₱43,211,990**	₱64,122,598
Prepaid expenses	**53,382,466**	13,703,637
Refundable deposits	**2,941,114**	53,595,552
	₱99,535,570	₱131,421,787

Advances to scrap suppliers and raw materials suppliers are applied against the purchases of the Group when the scrap or other raw materials are received from the supplier which normally takes five days from the time the advance payment is made. These advances were fully liquidated the following month.

11. Leasehold Rights

This account consists of:

	ZZ Stronghold	Treasure	2014
Cost			
As at January 1	₱255,152,180	₱46,000,000	₱301,152,180
Leasehold adjustment	(50,513,322)	0	(50,513,322)
Exchange realignment	(2,828,710)	0	(2,828,710)
As at March 31, 2014	201,810,148	46,000,000	247,810,148
Accumulated Amortization			
As at January 1	29,094,986	16,253,333	45,348,319
Amortization during the period	956,770	460,000	1,416,770
Exchange realignment	1,759,872	0	1,759,872
As at March 31, 2014	31,811,628	16,713,333	48,524,961
Net book value, March 31, 2014	₱169,998,520	₱29,286,667	₱199,285,187

Treasure

Treasure has a Memorandum of Agreement (MOA) with Global Ispat Holdings, Ltd and Global Steelworks International, Inc. (lessors, both of whom are unrelated parties) whereby the lessors agree to the complete and absolute surrender of possession of billet making plant located in Iligan City, Lanao del Norte Philippines for a period of 25 years. The MOA was originally entered into between a major shareholder of SEI (who is also a director of the Parent Company) and the lessors. As part of the reorganization, the major shareholder assigned the MOA to Treasure.

Under the terms of the MOA, Treasure shall undertake the following:

- Fully settle and discharge all the claims, liens and encumbrances;
- Rehabilitate the billet steel making plant to adequate operating condition at its exclusive expense;
- Commercially operate such billet steel making plant after the same has been rehabilitated
- Construct and erect cost-effective and practicable civil works in accordance with plant specifications as may be agreed upon by Treasure and the lessors that will segregate and isolate the billet steel making plant; and
- Hold the lessors and all its directors, officers, stockholders, employees, agents and representatives completely free from and clear of any and all real estate taxes, government fees, levies, imposts or other charges that may be imposable on the billet steel making plant or any other taxes, fees, levies, imposts, charges or similar expenses that may arise out of or in connection with the agreement.

Treasure paid the outstanding liens incurred by the former owners and inherited by the lessor pertaining to the billet making plant amounting to ₱46.0 million in 2006. Such amount was recorded as leasehold rights.

ZZ Stronghold

On December 8, 2005, ZZ Stronghold entered into a contractual agreement (Agreement) with China Merchants ZhangZhou Development Zone Co. Ltd. (China Merchants) whereby China Merchants transferred the right to use the land located in 1M2-05 Zone I, China Merchants

Development Zone to ZZ Stronghold for a period of 50 years. The land is where the ZZ Stronghold steel plant is located.
Under the Agreement, ZZ Stronghold has a commitment to the local government of Fujian Province to develop the land in three phases, Phase I, II and III. The total contract price for the right to use the land totaled to RMB52.3 million which can be paid on an installment basis. Contract amount and installment payments for each phase are as follows:

Particulars	**Contract Amount in RMB**	**1st Payment in RMB**	**2nd Payment in RMB**	**3rd Payment in RMB**	**4th Payment in RMB**
Phase I	16,334,133	5,720,000 (within 10 days after contract signing)	5,720,000 (within 1 year from contract signing)	4,894,133 (within 2 years from contract signing)	
Phase II	17,578,674	1,760,000 (within 10 days after contract signing)	4,390,000 (within 2 years from contract signing)	6,150,000 (within 3 years from contract signing)	5,278,674 (within 4 years from contract signing)
Phase III	18,353,793*	1,500,000 (within 10 days after contract signing)			

The contract price for the right to use the land amounting to ₱318.0 million (RMB 52.3 million) was initially recognized at fair value amounting to ₱234.7 million (RMB 33.8 million) and was recorded as 'leasehold rights' in the statement of financial position. The fair value was obtained using discounted cash flow techniques applying the market rate prevailing at the date of agreement. The remaining liability is carried in the statement of financial position at amortized cost using the EIR method in amortizing the related discount.

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

As of March 31, 2014 and December 31, 2013, the land use rights with carrying value of ₱170 million and ₱226 million, respectively, were pledged to secure the loans payable of ZZS Stronghold.

12. Trade and Other Payables

This account consists of:

	2014	2013
Trade payables	**₱675,689,208**	₱824,905,198
Advances from officer	**0**	0
Advances from customers	**60,556,435**	57,284,228
Accrued Expenses	**31,320,367**	83,179,769
Withholding taxes payable	**9,978,367**	681,317
Others	**181,228,424**	33,167,921
	₱958,772,801	₱999,218,433

13. Loans Payable

This account represents unsecured loans of the Group from local commercial banks and a local investment house availed in 2013 maturing within one year. Details are as follow:

	Original Currency	Amount of Loan (original currency)	Amount of Loan (in PHP)	Source of Loan	Interest Rate
TKC	PHP	347,722,097	347,722,097	Local bank	8.25%
TSC	PHP	408,550,800	408,550,800	Local bank	5.25% to 9.5%
ZZS	RMB	64,600,000	464,149,009	Local bank (China)	6.2% to 8.4%
			1,220,421,906		

14. Related Party Transactions

Related Parties

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or under common control with the Group, including holding companies, and fellow subsidiaries are related entities of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Group and close members of the family of these individuals and companies associated with these individuals also constitute related entities. Transactions between related parties are based on terms similar of those offered to non-related parties.

In considering each possible related entity relationship, attention is directed to the substance of the relationship, and not merely the legal form.

The following table shows the details of advances from/to related parties:

	2014	2013
Due from related parties		
Advances-Others	**₱11,838,673**	₱11,838,673
Affiliates:	**67,295,725**	27,970,205
	₱79,134,398	₱39,808,878
Due to related parties		
Stockholder	**₱2,671,149,707**	₱2,674,208,384
Affiliates:	**599,005,808**	590,896,746
	₱3,270,155,515	₱3,265,105,130

15. Capital Stock

Capital stock as of March 31, 2014 consists of:

Common stock - ₱1 par value	
Authorized – 1,000,000,000 shares or ₱1,000,000,000	
Issued and outstanding - 940,000,000 shares (see Note 2)	₱940,000,000

Capital Management

The Group is committed to maintaining 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 regards its equity as its capital. The Group is not subject to any externally imposed capital requirement.

16. **Cost of Sales**

This account consists of:

	2014	2013
Direct materials	**₱58,253,838**	₱168,933,652
Energy	**0**	35,840,894
Depreciation and amortization	**612,296**	14,629,533
Salaries, wages and employee benefits	**186,229**	11,393,000
Spare parts and factory supplies used	**8,595**	1,939,278
Outside services	**0**	908,560
Utilities and equipment rental	**78,785**	397,888
Freight and handling	**0**	16,041,546
Fuel and oil	**0**	0
Licenses	**0**	341,548
Others	**29,551**	5,264,623
	₱59,169,294	₱255,690,522

Item 2 – MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The Parent Company 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 ₱ 40 million to ₱1 billion;
3. Capital Stock was increased from ₱25 million to ₱705 million;
4. On April 30, 2007, it acquired 90% equity interest in ZZ Stronghold (ZZS), a company located in China;
5. On June 29, 2007, it acquired 96% equity interest in Treasure, a company located in the Philippines.

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

As disclosed in Note 1 to the consolidated financial statements, SEI (the immediate parent company) intended TKC to be a backdoor listing vehicle for its investments in the steel business. Consistent with the provisions of Philippine Financial Reporting Standard (PFRS) 3, the acquisition of TKC was accounted for as a reverse acquisition as the arrangement was for Treasure Steelworks and ZZS to be "acquired" by a smaller public entity as a means of obtaining a stock exchange listing. Legally, TKC, as the issuing public entity is regarded as the parent company. From an accounting perspective, Treasure and ZZS are considered the "acquirers" since they have the power to govern the financial and operating policies of TKC. The acquisition or transfers of Billions (together with ZZ Stronghold) and Treasure Steelworks (TSC) were considered business reorganization of companies under common control. Accordingly, the acquisitions or transfers were accounted for in a manner similar to the pooling-of-interests method.

The Group registered a net loss of ₱56 million for the three months ended March 31, 2014 versus a net loss of ₱112 million for the same period last year. The Group posted a negative gross profit of ₱2.0 million as of the first quarter of 2014 compared to the negative gross profit of ₱57.5 million for the same period in 2013. The consolidated sales of the Group decrease by 71% to ₱57 million. ZZS registered a sharp 85% decline in sales for the first three months of 2014 due to slowdown which was offset by a lower production cost resulting to a positive gross margin of ₱0.8 million. TSC also registered a sharp decline in sales revenue by 87% compared to the same period last year that was attributable to zero sales volume and production as a result of the prevailing power shortage in Mindanao

The Group's financial condition, however, remains stable despite a slight decrease of 0.7% decrease in the consolidated total assets from ₱6,054 million at year-end 2013 to ₱6,009 million as of March 31, 2014. The Company's property/plant/equipment slightly increased by ₱41 million or 1% from ₱4,178 million at year-end 2013 to ₱4,220 million which is consistent with the capital expansion and development projects both in Iligan and China.

Stockholders' equity decreased to ₱518 million as of March 31, 2014 against the level of ₱ 583 million at year-end 2013. The decline in capital base was due to the net loss recognized for the period and the effect of an un-favorable currency translation adjustment of ₱30 million.

Total liabilities amounted to ₱5,491million, an increase of ₱21 million or 0.4% over the December 31, 2013 level of ₱5,470 million. The increase in total liabilities was primarily due to a 4.54% increase in loans from local banks.

<u>Causes of major movements in financial statements</u>

Balance Sheet Items
(March 2014 vs. December 2013)

<u>Cash and cash equivalents – 22% increased from ₱130 million to ₱159 million</u>

Cash and cash equivalents increased by ₱28 million due to liquidation of trade and other receivables amounting to ₱71 million or 22% decreased from a year ago.

<u>Trade and other receivables –21% decreased from ₱330 million to ₱259 million</u>

The decreased of 8% in trade receivables amounting ₱18 million was attributable to slower sales activity.

<u>Inventories – 1% decrease from ₱596 million to ₱590 million</u>

The level of inventories slightly decreased by ₱5.8 million driven by slower production and sales activity.

<u>Creditable Withholding/Input VAT – 0.72% decrease from ₱311 million to ₱309 million</u>

The amount represents input vat and tax withheld by our customers. Creditable withholding and Input Vat decreased by ₱2.1 million or 0.92% lower from last year as a result of low level of local purchases intended for operation.

Prepayments and other current assets – 24% decrease from ₱131 million to ₱99 million

The decline was due to liquidation of refundable deposits of ₱104 million or about 89% lower from 2013 level but slightly offset by an increase of ₱73 million in other advances to suppliers.

Property and equipment, net – 1% increase from ₱4,178 million to ₱4,220 million

There was a slight increase of ₱41 million primarily as additional expenditure on non-machinery component of the total property, plant and equipment.

Trade and other payables –4.05% decrease from ₱999 million to ₱959 million

The decrease of ₱40 million in trade and other payables was attributable to a decrease in local purchases and slower operating activity.

Long-term debt – Nil

Current – Nil

This account pertains to the net present value of the leasehold right on the land where the manufacturing plant of ZZ Stronghold is situated.

Due to related parties – 0.15% decrease from ₱3,265 million to ₱3,270 million

The current portion went down by ₱3 million as partial liquidation of advances from shareholders however there were additional advances of ₱8 million from affiliates to finance operating expenses.

Equity – 11% decrease from ₱ 583 million to ₱ 518 million

Capital position went down by ₱65 million due to the net loss for the period of ₱53 million coupled with an un-favorable currency translation adjustment of ₱30 million.

Income Statement Items
(YTD March 2014 vs. YTD March 2013)

<u>Revenue/Sales – 71% decrease from ₱198 million to ₱57 million</u>

Revenue for the first three months of 2014 was lower by ₱141 from a year ago due primarily to the lower sales activity of both TSC and ZZS.

<u>Cost of sales – 76% decrease from ₱256 million to ₱59 million</u>

Cost of sales decrease by ₱196 million primarily attributed to the lower sales activity of both TSC and ZZS as compared to the same period last year

<u>Other operating expense – 6% decrease from ₱61 million to ₱57 million</u>

As a result of slower sales activities in TSC and ZZS operating expenses also decreased by ₱4 million or roughly 6%.

<u>Finance cost – 33% decrease from ₱26 million to ₱17 million</u>

The net decrease in finance charges was due to the impact of the mark to market conditions of certain accounts and bank loans decreased by ₱92 million from ₱1,263 million from a year ago to ₱1,167 million as of March 31, 2014.

<u>Income tax expense – 99% decreased from ₱0.133 million to almost ₱ nil</u>

The decrease in income tax was reciprocated by a 99% decrease in investment income from ₱ 0.7 million in 2013 to just ₱0.002 million this year.

Key Performance Indicators:

The Group's key performance indicators (consolidated figures) are as follow:

	YTD Mar. 31, 2014	YTD Mar. 31, 2013
Revenue Growth (%)	-71 %	-68 %
Gross Profit Margin (%)	-3.53 %	-29 %
Basic Earnings per share 1/	-0.06	-0.12
	As of March 31, 2014	As of December 31, 2013
Current Ratio 2/	0.27	0.28
Debt-to-Equity Ratio 3/	10.60	9.38
Return on Equity (%) 4/	-10.19%	-83.98%

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)

OTHER MATTERS

a. There were no known trends, demands or uncertainties that will have a material impact on the Group's liquidity. The Group 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.

b. 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 Group, including any default or acceleration of an obligation.

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

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

e. Any material commitments for capital expenditure:

   The Parent Company conducted a Follow-On Offering on November 23, 2007 that raised gross proceeds of ₱ 2,275 million to finance expansion and development plans of its two (2) subsidiaries, Treasure Steelworks and ZZ Stronghold.

f. 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.

PART II - OTHER INFORMATION

Financial Soundness Indicators

	March 31, 2014	December 31, 2013
CURRENT /LIQUIDITY RATIO		
Current assets	1,496,430,455	1,538,788,400
Current liabilities	5,449,350,222	5,431,794,879
Current Ratio	**0.27**	0.28
SOLVENCY RATIO		
Net loss before depreciation and amortization	(46,375,205)	(636,531,980)
Total liabilities	5,491,229,013	5,470,285,057
Solvency Ratio	**(0.01)**	(0.12)
DEBT TO EQUITY RATIO		
Total liabilities	5,491,229,013	5,470,285,057
Total equity	518,105,926	583,307,139
Debt to Equity Ratio	**10.60**	9.38
ASSET TO EQUITY RATIO		
Total assets	6,009,334,939	6,053,592,196
Total equity	518,105,926	583,307,139
Asset to Equity Ratio	**11.60**	10.38
INTEREST COVERAGE RATIO		
Earnings before interest and taxes	(38,702,000)	(449,096,293)
Interest Expenses	17,421,069	96,986,524
Interest Coverage Ratio	**(2.22)**	(4.63)
PROFITABILITY RATIO		
Net Loss	(56,123,371)	(723,301,796)
Average equity	550,706,533	861,307,357
Return on Equity	**(10.19%)**	(83.98%)

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 Steel Corporation
By:

NICANOR L. DELA PAZ
Chief Financial Officer
May 19, 2014

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, 2013**

2. Commission identification number **A1996-10620** 3. BIR TIN: **005-038-162-000** 8

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

   Unit B1-A/C, 2nd Floor, Bldg. B Karrivin Plaza, 2316 Chino Roces Ave. Extension Makati 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

   3rd Flr. Corinthian Plaza Condominium, 121 Paseo de Roxas, Makati City

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

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

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

    Yes [•] No [ ]

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

    Philippine Stock Exchange - **940,000,000 Common**

12. Indicate by check mark whether the registrant:

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

    (b) has been subject to such filing requirements for the past ninety (90) days.

Yes **[•]** No [ ]

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

Ps. 455,909,001 (as of March 31, 2014)

TABLE OF CONTENTS

PART II - OPERATIONAL AND FINANCIAL INFORMATION

PART I - BUSINESS AND GENERAL NFORMATION

ITEM 1 - BUSINESS

Business Development

TKC Steel Corporation (formerly SQL*Wizard, Inc) was organized and registered with the Securities and Exchange Commission (SEC) on November 28, 1996. SQL was originally incorporated to engage in computer training, consulting services and selling of software licenses and other related information solution services. It was listed then in the Small and Medium Enterprise Board of the Philippine Stock Exchange (PSE) on July 19, 2001.

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

Business Consolidation

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

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

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

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

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

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

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

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

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

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

(a) Subscription of SEI into TKC

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

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

(b) Transfer of SEI Subsidiaries to TKC

As disclosed in Note 1 to the consolidated financial statements, SEI intended TKC to be its vehicle for listing of its investments in the steel business. Consistent with this direction, SEI consolidated its interests in Treasure Steelworks (TSC) and Billions Steel International Limited (Billions) (together with the latter's 90% interest in Zhangzhou Stronghold Steel Works Co. Ltd. (ZZS)) as follows:

i) Acquisition of Billions

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

ii) Acquisition of TSC

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

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

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

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

Business of Issuer

Products

TKC is engaged in the business of manufacturing and distributing steel products primarily through its two (2) subsidiaries, as follows:

(a) 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) 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.

Sales generated and the resulting net loss of TKC, TSC and ZZS (China) are presented below, broken down according to major markets (in millions):

(a) Sales

Country	Amount	%
Philippines	Ps. 798.0	82
China	177.0	18

(b) Net Loss

Country	Amount	%
Philippines	Ps. 602.6	83
China	120.7	17

Distribution

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

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

Competition

TSC

TSC has the largest installed capacity for steel billet manufacturing in the Philippines. Other manufacturers produce billets for their own production of downstream steel products.

Top billet producers in the Philippines are

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

ZZS

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

Raw Materials

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

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

Customer Base

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

Transactions with Related Parties

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

Patents and other Intellectual Property Rights

For marketing and distribution of its corrugated roofing sheets, the Corporation acquired "Philgalume" and "Philgabond" as trademarks from the Bureau of Patents. The registration has a term of five (5) years commencing from January 26, 2009. Whereas the Corporation's subsidiaries have no patents, trademarks, copyrights, licenses, franchises, concessions and royalty agreements covering any of its products and the marketing or distribution thereof.

Government Regulations

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

Costs and effects of Compliance with Environmental Laws

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

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

Employees

TKC currently has 12 employees, namely: Vice-Chairman, President and Chief Operating Officer, Chief Financial Officer, Head of Corporate Services/Compliance Officer, Chief Liaison Officer, Chief Logistic Officer, Head of Accounting, two (2) Managers and three (3) Administrative Staff.

Risk Management

a. Financial Risks

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

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

Foreign Currency Risk

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

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

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

Liquidity Risk

Liquidity risk arises from the possibility that the Corporation may encounter difficulties in raising funds to meet or settle its obligations at a reasonable price.

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

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

Capital Management Risk

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

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

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

Our long-term strategy is to sustain a healthy debt-to-equity ratio. As at December 31, 2013, this ratio is:

	Amount
Total liabilities	Ps. 5,470,285,057
Total equity	583,307,139
Debt-to-equity ratio	9.37:1

Our main sources of capital include but not limited to:

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

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

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

b. Operational Risks

Fluctuation of Steel Demand and Prices

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

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

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

Single Production Site

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

Scarcity of Raw Materials

Scrap metal is an essential raw material for the production of TSC's end-products. The supply of this raw material is currently sourced locally. Any shortage in supply of scrap metal may adversely affect TSC's operations. TSC is continually expanding its raw material sources to ensure a steady supply. At the same time, we keep good business relationships with scrap consolidators.

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

Insurance Risks

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

Insurance coverage is maintained to protect against certain risks in such amounts as are considered reasonable and appropriate.

ITEM 2 - DESCRIPTION OF PROPERTY

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

Leases

TKC leases its main office located at Unit B1-A/C, 2nd Floor Bldg. B Karrivin Plaza, 2316 Chino Roces Ave. Ext., Makati City. This covers a period of three (3) years which will expire on February 2015.

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

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

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

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

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

During the first semester of 2010, China Merchants, as mandated by the Fujian Provincial Government made revisions in the original contract as follows: 1) the term of the lease for Phase 1 was reduced to forty two (42) years from fifty (50) years. ZZS received a refund of ₱9.3 million (RMB 1.4 million) during the first quarter of 2010 to reflect the shorter lease term; 2) a portion of the land for Phase 2 (55,089.567 square meters out of the original 179,374.822 square meters.) will no longer be delivered; and 3) due to China Merchants' inability to reclaim the land, Phase 3 land will no longer be delivered to ZZS. As a consequence of the non-delivery of a portion of Phase 2 land and the entire area of Phase 3, the cost of leasehold rights was reduced by ₱114.0 million and the long term debt was reduced to nil in 2010. ZZS has fully paid for both Phase 1 and 2 of the land as of the end of 2011.

ITEM 3- LEGAL PROCEEDINGS

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

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

No matter was submitted for the approval of the stockholders during the year ended December 31, 2013.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

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

Market Information

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

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

	High	Low
1st Quarter, 2014	1.67	1.62
Year Ended December 31, 2013		
1st Quarter	1.79	1.69
2nd Quarter	2.30	2.05
3rd Quarter	2.09	2.08
4th Quarter	1.83	1.78
Year Ended December 31, 2012		
1st Quarter	2.58	2.49
2nd Quarter	2.19	2.11
3rd Quarter	2.10	2.04
4th Quarter	1.75	1.69

Holders of Common Equity

As of December 31, 2013, the Corporation has a total of 940,000,000 issued and outstanding shares, owned by 44 common shareholders.

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

Name of Stockholders	No. of Shares	% to Total Outstanding
1. Star Equities, Inc.	667,000,598	70.9575%
2. PCD Nominee Corp (Filipino)	264,818,421	28.1722
3. PCD Nominee Corp (Non-Filipino)	3,143,600	0.3344
4. Chuahiong, Gertim G.	2,912,000	0.3098
5. Sio, Elsi Chua	900,000	0.0957
6. Napoles, Janet L.	300,000	0.0213
7. Lim, Rosendo (Chinese)	200,000	0.0213
8. Uy, Francisco A.	200,000	0.0106
9. Hernandez, Elmer C.	100,000	0.0106
10. Ko, Michael Anthony Lee	100,000	0.0096
11. Martin, Francisca A.	90,000	0.0096
12. Enrile, William T.	50,000	0.0053
13. Chua, Melanie Dianne T.	50,000	0.0053
14. Quality Investments & Securities Corp.	25,000	0.0027
15. De Villa, Henrietta	20,000	0.0021
16. Chua Co Kiong, William	15,000	0.0011
17. Resurreccion, Antonio	10,000	0.0011
18. Insua, Jose Cesar	10,000	0.0011
19. Ng, Jose Villanueva	10,000	0.0011
20. Estrada, Claudia Patricia D.	6,250	0.0007

Based on the records of our Stock Transfer Agent, Professional Stock Transfer, Inc., TKC Steel Corporation has 29.0425% public ownership level as of March 31, 2014.

Dividends

The Corporation did not declare dividends in 2013 and 2012.

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, 2013, 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: 2013, 2012 and 2011)

a. Corporate Restructuring

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

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

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

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

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

b. Financial Highlights

- Results of Operations

Accounts In Million Pesos)	2013	2012	2011	Increase (Decrease) 2013/2012 (%)	Increase (Decrease) 2012/2011 (%)
Revenue	975	2,179	2,236	(55 %)	(3%)
Cost of Sales	1,229	2,526	2,460	(51 %)	3%
Gross Loss	(254)	(347)	(224)	(27 %)	55 %
Operating Expenses	292	326	300	-10%	9%
Net Income	(723)	(675)	(478)	7 %	41 %

Operating performance posted again a net loss for the current year due to the adverse market conditions and the Corporation's focus on its plant modernization and expansion program. The Corporation posted net losses of Ps. 723 million, Ps. 675 million and Ps. 478 million in 2013, 2012 and 2011, respectively, primarily due to lower production and sales volume coupled with lower price in the market.

Total sales dropped to Ps. 975 million in 2013 from Ps. 2,179 million and Ps. 2,236 million in 2012 and 2011, respectively. The sharp drop in revenue was driven by a decline in sales volume. Average selling prices dropped marginally in 2013 as compared to 2012 which resulted in a Gross Loss of Ps. 254 million in 2013 compare to a Gross Loss of Ps. 347 million in 2012.

Our operating cost decreased by 10% from Ps. 326 million in 2012 to Ps. 292 million in 2013, primarily due to decrease in finance charges by 12% and freight and handling by 43%.

- Financial Condition

Accounts (In Million Pesos)	2013	2012	2011	Increase(Decrease) 2013/2012 (%)	Increase(Decrease) 2012/2011 (%)
Current Assets	1,539	2,190	2,520	(30 %)	(13%)
Total Assets	6,054	6,486	6,714	(7 %)	-3 %
Current Liabilities	5,432	5,332	4,896	2 %	9 %
Total Liabilities	5,470	5,347	4,909	2 %	9 %
Equity	583	1,139	1,805	(49 %)	(37 %)

Our total asset base slightly reduced by 7% to Ps. 6,054 million from the previous year's level of Ps.6,486 million. The decrease was driven by a reduction in prepayments by 35% to Ps.131 million from Ps. 204 million as well as significant drops of 85% in refundable deposits from Ps. 20 million to Ps. 3 million and advances to contractors and suppliers by 70% from Ps. 218 million to Ps. 65 million . These were offset, however with increases in the following accounts: a) Creditable Input Vat by 11% or Ps. 31 million; b) Trade and other receivables by 27% or Ps. 69 million; and c) Property, plant and equipment by 15% or Ps. 530 million.

Current ratio dropped to 0.3:1 in 2013 from 0.4:1 in 2012 while debt-to-equity ratio increased to 9.37:1 in 2013 from 4.69:1 in 2012.

c. 2013 versus 2012

- Results of Operations

The Corporation registered a net loss of Ps.723 million in 2013 compared to a net loss of Ps. 675 million a year ago. This was due to: (1) lower sales volume, (2) lower production volume (3) relatively lower market price which resulted in a negative gross margin. TSC and ZZS both reported a net loss of Ps. 553 million and Ps. 121 million respectively.

Revenue declined by 55% to Ps. 975 million compared to a year ago of Ps. 2,179 million. Of the total sales, TSC generated Ps. 688 million while ZZS and TKC recorded Ps. 177 million and Ps. 110 million respectively. TSC's revenue decreased by 58% due to lower sales volume of 43% from 51,222 MT in 2012 to 29,242 MT in 2013 brought about by a prolonged power crisis and the scarcity of scrap supply in Mindanao which greatly curtailed production. On the side of ZZS, sales dropped by 65% from Ps. 509 million in 2012 to Ps. 177 million in 2013.

The Corporation registered a gross loss of Ps. 254 million in 2013 compared to a gross loss of Ps. 347 million in 2012. As a result of lower production and sales volume coupled with a lower selling price, TSC registered gross loss of Ps. 256 million in 2013 . On the other hand, ZZS registered a gross losst of Ps. 11 million in 2013 due to lower production and sales volume compared to a gross profit of Ps. 34 million in 2012 .

Operating expenses went down by Ps. 34 million, 10% lower from the 2012 level of Ps. 326 million. The major driver of lower operating expenses were in the following accounts: a) Finance charges, down by 12% from Ps. 98 million to Ps. 88 million; b) Freight and handling, down by 43% from Ps. 45 million to Ps. 26 million; c) Representation and entertainment, down by 50% from Ps. 14.5 million to Ps. 7.2 million; and d) Office supplies, down by 73% from Ps. 3.9 million to Ps. 1 million.

- **Financial Condition**

Total assets went down to Ps. 6,054 million in 2013 from last year's figure of Ps. 6,486 million. The reduction was due to liquidation of prepayments by about 35%, refundable deposits by about 85% and advances to contractors and suppliers by 70%. There were increases however in input vat and fixed asset by Ps. 31 million and Ps. 530 million respectively that was propelled by higher capital expenditures in line with our expansion programs in both TSC and ZZS. Current assets accounted for 25 % of total assets in 2013 compared to 34% in 2012 resulting in a slightly reduced current ratio of 0.3:1 in 2013.

In 2013, total liabilities slightly grew by 2% to Ps. 5,470million compared to Ps. 5,347 million in 2012. The increase in total liabilities was due primarily to an increase in due to related parties of Ps. 129 or 4% higher compared in 2012. Current liabilities stood at 99% of the total liabilities, since all shareholder advances are classified as current, almost the same percentage with that of 2012.

Our capital base declined to Ps. 583 million compared to Ps. 1,139 million a year ago. The decline was attributable to the decrease in retained earnings as a result of the net loss for the year of Ps. 723 million but significantly recovered with a favorable currency translation adjustment of Ps. 165.7 million. As a result of the decline in capital base, debt to equity ratio went up to 9.37:1 from a year ago of 4.69:1.

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

  - Cash and cash equivalents fell by 84% to Ps. 130 million from Ps. 833 million a year ago due to increased spending on property, plant and equipment and liquidation of short-term credit facilities for the year.

  - Inventories slightly file up by Ps. 21 million or 4 % due to increase in the level of raw materials by 1% and finished goods inventory by 28% as a result of slower sales activity.

  - Creditable withholding and value-added taxes increased by Ps. 31 million or 11 % mainly due to spending on the plant modernization program.

  - Other current assets went down by Ps. 72 million or 35% due to liquidation and deliveries of prepayments, inventory in transit and refundable deposits of Ps. 11 million, Ps. 15 million and Ps. 47 million respectively.

  - Property, plant and equipment jumped by Ps. 530 million from Ps. 3,648 million a year ago to Ps. 4,178 or 15 % in line with our expansion and development projects.

  - Other non-current assets went down by 71% to Ps. 68 million from Ps. 239 million a year ago mainly due to liquidation of advances and deposits to contractors and suppliers which decreased by Ps. 171 million.

  - Trade and other payables went up by Ps. 153 million or 18 % primarily due to increases in regular and other payables.

  - Loans payable went down by Ps. 182 million or 14 % as a result of settlement of short-term credit facilities of ZZS.

  - Equity declined by Ps. 556 million or 49 % as a result of the net loss for the year of Ps. 723 million but slightly improved by a favorable currency translation of Ps. 165.7 million.

d. 2012 versus 2011

- **Results of Operations**

The Corporation registered a net loss of Ps.675 million in 2012 compared to a net loss of Ps. 478 million a year ago. This was due to: (1) lower sales volume, (2) lower production volume (3) relatively lower market price which resulted in a negative gross margin. TSC and ZZS both reported a net loss of Ps. 452 million and Ps. 176 million respectively.

Revenue declined by 3% to Ps. 2,179 million compared to a year ago of Ps. 2,236 million. Of the total sales, TSC generated Ps.1,641 million while ZZS and TKC recorded Ps. 508 million and Ps. 30 million respectively. TSC's revenue increased by 54% due to increases in sales volume by 37% from 37,487 MT in 2011 to 51,222 MT in 2012 in spite of prolonged power crisis and the scarcity of scrap supply in Mindanao which greatly curtailed production. On the side of ZZS, sales dropped by 53% from Ps. 1,085 million in 2011 to Ps. 508 million in 2012.

The Corporation registered a gross loss of Ps. 348 million in 2012 compared to a gross loss of Ps. 224 million in 2011. In spite of 38% and 37% increases in production and sales volume, TSC registered gross loss of Ps. 379 million in 2012 as a result of lower selling price coupled with higher cost of power. On the other hand, ZZS registered a gross profit of Ps. 34 million in 2012 despite lower sales volume and selling price.

Operating expenses slightly went up by Ps. 26 million or an increase of 9% from the 2011 level of Ps. 300 million. The major driver of higher operating expenses was the jump in Finance charges, up by Ps. 13 million.

- **Financial Condition**

Total assets went down to Ps. 6,486 million in 2012 from last year's figure of Ps. 6,714 million. The reduction was due to lower accounts receivable and inventories. There were increases however in input vat and fixed asset by Ps. 25 million and Ps. 168 million respectively that was propelled by higher capital expenditures in line with our expansion programs in both TSC and ZZS. Current assets accounted for 34 % of total assets in 2012 compared to 38% in 2011 resulting in a slightly reduced current ratio of 0.4:1 in 2012.

In 2012, total liabilities grew by 9% to Ps. 5,347million compared to Ps. 4,909 million in 2011. The increase in total liabilities was due primarily to an increase in due to related parties of Ps. 707 million. Current liabilities stood at 99% of total liabilities, since all shareholder advances are classified as current, almost the same percentage with that of 2011.

Our capital base declined to Ps. 1,139 million from Ps. 1,805 million from a year ago. The decline were attributable to the decrease in retained earnings as a result of the net loss for the year of Ps. 675 million but slightly recovered with a favorable currency translation adjustment of Ps. 8 million. As a result of the decline in capital base, debt to equity ratio went up to 4.69:1 from a year ago of 2.72:1.

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

  - Cash and cash equivalents fell by 3% to Ps. 833 million from Ps. 859 million a year ago due to increased spending on property, plant and equipment and liquidation of short-term credit facilities for the year.

  - Inventories declined by Ps. 281 million or 33 % due to decrease in the level of raw materials inventory as a result of lower sales volume.

  - Creditable withholding and value-added taxes increased by Ps. 28 million or 11 % mainly due to an increase in input vat due to spending on the plant modernization program.

  - Other current assets went up by Ps. 151 million or 285% due to increase in refundable deposits of Ps. 94 million and advances to suppliers of Ps. 76 million respectively.

  - Property, plant and equipment jumped by Ps. 168 million or 5 % in line with our expansion and development projects.

  - Other non-current assets went down by 33% to Ps. 251 million from Ps. 370 million a year ago mainly due to liquidation of advances to contractors and suppliers which decreased by Ps. 116 million.

  - Trade and other payables went up by Ps. 11 million or 1 % primarily due to increases in regular payables and other deposits.

  - Loans payable went down by Ps. 164 million or 11 % as a result of settlement of short-term credit facilities of ZZS.

  - Equity declined by Ps. 666 million or 37 % as a result of the net loss for the year of Ps. 675 million but slightly improved by a favorable currency translation of Ps. 8 million.

e. 2011 versus 2010

- **Results of Operations**

The Corporation registered a net loss of Ps.478 million in 2011 compared to a net loss of Ps. 500 million a year ago. This was due to: (1) lower sales volume, (2) relatively higher costs which resulted in a negative gross margin. TSC and ZZS both reported a net loss of Ps.412 million and Ps. 45 million, respectively.

Revenue declined by 9% to Ps. 2,236 million compared to a year ago of Ps. 2,468 million. Of the total sales, TSC generated Ps.1,065 million while

ZZS and TKC recorded Ps. 1,085 million and Ps.86 million respectively. TSC's revenue declined by 36% due to a 44% reduction in sales volume from 67,241 MT in 2010 to 37,487 MT in 2011 as a result of the prolonged power crisis and the scarcity of scrap supply in Mindanao which greatly curtailed production. On the side of ZZS, sales increased by 42% from Ps. 762 million in 2010 to Ps. 1,085 million in 2011.

The Corporation registered a gross loss of Ps. 224 million in 2011 compared to a gross loss of Ps. 281 million in 2010. TSC registered gross loss of Ps. 311 million in 2011 due primarily to low production volume and higher raw materials cost which increased from 83% of sales in 2010 to 84% in 2011. ZZS registered a gross profit of Ps. 88 million in 2011 as a result of higher sales.

Operating expenses went up to Ps. 86 million or an increase of 40% from the 2010 level of Ps. 214 million. Major drivers of higher operating expenses are: a) Provision for inventory write-down, up by Ps. 49 million and b) Finance charges, up by Ps. 35 million.

- **Financial Condition**

Total assets expanded to Ps. 6,714 million in 2011 from last year's figure of Ps. 6,135 million. The increase in asset base was propelled by higher capital expenditures in line with our expansion programs in both TSC and ZZS which was offset by decreases in the following accounts: a) cash and cash equivalent; b) inventories; and c) prepayments and other current assets. This was funded by a combination of shareholder advances and bank loans. Current assets accounted for 38 % of total assets in 2011 compared to 43% in 2010 resulting in a slightly reduced current ratio of 0.5:1 in 2011.

In 2011, total liabilities grew by 26% to Ps. 4,909 million compared to Ps. 3,906 million in 2010. The increase in total liabilities was due to a) increase in short-term credit facilities of Ps. 332 million b) increase in shareholder advances of Ps. 510 million and c) Advances from customers Ps. 258 million. Current liabilities stood at 99% of total liabilities, since all shareholder advances are classified as current, almost the same level with that of 2010.

Our capital base declined to Ps. 1,805 million from Ps. 2,229 million a year ago. The decrease was due primarily to the decrease in retained earnings as a result of the net loss for the year of Ps. 478 million. As a result of the decline in capital base, debt to equity ratio went up to 2.72:1 from a year ago of 1.75:1.

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

- Cash and cash equivalents fell by 8 % to Ps. 858 million due to increased spending on property, plant and equipment and lower collections as a result of lower sales for the year.

- Inventories declined by Ps.183 million or 18 % due to decrease in the level of raw materials inventory as a result of lower sales volume.

- Creditable withholding and value-added taxes increased by Ps. 64 million or 34 % mainly due to an increase in input vat due to spending on the plant modernization program.

- Prepayments and other current assets decreased by Ps. 31 million or 37% due to liquidation of advances to scrap suppliers of Ps. 36 million by TSC.

- Property, plant and equipment jumped by Ps. 514 million or 17 % in line with our expansion and development projects.

- Other non-current assets went up by 44% to Ps. 358 million mainly due to higher advances to contractors which increased by Ps. 156 million.

- Trade and other payables went up by Ps. 157 million or 21 % mainly as a result of higher deposits received of Ps. 258 million.

- Loans payable increased by Ps. 332 million or 28 % as a result of importations of raw materials by TKC and TSC towards the end of the year which was partially offset by loan settlements by ZZS.

- Equity declined by Ps. 424 million or 19 % as a result of the net loss for the year of Ps. 478 million. This was however offset by a favorable currency translation of Ps. 49 million.

f. Key Performance Indicators

Performance Ratios	2013	2012	2011
Revenue Growth (%)	(55 %)	(3 %)	(9 %)
Gross Profit Margin (%)	(26 %)	(16 %)	(10%)
Basic Loss per share 1/	(Ps. 0.75)	(Ps. 0.69)	(Ps. 0.50)
Current Ratio 2/	0.3	0.9	0.5
Debt-to-Equity Ratio 3/	9.37	4.7	2.7
Return on Equity 4/	(84.0 %)	(45.8 %)	(23.7%)

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, 2013 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 auditors for the years ended December 31, 2013, 2012 and 2011 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 nine (11) members, each of whom serves for a term of one (1) year until his/her successor is duly elected and qualified.

Board of Directors

The following are the incumbent members of the Board of Directors of the Corporation:

Ben C. Tiu, Filipino, 62, is the **Chairman** of the Corporation. Mr. Tiu is also the President of JTKC Equities, Inc., and Union Pacific Ace Industries, Inc. Mr. Tiu is the Chairman of The Discovery Leisure Co., the owner of Discovery Suites Hotel, The Country Suites at Tagaytay and Discovery Shores Boracay. He served as Chairman and CEO of iRemit, Inc. from 2001 until 2004 and as Director from May 2006 to present. He is also Executive Vice President of Hotel System Asia, Inc., JTKC Realties Corporation and Executive Vice President and Treasurer of Aldex Realty Corporation, Inc., Treasurer of TERA Investments, Inc. Mr. Tiu is also a Corporate Nominee in the Philippine Stock Exchange of Fidelity Securities, Inc. and formerly the Chairman of the Board of Sterling Bank of Asia, Inc., and Vice Chairman of the Board and Chairman of the Executive Committee of International Exchange Bank. He holds a Masters in Business Administration from the Ateneo de Manila University and a degree in Mechanical Engineering from Loyola Marymount University, USA.

Anthony S. Dizon, Filipino, 68, is the **President** of the Corporation. He is also currently the President of Koldstor Centre Philippines, Inc.. He serves as Director of JAPRL Development Corporation and SD Management Corporation. His socio-civic activities include functioning as President of Cold Chain Association of the Philippines, past Director of Makati Sports Club and Past President of Rotary Club of Makati East. He graduated from the University of the East with a degree of B.S. Electrical Engineering. He holds a Masters in Business Administration degree from De La Salle University. He also attended the Management Development Program at the Asian Institute of Management.

Ignatius F. Yenko, Filipino, 62, is the **Vice-Chairman** of the Corporation. He is likewise a Director of Sterling Bank of Asia and member of the Executive Committee, Audit Committee, Risk Committee, Nomination and Compensation Committee and Loan Committee of the bank. He was Management Consultant for Cyan Management Corporation from July 2003 to December 2008. He was previously First Vice-President of Philippine Long Distance Telephone Company until his resignation in July 2003. Mr. Yenko was formerly a Vice President at

The Chase Manhattan Bank, N.A. where he worked for almost 11 years. He graduated with honors from the Ateneo de Manila University with a Bachelor of Arts degree in Economics. He holds a Master in Business Management degree from the Asian Institute of Management and was a recipient of the Claude M. Wilson National Scholarship Grant.

A. Bayani K. Tan, Filipino, 59, is a **Director and Corporate Secretary** of the Corporation. He is currently a Director, Corporate Secretary or both of the following reporting and/or listed companies: Belle Corporation (May 1994-present), Coal Asia Holdings, Inc. (July 2012-present), Destiny Financial Plans, Inc. (2003-present), First Abacus Financial Holdings Corporation (May 1994-present), I-Remit, Inc. (May 2007-present), Pacific Online Systems Corporation (May 2007-present), Philequity Balanced Fund, Inc. (March 2010-present), Philequity Dollar Income Fund, Inc. (March 1999-present), Philequity Foreign Currency Fixed Income Fund, Inc. (March 2010-present), Philequity Fund, Inc. (June 1997-present), Philequity Peso Bond Fund, Inc. (June 2000-present), Philequity PSE Index Fund, Inc. (February 1999-present), Philequity Resources Fund, Inc. (March 2010-present), Philequity Strategic Growth Fund, Inc. (April 2008-present), Sinophil Corporation (December 1993-present), Tagaytay Highlands International Golf Club, Inc. (November 1993-present), Tagaytay Midlands Golf Club, Inc. (June 1997-present), The Country Club at Tagaytay Highlands, Inc. (August 1995-present), The Spa and Lodge at Tagaytay Highlands, Inc. (December 1999-present), Vantage Equities, Inc. (January 1993-present) and Yehey! Corporation (June 2004-present). Mr. Tan is also the Corporate Secretary and a Director of Sterling Bank of Asia Inc. since December 2006. He is also a Director, Corporate Secretary, or both for the following private companies: Destiny LendFund, Inc. (December 2005-present), Discovery World, Inc. (March 2013 as Director, July 2003 –present as Corporate Secretary), Monte Oro Resources & Energy, Inc. (March 2005-present) Palm Concepcion Power Corporation (January 2013-present), and Pharex HealthCorp. (March 2012-present), among others. Atty. Tan is Managing Partner of the law offices of Tan Venturanza Valdez (1988 to present), Managing Director/President of Shamrock Development Corporation (May 1988-present), President of Catarman Chamber Elementary School Foundation, Inc. (August 2012-present) and Managing Trustee of SCTan Foundation, Inc. (1986-present). He is currently the legal counsel of Xavier School, Inc.

Atty. Tan holds a Master of Laws degree from New York University USA (Class of 1988) and earned his Bachelor of Laws degree from the University of the Philippines (Class of 1980) where he was a member of the Order of the Purple Feather (U.P. College of Law Honor Society) and ranked ninth in his class. Atty.

Tan passed the bar examinations in 1981 where he placed sixth. He has a Bachelor of Arts major in Political Science degree from the San Beda College (Class of 1976) from where he graduated Class Valedictorian and was awarded the medal for Academic Excellence.

Dexter Y. Tiu, Filipino, 42, is **Treasurer and Director** of the Corporation. He is also a director of Coal Asia Holdings, JTKC Equities, Inc. and Star Equities, Inc., Vice-Chairman of Zhangzhou Stronghold Steel Works Co., Ltd. (a subsidiary of the Company in China), President of Stronghold Steel Corporation, Chairman of Pacifico Sul Mineracao Corporation and Titan Exploration & Development Corporation. He earned his Bachelor of Science Degree in Mechanical Engineering from De La Salle University in 1993.

Alexander Y. Tiu, Filipino, 39, is a **Director** of the Corporation. He is President of Goodyear Steel Pipe Corporation and Executive Vice-President of British Wire Industries Corporation and Goodway Marketing Corporation. Mr. Tiu earned his Bachelor's Degree in Economics from Simon Fraser University in 1999.

Enrico G. Valdez, Filipino, 53, is a **Director** of the Corporation. He is likewise a Director of Manta Ray Holdings, Inc., Lion City Landholdings, Inc. and Harbor Holdings Company, Inc. and Corporate Secretary of TBWA Santiago Mangada Puno Advertising, Inc. and Jan De Nul (Phils.), Inc. He is a Partner of Tan Venturanza Valdez and Treasurer of T & V Realty Holdings Inc. He took up his Bachelor of Science Degree in Business Administration from the Philippine School of Business Administration and his Bachelor of Laws Degree from the Ateneo de Manila University. He also has a Masters Degree in Business Administration from the University of the Philippines. He is a member of the Integrated Bar of the Philippines and Philippine Institute of Certified Public Accountants. He served as former Director of the Tax Management Association of the Philippines and former Vice Chairman of the Taxation Committee of the Inter-Pacific Bar Association.

Vicente V. de Villa, Jr., a Filipino, 81, 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, 70, is a **Director** of the Corporation. He is an Independent Director of Basic Petroleum Corporation (1997-present), another publicly-listed corporation, and Director of Philcomsat Holdings Corporation

(2004-present). He is a member Board of Advisers of Basic Energy Corporation since August 2008 (board member, 1977 – 2008). He was previously Director of iVantage, Inc. (1998-2000) and Acoje Oil Exploration and Minerals Corporation (1997-1999). A columnist of Philippine Daily Inquirer. He holds a Master of Business Administration Degree from the University of the Philippines.

Victor C. Fernandez, Filipino, 70, is an **Independent Director** of the Corporation. He holds a Bachelor of Laws degree from the University of the Philippines (Class of 1971) where he was a member of the Order of the Purple feather (U.P. College of Law Honor Society) and ranked tenth in his class. He has a Bachelor of Arts major in Economics degree from the University of the Philippines (Class of 1967).

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

Pablito C. Bermundo, Filipino, 72, is an **Independent Director** of the Corporation. He holds a Bachelor of Science degree in Commerce – Accounting and is a Certified Public Accountant. He is currently a Director/Consultant in Symrise, Inc., a company where he was once the Chief Executive Officer. Symrise, Inc. is engaged in the manufacture and marketing of flavors and fragrances. He is also currently serving as Executive Director of the Texicon Group of Companies.

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

Executive Officers

Mr. Anthony S. Dizon - President and Chief Operating Officer

A. Bayani K. Tan – Corporate Secretary

Dexter Y. Tiu - Treasurer

Mr. Nicanor L. de la Paz, Filipino, 60, is the **Chief Financial Officer** of the Corporation. He took up his Bachelor of Sciance Degree in Business Administration major in Accountancy from the Philippine School of Business Administration. Prior to joining the Corporation, he was previously the Head of

Accounting Department of Pilipino Telephone Corporation (PILTEL) which he served for 23 years. He was also the Chief Financial Officer of Teleperformance, one of the biggest contact center in the world. He was also the Financial Consultant of Vinnel Belvoir corporation from 2010 to 2012.. He is a Certified Public Accountant.

Mr. Wilfrido O. Gamboa, Filipino, 59, is the **Head of Corporate Services and Chief Compliance Officer** of the Corporation. Before he joined the Comporation, he was president of Fabricom Realty & Development Corporation. Previous experiences of Mr. Gamboa include fund sourcing, rehabilitation planning and debt portfolio restructuring. He has also experiences in the real property sector with tasks including developing new real estate projects. He graduated with a degree of Bachelor of Arts in Economics and Bachelor of Science in Business Administration from De La Salle University.

Efren A. Realeza, Jr, Filipino, 53, is the **Head of Accounting Services** of the Corporation. Prior to joining the Corporation, he was the Audit Manager of VBP Group of Companies-Dermpharma and Dermclinics, Triumph Development Corporation - a cement manufacturing company with overseas operation and Ajinomoto Philippines Corporation and later as Cost Accounting Manager. He managed also the financial performance of the following subsidiaries of APC like Flavor Food Products International Inc., Union Hikari Fertilizer International, Inc. and Global Cebu Foods Corporation. He graduated with a degree of Bachelor of Science in Accountancy from the Polytechnic University of the Philippines. He is a Certified Public Accountant.

Paula Danica B. Landayan, Filipino, 29, is the **Assistant Corporate Secretary** of the Corporation. She is currently the Director of Keygold Manufacturing, Inc. and Marquee Mills Manufacturing, Inc. She is also the Corporate Secretary of the following companies: Accessories and Supplies Depot, Inc., Athena Ventures, Inc., Emerald Digest, Inc., Emerald Bookazine, Inc. Emerald Headway Distributors, Inc., Emerald Holdings Corporation, Byline Inc., Northpond Holdings and Development Corporation. She is also the Assistant Corporate Secretary of the following companies: Campanilla Mineral Resources, Inc., Crown Asia Compounders Corporation, Goodyear Steel Pipe Corporation, Hella-Phil.,Inc., Sisco Steel Corporation, Treasure Steelworks Corporation.

Atty. Landayan earned her Bachelor of Laws degree from the University of Santo Tomas where she ranked sixth in her class. She graduated Cum Laude from the University of the Philippines Diliman with a degree of Bachelor of Science in Tourism.

Ruben C. Tiu - Filipino,58, is the **Chief Liaison Officer** of the Corporation. He is also the Chairman and President of Star Equities, Inc., President of JTKC Realty Corporation, Pan Asean Multi Resources Corp., Aldex Realty Corporation, Oakridge Properties, Inc., Hotel Systems Asia, Inc., JTKC Land, Inc., The

Discovery Leisure Company, Inc., and Discovery Country Suites, Inc., Executive Vice President of JTKC Equities, Inc. and Union Pacific Ace Industries, Inc., and a Director of Palawan Cove Corporation, Discovery World Corporation, Cay Islands Corporation, Tera Investments, Inc., Sonoran Corporation, Sterling Bank of Asia, Inc., and I-Remit, Inc. He was previously a director of Southern Visayas Property Holdings, Inc. (2003 - 2009), International Exchange Bank (1995 - 2006), and I - Remit, Inc. (2002 - 2004). He holds a Bachelor of Science degree in Business Administration from the De La Salle University.

John Kacho Y. Tiu, Jr. – Filipino, 37, is the **Chief Logistic Officer** of the Corporation. He holds a Bachelor of Science degree in Electrical Engineering Minor in Mathematics from the University of Washington, Seattle, Washington, USA. He is currently the Chairman and President of Tera Investments, Inc; the President of Southern Visayas Property Holdings, Inc. and Fidelity Securities, Inc.; the Vice President and a Director of JTKC Realty Corporation, and, the Treasurer and a Director of Sonoran Corporation, Cay Islands Corporation, Palawan Cove Corporation, Tofino Corporation, Star Equities, Inc., Discovery Country Suite, Inc., JTKC Land, Inc., JTKC Equities, Inc., Touch Solutions, Inc., and The Discovery Leisure Company, Inc. He is also a director of Zhangzhou Stronghold Steel Works Co., Ltd., Sagesoft Solutions, Inc., Oakridge Properties, Inc., and I-Remit, Inc.

Significant Employees

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

Family Relationships

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

Involvement in Certain Legal Proceedings

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

ITEM 10 – Executive Compensation

As discussed under Item 1, Part I, above, we had initiated corporate restructuring that involved the (a) change in primary purpose from being a provider of complete IT solutions to that of a holding company, (b) change in corporate name from SQL*Wizard to TKC Steel, (c) increase in authorized capital, and (d) assignment and/or sale of all and/or substantially all of the IT business assets to a new corporation. After effecting all these changes, new sets of members of Board of Directors and Executive Officers were appointed on various dates in 2007. The executive compensation information that is presented below covered the Executive Officers and Directors of TKC for 2012, 2013 and 2014.

All members of the Board of Directors receive per diem per meeting only.

2012

Name and Principal Position	Salary (Annual)	Bonus	Other Annual Compensation
Ignatius F. Yenko Vice-Chairman			
Anthony S. Dizon President and Chief Operating Officer			
Vicente L. Araña Chief Financial Officer			
Wilfrido O. Gamboa Head of Corporate Services and Chief Compliance Officer			
Efren A. Realeza Jr. Head of Accounting Services			
Aggregate Compensation of all Above-named Officers	8,580,000		
Aggregate Compensation of all above- Named Officers and Directors	8,668,000		

2013

Name and Principal Position	Salary (Annual)	Bonus	Other Annual Compensation
Ignatius F. Yenko Vice-Chairman			
Anthony S. Dizon President and Chief Operating Officer			
Nicanor L. Dela Paz Chief Financial Officer			
Wilfrido O. Gamboa Head of Corporate Services/ Chief Compliance Officer			
Efren A. Realeza Jr.			

Head of Accounting Services			
Aggregate Compensation of all Above-named Officers	8,414,000		
Aggregate Compensation of all Above-named Officers and Directors	8,450,000		

2014 (Estimated)

Name and Principal Position	Salary (Annual)	Bonus	Other Annual Compensation
Ignatius F. Yenko Vice-Chairman			
Anthony S. Dizon President and Chief Operating Officer			
Nicanor L. Dela Paz Chief Financial Officer			
Wilfrido O. Gamboa Head of Corporate Services/ Chief Compliance Officer			
Efren A. Realeza Jr. Head of Accounting Services			
Aggregate Compensation of all Above-named Officers	7,670,000		
Aggregate Compensation of all Above-named Officers and Directors	7,758,000		

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

Security Ownership of Certain Record and Beneficial Owners

As of December 31, 2013, the following stockholders beneficially own more than 5% of the Corporation's Outstanding and Issued Common Shares:

Title of Class	Name/Address of Record Owner & Relationship with Issuer	Name of Beneficial Owner & Relationship with Record Owner	Citizenship	Number of Shares	Percentage Of Holdings

Common	Star Equities, Inc. 2nd Floor, JTKC Center 2155 Pasong Tamo Makati City		Filipino	667,000,598	70.96%
Common	PCD Nominee Corp		Filipino	264,818,421	0.0000

Security Ownership of Directors and Management

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

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

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

ITEM 12 – Certain Relationship and Related Transactions

The Corporation entered into the following transactions with related parties:

Date of Execution	Parties	Nature	Cause/Consideration
April 30, 2007	TKC and Star Equities, Inc. (SEI)	Agreement for Assignment of Advances	Acquisition at cost of the entire interest in the advances of SEI in Billions Steel International Limited
June 29, 2007	TKC and Billions	Absolute Deed of Assignment of Shares	Billions assigned all its rights and interests in 479,997 fully paid shares in Treasure Steel (TSC) for a total of consideration of Ps. 47,997,000.00
June 29, 2007	TKC and TSC	Marketing Agreement	TSC appointed TKC as the exclusive sales and marketing channel of all its products and gave TKC the right to enter into agreements with third parties to carry out said purpose. Under the Agreement, both parties acknowledge the existing agreement between TSC and Steel Alliance and thus, TKC assumed all the obligations of TSC to Steel Alliance.

PART IV - CORPORATE GOVERNANCE

ITEM 13 – Corporate Governance

The Corporation, through its Compliance Officer, Wilfrido O. Gamboa, has monitored the Corporation's compliance with SEC Memorandum Circular No. 2 dated April 5, 2002 and the relevant SEC Circulars on Corporate Governance and with the Manual of Corporate Governance adopted by the Company. With the increase in the number of directors as approved by the SEC, the Company elected two (2) independent directors, appointed a Compliance Officer and constituted its Nominations, Compensation and Audit Committees as required under the Corporation's Manual of Corporate Governance. Likewise, all the directors and executive officers of the Corporation have attended seminars and/or training on corporate governance. The Corporation is not aware of any non-compliance with its Manual of Corporate Governance, by any of its officers or employees.

PART V - EXHIBITS AND SCHEDULES

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

The Corporation has filed the following SEC Form 17-C reports during the fiscal year ending December 31, 2013:

Date Filed	Items Reported
26 July 2013	Annual Stockholders Meeting Election
06 November 2013	Appointment of Mr. Nicanor dela Paz as the Chief Financial Officer of the Corporation

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 undersigned, thereunto duly authorized, in the City of Makati on April ____, 2014.

By:

Ben C. Tiu
Chairman of the Board

Anthony S. Dizon
President and Chief Operating Officer

Dexter Y. Tiu
Treasurer

Nicanor De La Paz
Chief Financial Officer

Ria Carmela R. Cruz
Assistant Corporate Secretary

SUBSRIBED AND SWORN to before me this _______day of APR 2 9 2014 2014 affiants exhibiting to me his/their Residence Certificates, as follows:

NAMES	PASSPORT. NO	VALID UNTIL	PLACE OF ISSUE
Ben C. Tiu	EB0509171	07/04/15	DFA Manila
Anthony S. Dizon	EB2218644	04/10/16	DFA Manila
Dexter Y. Tiu	EB4447146	01/13/17	DFA Manila
Nicanor De La Paz	EA0023067	01/06/15	DFA Manila
Ria Carmela R. Cruz	EB0491084	07/01/15	DFA Manila

Tomas F. Dulay Jr.
ATTY. TOMAS F. DULAY JR.
NOTARY PUBLIC
Until December 31, 2014
ADM MATTER #. NP-061-2014-2015
PTR# 904238301-02 /01-07-14 Q.C.
IBP# 915073 CY-2014 Q.C.
Roll No. 16563/03/13-61
TIN# 410225916
Add. 92 Legaspi St. Proj. 4 Q.C.
MCLE EXEMPTED # 000638

DOC. NO. 117
PAGE NO. 24
BOOK NO. 121
SERIES OF 2014

TKC STEEL

Strength in vision

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

The Management of TKC STEEL CORPORATION (the Company) is responsible for all information and representations contained in the financial statements for the year ended December 31, 2013, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements and submits the same to the stockholders.

Reyes Tacandong and Co., the independent auditors and appointed by the stockholders, has examined the financial statements of the Company in accordance with Philippine Standards on Auditing and has expressed its opinion on the fairness of presentation upon completion of such examination.

Signature ______________________
BEN C. TIU
Chairman of the Board/Chief Executive Officer

Signature ______________________
NICANOR DE LA PAZ
Chief Finance Officer

SUBSCRIBED AND SWORN to before me this __________ day of APR 2 9 2014 2014 affiants exhibiting to me his/their passports, as follows:

NAMES	PASSPORT NO.	VALID UNTIL	PLACE OF ISSUE
Ben C. Tiu	EB0509171	07/04/15	DFA Manila
Nicanor De La Paz	EA0023067	01/06/15	DFA Manila

Tomas F. Dulay Jr.

ATTY. TOMAS F. DULAY JR.
NOTARY PUBLIC
Until December 31, 2014
ADM MATTER #. NP-061-2014-2015
PTR# 904238301-02 /01-07-14 Q.C.
IBP# 915073 CY-2014 Q.C.
Roll No. 16583/03/13-61
TIN# 410225916
Add. 92 Legaspi St. Proj. 4 Q.C.
MCLE EXEMPTED # 000538

DOC. NO. 118
PAGE NO. 24
BOOK NO. 12
SERIES OF 2014