

**Re: Wellex Industries Inc\_SEC Form 17-Q 1st Qtr 2024\_09May2024**

From: ICTD Submission (ictdsubmission+canned.response@sec.gov.ph)

To: wellexindustries@yahoo.com

Date: Thursday, May 9, 2024 at 11:09 AM GMT+8

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----- NOTICE TO  
COMPANIES -----

Please be informed of the reports that shall be filed only through [ictdsubmission@sec.gov.ph](mailto:ictdsubmission@sec.gov.ph).

Pursuant to SEC MC Circular No. 3 s 2021, scanned copies of the printed reports with wet signature and proper notarization shall be filed in PORTABLE DOCUMENT FORMAT (pdf) through email at [ictdsubmission@sec.gov.ph](mailto:ictdsubmission@sec.gov.ph) such as the following SECONDARY REPORTS:

1. 17-A 6. ICA-QR 11. IHAR 16. 39-AR 21. Monthly Reports
2. 17-C 7. 23-A 12. AMLA-CF 17. 36-AR 22. Quarterly Reports
3. 17-L 8. 23-B 13. NPM 18. PNFS 23. Letters
4. 17-Q 9. GIS-G 14. NPAM 19. MCG 24. OPC (Alternate Nominee)
5. ICASR 10. 52-AR 15. BP-FCLC 20. S10/SEC-NTCE-EXEMPT

Further, effective 01 July 2023, the following reports shall be submitted through <https://efast.sec.gov.ph/user/login>.

1. FORM MC 18 7. Completion Report
2. FORM 1 - MC 19 8. Certificate-SEC Form MCG- 2009
3. FORM 2- MC 19 9. Certificate-SEC Form MCG- 2002, 2020 ETC.
4. ACGR 10. Certification of Attendance in Corporate Governance
5. I-ACGR 11. Secretary's Certificate Meeting of Board Directors (Appointment)
6. MRPT

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1. AFS 7. IHFS 13. SSF
2. GIS 8. LCFS 14. AFS with Affidavit of No Operation
3. BDFS 9. LCIF 15. AFS with NSPO Form 1,2, and 3
4. FCFS 10. OPC\_AO 16. AFS with NSPO Form 1,2,3 and 4,5,6
5. FCIF 11. PHFS 17. FS - Parent
6. GFFS 12. SFFS 18. FS – Consolidated

For the submission and processing of compliance in the filing of Memorandum Circular No. 28 Series of 2020, please visit this link – <https://apps010.sec.gov.ph/>

For your information and guidance.

Thank you.

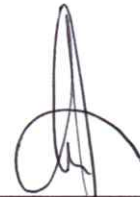
# Certification

I, Annabelle T. Abunda, Finance and Compliance Officer of Wellex Industries, Inc., with SEC registration number 0000011790 with principal office at 35<sup>th</sup> Flr. One Corporate Center, Doña Julia Vargas, cor. Meralco Ave., Ortigas Center, Pasig City, on oath state:

- 1) That on behalf of Wellex Industries, Inc., I have caused this First (1st) Quarterly Report SEC Form 17-Q 2024 to be prepared;
- 2) That I read and understood its contents which are true and correct of my own personal knowledge and/or based on true records;
- 3) That the company, Wellex Industries, Inc., will comply with the requirements set forth in SEC Notice dated June 24, 2020 for a complete and official submission of reports and/or documents through electronic mail; and
- 4) That I fully aware that documents filed online which requires pre-evaluation and/or processing fee shall be considered complete and officially received only upon payment of a filing fee.

MAY 09 2024

IN WITNESS WHEREOF, I have hereto set my hands this \_\_\_\_\_ day of \_\_\_\_\_



Affiant

TIN: 205-231-659

MAY 09 2024

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of \_\_\_\_\_

**FERDINAND D. AYAHAO**

Notary Public

For and in Pasig City, Municipality of Pateros  
Appointment No. 96 (2024-2025) valid until 12/31/2025  
MCLE Exemption No. VIII-BEP003234, until 04/14/28  
Roll No. 46377; ISP LRN 02459; OR 535886; 06/21/2001  
TIN 123-011-785; PTR 1634583AA; 01/03/24; Pasig City  
Unit 5, West Tower PSE, Exchange Road  
Ortigas Center, Pasig City Tel. +632-86314090

DOC. NO. 309  
PAGE NO. 62  
BOOK NO. 42  
SERIES OF 2024  
PASIG CITY

**COVER SHEET**

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SEC Registration No.

W E L L E X I N D U S T R I E S , I N C .  
A N D S U B S I D I A R I E S

(Company's Full Name)

3 5 T H F L R . O N E C O R P O R A T E C E N T E R

D O Ñ A J U L I A V A R G A S C O R . M E R A L C O

A V E S . , O R T I G A S C E N T E R , P A S I G C I T Y

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

**Amando J. Ponsaran, Jr.**  
Contact Person

**(632) 8706-7888**  
Contact Telephone No.

1 2 3 1  
Fiscal Year

1 7 - Q  
FORM TYPE

Month Day  
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles  
Number/Section

**1,004**  
Total No. of Stockholders

Total Amount of Borrowings

Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

Remarks = pls. use black ink for scanning purposes

**1<sup>st</sup> QUARTER REPORT: WIN**

**SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 17-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 11  
OF THE SECURITIES REGULATION CODE AND SECTION 141  
OF THE CORPORATION CODE OF THE PHILIPPINES**

1. For the Quarterly Period ended **March 31, 2024**
2. SEC Identification Number: **11790**
3. BIR Tax Identification No.: **003-946-426-000**
4. **WELLEX INDUSTRIES, INCORPORATED**  
Exact name of registrant as specified in its charter
5. **Metro Manila, Philippines**  
(Province, country or other jurisdiction of incorporation or organization)
6. (SEC Use only)  
Industry Classification Code
7. **35<sup>th</sup> Flr. One Corporate Center, Doña Julia Vargas cor. Meralco Aves., Ortigas Center, Pasig**  
Address of principal office
8. **Telephone No. (02) 8706-7888**  
Registrant's telephone number, including area code
9. **Not applicable**  
Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 4 and 8 of the RSA :

<u>Title of Each Class</u>	<u>No. of Shares of Common Stock Outstanding: and Amount of Debt Outstanding</u>
Common Shares – ₱1.00 par value	Issued - ₱3,271,952,740

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

Yes [  ]                      No. [  ]

12. Check whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 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 12 months (or for such shorter period that the registrant was required to file such reports);

Yes  ]                      No  ]

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

Yes  ]                      No  ]

13. The aggregate market value of the voting stock held by non-affiliates: ₱339,316,178

14. Not Applicable

## PART I - FINANCIAL INFORMATION

### Item 1. Financial Statements

See Annex A.1 to A.4, and the accompanying notes to financial statements

### Item 2. Management Discussion and Analysis of Financial Condition and Results of Operations

	Amounts in PhP	
	March 31, 2024	March 31, 2023
<b>Income Statement</b>		
Rental Income	P8,368,451	P5,273,392
Direct Costs and Expenses	766,397	766,397
Gross Profit	7,602,054	4,506,994
Operating Expenses	8,306,419	7,207,597
Loss from Operations	(704,365)	(2,700,603)
Other Income (Expense)	(217,311)	73,739
Loss before Tax	(921,676)	(2,626,864)
Income Tax Expense	-	-
<b>Net Loss for the period</b>	<b>(921,676)</b>	<b>(2,626,864)</b>
<b>Loss per share</b>	<b>(P0.0003)</b>	<b>(P0.0008)</b>

	March 31, 2024	March 31, 2023	December 2023
<b>Balance Sheet</b>			
Current Assets	P52,426,425	P50,879,197	P56,753,028
Noncurrent Assets	1,564,964,259	1,580,091,734	1,566,863,629
<b>Total Assets</b>	<b>1,617,390,684</b>	<b>1,630,970,931</b>	<b>1,623,616,657</b>
Current Liabilities	16,144,830	11,662,934	18,766,732
Noncurrent Liabilities	398,412,899	421,785,772	401,095,294
Total Liabilities	414,557,729	433,448,706	419,862,026
Stockholders' Equity	1,202,832,955	1,197,522,224	1,203,754,631
<b>Total Liabilities and Equity</b>	<b>P1,617,390,684</b>	<b>P1,630,970,931</b>	<b>P1,623,616,657</b>

#### **Quarter ended March 31, 2024 as compared with quarter ended March 31, 2023**

As of the quarter ending March 31, 2024, the company continues to lease out its warehouse facilities. Total revenue recorded for the 1st quarter of 2024 amounted to P8.4 million as compared to the same quarter of 2023 amounting to P5.3 million or an increase of P3.1 million or 58.49% due to increase in number of tenants and areas being leased out for the current quarter. Number of areas being leased out for the 1st quarter of 2024 greater that the 1<sup>st</sup> quarter of 2023.

Income/(Loss) per share comparison for the quarter ended March 31, 2024 and 2023 are (P0.003) and (P0.0008), respectively.

As of March 31, 2024, there are twenty-nine (29) companies leasing inside the PCIC compound occupying thirty-three (33) areas. List of companies are as follows:

	Tenants	Co.	Area in sqm	Contract Period	1st Qtr Rental Income (in PhP)
1	SMYPC - MANILA GLASS PLANT - bldg 22-A	ICC	1,134	01/01/24 - 12/31/24	364,500
2	SMYPC - MANILA GLASS PLANT - bldg 22-B	ICC	1,134	01/01/24 - 12/31/24	364,500
3	CRISTINE GUEVARRA - bldg 34A	ICC	2,000	10/01/23 - 09/30/24	300,000
4	GRACEFUL LOGISTICS-open space 10	ICC	1,000	12/15/23 - 03/15/24	110,000
5	ULTIMATE STAR INT'L CARGO SERVICES INC.-yard	ICC	750	10/12/23 - 10/11/24	132,589
6	SUPERIOR GOODS TRADING – bldg. 37	ICC	1,080	12/01/23 - 11/30/24	381,857

7	ABS ALL BEST SUPPLIES INC. - Bldg 37 Yard	ICC	400	12/01/23 - 11/30/24	64,821
8	ASILO LOGISTICS AND FREIGHT SERVICES - SPF Yard	ICC	500	01/17/24 - 01/16/25	107,143
9	BUILDRIGHT CONSTRUCTION CORP. – 37 YARD	ICC	500	06/08/23 - 07/07/24	80,357
10	JESSIE LYN B. TAJALE – B43	KCC	1,100	01/01/24 - 12/31/24	383,036
11	ZL MACHINERY PHILIPPINES, INC. – B33-A	KCC	1,549	05/15/23 - 05/14/24	497,893
12	GLORIA MACALALAD (FORMERLY BBBC JOB GLOBAL LOGISTICS, INC. – Yard 45C	KCC	500	09/15/23 - 06/15/24	105,000
13	MG TANLIMCO CO. – B38-B	KCC	1,773	08/01/23 - 07/31/24	546,147
14	HAKIMA TRUCKING SERVICES – open yard	KCC	1,000	09/15/23 - 09/14/24	160,714
15	FUDSOURCE CORPORATION – bldg 30-B	KCC	795	09/15/23 - 09/14/24	255,536
16	RCAC Airconditioning Corporation – B-35	KCC	625	10/01/23 - 09/30/24	200,893
17	GMA NETWORK, INC.	KCC		1 day only	218,691
18	SAN MIGUEL BREWERY, INC. – bldg. 23	PPC	3,105	11/01/23 - 04/30/24	956,451
19	SAN MIGUEL BREWERY, INC. – shipping yard	PPC	1,430	05/01/23 - 04/30/24	236,250
20	JHSA CORP. – bldg. 23 open space	PPC	35	01/01/24 - 12/31/24	26,786
21	GOENG MARKETING, INC. – Office B26	PPC	524	01/01/24 - 12/31/24	210,536
22	FUDSOURCE CORPORATION – bldg. 19	PPC	1,050	01/15/24 - 01/15/25	421,875
23	HIGANTIS CONTRACTOR CORP.-bldg 18	PPC	698	08/01/23 - 07/31/24	224,196
24	RDB TECSON & ASSOCIATES – bldg. 24	PPC	1,476	04/01/23 - 03/31/24	474,429
25	RDBT CONSTTRUCTION CORP. – bldg. 24 open space	PPC	216	04/01/23 - 03/31/24	37,607
26	LACOTA E-COMMERCE CORP. – bldg. 29	PPC	582	10/31/23 - 04/30/24	187,071
27	BUILDRIGHT CONSTRUCTION CORP. – bldg. 29	PPC	300	10/31/23 - 04/30/24	96,429
28	TAISON INDUSTRIAL CORP. – bldg. 25A	PPC	800	06/15/23 - 06/15/24	257,143
29	GLOBAL PACK PLASTICK CORP. – bldg. 25B	PPC	678	06/15/23 - 06/15/24	217,929
30	F.A.C. TRADING – B35-A	PPC	288	08/15/23 - 08/15/24	92,571
31	GO TRANSFERRED CARGO AND LOGISTICS CORP. – YARD 27	PPC	1,000	08/10/23 - 08/09/24	195,000
32	RSG TRUCKING SERVICES-B25 YARD	PPC	750	10/08/23 - 10/07/24	148,500
33	RUEL V. CABISCUELAS – B21 YARD	PPC	1,600	10/01/23 - 09/30/24	312,000

Direct cost and operating expenses for the 1st quarter of 2024 totaled ₱9.1 million as compared to ₱8.0 million for the 1st quarter of 2023 or a decrease of ₱1.1 million or 13.75%. The amount was recorded and mainly attributable to the following:

1. Direct cost for the 1st quarter of 2024 and 2023 consists of security services, depreciation expense, property taxes and repairs and maintenance. Total direct cost recorded for the 1st quarter of 2024 amounted to ₱0.80 million and ₱0.80 million for the 1st quarter of 2023. Only item directly charged to cost for the current quarter is depreciation of investment properties.
2. Operating expenses recorded for the 1st quarter of 2024 amounted to ₱8.3 or an increase by ₱1.1 million or 15.28% as compared to the 1st quarter of 2023 of ₱7.2 million, which resulted from the following movements: increase in professional fees by ₱0.05 million, increase in salaries and wages by ₱0.2 million, increase in taxes and licenses by ₱0.4 million, increase in rent, light and water by ₱0.3 million, increase in commission by ₱0.1 million, increase in SSS, Medicare and EC contributions by ₱0.05 million, decrease in depreciation by ₱0.1 million and increase in miscellaneous by ₱0.1 million.

Other Income (Expenses) consist of interest income, other income, penalties and surcharges and interest expense. Total Other Income (Expenses) for the 1st quarter of 2024 and 2023 is (₱217,311) and ₱73,739, respectively. For the 1st quarter of 2024, one of the subsidiary paid for penalties for late payment of taxes, thus incurring higher other expense as compared to last year of the same quarter.

The Group does not recognize a finance cost for 1st quarter of 2024 and 2023.

### **Performance Indicators**

The Parent Company is in the process of discussing with potential investors for planned forays into new business lines. Its subsidiary, PCIC, ceased its manufacturing operation since 2002 due to the Asian crises and stiff business competition and had leased out its building facilities for revenue. The Group determines their performance on the following five (5) key performance indicators:

1. Revenue Growth – the company gauge its performances by determining Rental Income and the number of tenants for the year. For the first quarter of 2024, the company has an average of ₱253,589 rental income per tenant or a decreased by ₱10,081 rental income per tenant or 3.82% as compared to first quarter of 2023 with an average of ₱263,670 with 23 areas being leased out. Despite giving lower average rental income per tenant to accommodate more tenant at competitive rate on the market, current quarter recorded higher rent income of ₱8.4 million or an increase of ₱3.1 million or 58.49%.
2. Receivables - the company assesses collection of receivables and management of credit by determining the past due ratio done through the aging of receivables. For the first quarter of 2024, ratio of past due receivables to total outstanding was 99.47%. The current quarter exceeds the management gauge on past due receivables due to significant number of receivables from third parties which are no longer operating. These third parties are previous subsidiary of the Group.
3. Gross Profit Margin - this is derived by dividing the gross profit over the revenues amount. The first quarter of 2024 has a gross profit margin of 90.84%, higher than the first quarter of 2023. Increase pertains to higher sales for the current quarter.
4. Working Capital – to meet the obligations of the company, it is measured by determining current assets over current obligations. Working capital ratio for first quarter of 2024 was 324.73% as compared to 436.25% on the first quarter of 2023. Decrease in ratio is attributable to increase in current assets by ₱1.5 million or 3.04% and increase in current liabilities by ₱4.5 million or 38.43%.
5. Advances by the Affiliates - For the first quarter of 2024, the company has total advances from affiliates amounting to ₱397.5 million or a decrease of ₱23.4 million or 5.56% from last year's ₱420.9 million balance. Total amount added/(deducted) from advances for the 1<sup>st</sup> quarter of 2024 amounted to ₱2.7 or 0.67% of total advances as compared to 1<sup>st</sup> quarter of 2023 of ₱7 million or 1.65%.

	<b>March 31, 2024</b>	March 31, 2023
Revenue growth ratio	<b>(3.82%)</b>	(24.08%)
Past due ratio on receivables	<b>99.47%</b>	98.56%
Gross profit margin	<b>90.84%</b>	85.47%
Current ratio	<b>324.73%</b>	436.25%
Advances ratio	<b>0.67%</b>	1.65%

*Further discussion of accounts of which registered an increased or decreased by 10% or more follows:*

#### **Cash**

The Group's cash increase by ₱0.3 million or 4.32% for the first quarter of 2024 as compared to first quarter 2023 due to the following activities: (a) net cash used in operating activities is ₱0.9 million, (b) net cash generated in investing activities is ₱1 million and (c) net cash used in financing activities ₱2.7 million.

#### **Trade and Other Receivables**

Trade and other receivables (net) increase by ₱1.2 million or 4.30% in the 1st quarter of 2024 as compared to last 1st quarter of 2023. This is mostly attributable to the increase in rental receivables by ₱0.4 million and increase in other receivables by ₱0.8 million. Certain trade receivables were found to be impaired using the provisional matrix as determined by the management, hence, adequate amounts of allowance for impairment have been recognized (Note 22).

#### **Advances to related parties**

Advances to related parties decrease by ₱1.2 million or 4.78% in the 1st quarter of 2024 as compared to the 1st quarter of 2023 due to payments made by the related parties.



#### Property and Equipment

There's a decrease in property and equipment amounting to ₱0.5 million or 57.61% on the first quarter of 2024 as compared to last year's first quarter of 2023 due to depreciation.

#### Advances from lessees

Advances from lessees decrease by ₱2.2 million or 67.21% in the 1st quarter of 2024 as compared to the 1st quarter of 2023.

#### Deferred Asset and Liabilities

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. The recognition of deferred tax assets is based on the assessment that the Group will generate sufficient taxable profit to allow all or part of the deferred tax assets will be utilized. The Group's deferred asset account in the first quarter of 2024 decrease by ₱35,837 or 74.79% as compared to the first quarter of 2023.

The Group also has deferred liabilities which was decreased by ₱35,635 or 75% in the first quarter of 2024 as compared to last year's first quarter of 2023.

#### Lease liability

Lease liability composed of current and non-current portion. The current portion decrease by ₱95,026 or by 66.29% while the non-current portion decreased by ₱48,323 or 100% in the first quarter of 2024.

#### Borrowing

The Group's borrowings consist of current portion and non-current portion. The Group recorded a current borrowing portion amounting to nil and ₱313,434 for the first quarter of 2024 and 2023, respectively, with a decrease by ₱313,434 or 100% and no non-current borrowing portion as the borrowing is to be settled within the year 2023.

### **(i) Summary of Material Trends, Events and Uncertainties**

#### **Wellex Industries, Inc.**

The Parent Company has properties in Rodriguez (formerly Montalban), Rizal, with an aggregate cost of ₱51,782,495 and ₱52,335,000 and with an area of 402,692 sq. meters and 402,576 sq. meters as at March 31, 2024 and 2023, respectively. Land was received in exchange for its shares of stock in accordance with stock-for-assets swap arrangement entered into with various affiliates.

On April 14, 2023, the Parent Company sold a parcel of land with an area of 49,884 sq. meters for ₱5,790,121 resulting to a loss of ₱694,799. On the same date, the Parent Company purchased a parcel of land with an area of 50,060 sq. meters.

The fair value of land as at March 31, 2024 and 2023 amounted to ₱523,577,600 and ₱466,988,160, respectively.

The fair value of the land was determined based on the market comparable approach that reflects recent transaction prices for similar properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

As at March 31, 2024 and 2023, the Parent Company's properties are not subject to any liens or encumbrances.

The Company is considering re-entry into the real estate market, specifically the development of industrial estates/subdivisions, for which it has already gained sufficient expertise in its operations in Valenzuela City. The Group elected not to pursue their Agreement with Avida Land Corp. on the Memorandum of Agreement signed last December 17, 2012 by virtue of a Rescission Agreement dated November 29, 2019. The project will now be undertaken in a joint venture with Philippine Estate Corporation (PHES), an affiliate, and will involve the conversion of the industrial estate into a mixed-use hub with complimentary commercial, office and residential zones. The Parent Company is certain that this shift in character will greatly increase the value of the property and will encourage the development and growth of a new Central Business District for Valenzuela City.

The Company had put on hold its plans to acquire a mining company with an existing MPSA with the

Mines and Geosciences Bureau (MGB). This is due to the stringent requirements that the Department of Environment and Natural Resources (DENR) had placed on several dormant mining companies and the subsequent business slowdown in the industry as a result thereof.

**(ii) Events that will Trigger Direct or Contingent Financial Obligation**

There are no events that will trigger direct or contingent financial obligation that is material to Wellex Industries Inc. and its subsidiaries including any default or acceleration of an obligation.

**(iii) Material Off-Balance Sheet Transactions, Arrangements, Obligations**

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of Wellex Industries Inc. with unconsolidated entities or other persons created during the reporting period. The present activity of the company is focused on reorganizing its operations in preparation for its new businesses.

**(iv) Commitment for Capital Expenditures**

Since the Plastic City Industrial Corporation ceased in manufacturing and commercial operation there are no commitments on major capital expenditures.

**(v) Any Known Trends, Events of Uncertainties (Material Impact on Net Sales / Net Income and Liquidity)**

The Group has ceased manufacturing operations since 2002 and currently disposed to lease out its warehouse facilities. Rental Income recorded for the first quarter of 2024 compared to 2023 increase by ₱3.1 million or 58.49%.

As of March 31, 2024, there are twenty-nine (29) lessees occupying thirty-three (33) areas such as the warehouses, shipyards, open spaces and extensions inside the Plastic City premise.

Current ratio (current assets over current liabilities) as of March 31, 2024 is 324.73% with current assets of ₱52.4 million over ₱16.1 million current liabilities. The Group's policy to address liquidity risk is to maintain a balance between continuity of funding through cash advances from the Parent Company and affiliates. Payment of current liabilities such as government taxes, employees' premium contributions, etc. was funded through these cash advances. The Group does not expect to pay its liabilities to related parties within twelve months after the reporting date. Furthermore, advances from affiliates and stockholders were settled through assignment and offsetting among the Group.

**(vi) Significant Element of Income or Loss That Did Not Arise from Continuing Operation**

The Group adopted PFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on deficit as at January 1, 2019, without restatement of comparative figures.

The Company has adopted the PFRS 9 Financial Instruments from January 1, 2018 and resulted in changes in accounting policies and adjusted amounts recognized in the financial statements. The comparative figures have been restated to comply with the transitional provisions in PFRS 9.

**(vii) Material Changes on Line Items in Financial Statements**

Material changes on line items in financial statements are presented under the "Management's Discussion and Analysis of Financial Condition and Results of Operations".

Please refer to the attached Annex A.1 to A.5.

**(viii) Effect of Seasonal Changes in the Financial Condition or Results of Operations**

The financial condition or results of operations is not affected by any seasonal change.

**(ix) Financial Risk Disclosure**

The Group is exposed to a variety of financial risk which results from both its operating and financing activities. The Group's risk management is coordinated with the Board of Directors, and focuses on actively securing the short-term cash flows by minimizing the exposure to financial markets. The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. Please refer to Annex A.5.

**(x) Disclosure under SEC Memorandum Circular No. 3, Series of 2012**

*PFRS 9, Financial Instruments (2014)*. PFRS 9, Financial Instruments replaces PAS 39 Financial Instruments – Recognition and Measurement, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment, and hedge accounting. The standard requires all recognized financial assets that are within the scope of PAS 39 to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flow that are solely for payments of principal and interest on the outstanding balance are generally measured at amortized cost at the end of subsequent reporting periods. All other debts investments and equity investments are measured at their fair values at the end of subsequent reporting periods. For financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that are attributable to changes in the credit risk of that liability is presented in other comprehensive income would create or increase as accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. The Company has adopted the PFRS 9 Financial Instruments from January 1, 2018 and resulted in changes in accounting policies and adjusted amounts recognized in the financial statements. The comparative figures have been restated to comply with the transitional provisions in PFRS 9.

**PART II – OTHER INFORMATION**

**(1) Market Information**

The principal market of Wellex Industries Inc. common equity is the Philippine Stock Exchange, Inc. (PSE) where it was listed in 1958. List of the high and low sales price by quarter for the last 3 years are as follows:

		High	Low
2024	First Quarter	0.240	0.240
2023	First Quarter	0.260	0.230
	Second Quarter	0.222	0.222
	Third Quarter	0.275	0.270
	Fourth Quarter	0.230	0.230
2022	First Quarter	0.310	0.215
	Second Quarter	0.300	0.260
	Third Quarter	0.295	0.220
	Fourth Quarter	0.270	0.230
2021	First Quarter	0.280	0.214
	Second Quarter	0.335	0.235
	Third Quarter	0.315	0.250
	Fourth Quarter	0.280	0.230

The high, low and close price information as of May 8, 2024, the last practicable trading date, was ₱0.29, ₱0.29 and ₱0.29 per share, respectively.

**(2) Holders**

The numbers of shareholders of record as of March 31, 2024 were 1,004. Common shares issued and subscribed as of March 31, 2024 were 3,271,952,740.

**List of Top 20 Stockholders  
As of March 31, 2024**

<b>STOCKHOLDER'S NAME</b>	<b>NATIONALITY</b>	<b>SUBSCRIBED</b>	<b>% TOTAL</b>
PCD NOMINEE CORP.	FILIPINO	931,524,325	28.470
WILLIAM T. GATCHALIAN	FILIPINO	835,000,100	25.520
DEE HUA T. GATCHALIAN	FILIPINO	492,962,532	15.066
SHERWIN T. GATCHALIAN	FILIPINO	317,750,100	9.711
SHINJI KOBAYASHI	FILIPINO	210,650,000	6.438
ELVIRA A. TING	FILIPINO	111,850,000	3.418
KENNETH T. GATCHALIAN	FILIPINO	100,000,100	3.056
THE WELLEX GROUP, INC.	FILIPINO	80,000,000	2.445
RECOVERY DEVELOPMENT CORPORATION	FILIPINO	52,335,090	1.600
PACIFIC REHOUSE CORPORATION	FILIPINO	50,000,000	1.528
ORIENT PACIFIC CORPORATION	FILIPINO	36,340,000	1.111
LI CHIH-HUI	FILIPINO	23,500,000	0.718
PCD NOMINEE CORPORATION (NON-FILIPINO)	OTHERS	10,090,020	0.308
WELLEX GLOBAL EQUITIES, INC.	FILIPINO	4,050,000	0.124
INTERNATIONAL POLYMER CORP.	FILIPINO	2,700,000	0.083
SOLAR SECURITIES, INC	FILIPINO	2,500,000	0.076
JOAQUIN EUGENIO MATTHEW S. CHIPECO III	FILIPINO	1,660,000	0.051
RODOLFO S. ETRELLADO	FILIPINO	750,000	0.023
PROBITY SEC. MGT. CORP.	FILIPINO	463,200	0.014
RICHARD L. RICARDO	FILIPINO	460,000	0.014

**SIGNATURES**

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 **WELLEX INDUSTRIES, INC.**

Signature 

Title Kenneth T. Gatchalian

Title President

Signature 

Title Annabelle T. Abunda

Title Finance and Compliance Officer

Date MAY 09 2024

**WELLEX INDUSTRIES INCORPORATED AND SUBSIDIARIES**  
**Consolidated Statements of Financial Position**

**ANNEX A.1**

		Unaudited 31-Mar-24	Unaudited 31-Mar-23	Audited 31-Dec-23
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash	4	₱6,387,077	₱6,675,407	₱8,977,418
Trade and other receivables (net)	5	27,886,187	26,736,163	30,145,360
Prepayments and other current assets	6	18,153,161	17,467,627	17,630,250
		<b>52,426,425</b>	<b>50,879,197</b>	<b>56,753,028</b>
<b>Noncurrent Assets</b>				
Financial Assets at FVOCI	7	12,500,000	12,500,000	12,500,000
Advances to related parties (net)	18	23,265,657	24,434,375	24,297,719
Investment properties (net)	8	1,005,813,576	1,019,246,217	1,006,579,971
Interest in joint operation (net)	9	522,916,369	522,916,369	522,916,369
Property and equipment (net)	10	360,732	851,011	461,645
Deferred Asset		12,081	47,918	12,081
Other assets		95,844	95,844	95,844
		<b>1,564,964,259</b>	<b>1,580,091,734</b>	<b>1,566,863,629</b>
<b>TOTAL ASSETS</b>		<b>1,617,390,684</b>	<b>1,630,970,931</b>	<b>1,623,616,657</b>
<b>LIABILITES AND EQUITY</b>				
<b>Current Liabilities</b>				
Accounts payable and other liabilities	11	10,660,136	7,945,516	13,391,395
Advances from lessees	19	5,436,371	3,251,320	5,327,014
Lease Liability	18	48,323	143,349	48,323
Borrowing	12	-	313,434	-
Income Tax Payable		-	9,316	-
		<b>16,144,830</b>	<b>11,662,934</b>	<b>18,766,732</b>
<b>Noncurrent Liabilities</b>				
Advances from related parties	18	397,525,321	420,855,937	400,207,716
Retirement benefits obligation	17	875,700	834,000	875,700
Lease Liability - noncurrent	18	-	48,323	-
Deferred Tax Liability		11,878	47,513	11,878
		<b>398,412,899</b>	<b>421,785,773</b>	<b>401,095,294</b>
		<b>414,557,729</b>	<b>433,448,707</b>	<b>419,862,026</b>
<b>Equity</b>				
Capital stock	13	3,276,045,637	3,276,045,637	3,276,045,637
Additional paid-in capital	13	24,492,801	24,492,801	24,492,801
Deficit		(2,097,695,483)	(2,103,006,214)	(2,096,773,807)
		<b>1,202,842,955</b>	<b>1,197,532,224</b>	<b>1,203,764,631</b>
Treasury stock	13	(10,000)	(10,000)	(10,000)
		<b>1,202,832,955</b>	<b>1,197,522,224</b>	<b>1,203,754,631</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>₱1,617,390,684</b>	<b>₱1,630,970,931</b>	<b>₱1,623,616,657</b>

*(The accompanying notes are an integral part of these consolidated financial statements.)*

**WELLEX INDUSTRIES INCORPORATED AND SUBSIDIARIES**  
**Consolidated Statements of Comprehensive Income**

**ANNEX A.2**

		<b>Unaudited Jan - Mar 2024</b>	Unaudited Jan - Mar 2023	Audited Dec 31 2023
<b>RENTAL INCOME</b>		<b>₱8,368,451</b>	₱5,273,392	₱25,749,089
<b>DIRECT COSTS AND EXPENSES</b>	<b>14</b>	<b>766,397</b>	766,397	12,393,069
<b>GROSS PROFIT</b>		<b>7,602,054</b>	4,506,994	13,356,020
<b>OPERATING EXPENSES</b>	<b>15</b>	<b>8,306,419</b>	7,207,597	17,334,069
<b>LOSS FROM OPERATIONS</b>		<b>(704,365)</b>	(2,700,603)	(3,978,049)
<b>OTHER INCOME/(EXPENSE) (net)</b>	<b>16</b>	<b>(217,311)</b>	73,739	12,908,251
<b>FINANCE COSTS</b>		-	-	(740,619)
<b>LOSS BEFORE TAX</b>		<b>(921,676)</b>	(2,626,864)	8,189,583
<b>INCOME TAX (EXPENSE) BENEFITS</b>		-	-	(4,584,040)
<b>NET LOSS FOR THE PERIOD</b>		<b>(921,676)</b>	(2,626,864)	3,605,543
<b>LOSS PER SHARE</b>		<b>(₱0.0003)</b>	(₱0.0008)	₱0.0011

*(The accompanying notes are an integral part of these consolidated financial statements.)*

**WELLEX INDUSTRIES INCORPORATED AND SUBSIDIARIES**  
**Consolidated Statements of Changes in Equity**

**ANNEX A.3**

	<b>Unaudited</b>	Unaudited	Audited
	<b>31-Mar-24</b>	31-Mar-23	31-Dec-23
<b>CAPITAL STOCK</b>	<b>₱3,276,045,637</b>	₱3,276,045,637	₱3,276,045,637
<b>ADDITIONAL PAID-IN CAPITAL</b>	<b>24,492,801</b>	24,492,801	24,492,801
<b>DEFICIT</b>			
Balance at beginning of the period	<b>(2,096,773,807)</b>	(2,100,379,350)	(2,100,379,350)
Net loss for the period	<b>(921,676)</b>	(2,626,864)	3,605,543
Balance at end of the period	<b>(2,097,695,483)</b>	(2,103,006,214)	(2,096,773,807)
<b>TREASURY STOCK</b>	<b>(10,000)</b>	(10,000)	(10,000)
<b>TOTAL EQUITY</b>	<b>₱1,202,832,955</b>	₱1,197,522,224	₱1,203,754,631

*(The accompanying notes are an integral part of these consolidated financial statements.)*



**WELLEX INDUSTRIES INCORPORATED AND SUBSIDIARIES**  
**Consolidated Statements of Cash Flows**

**ANNEX A.4**

	<b>Unaudited Mar 31, 2024</b>	Unaudited Mar 31, 2023	Audited December 31, 2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income/(Loss) before tax	<b>(P921,676)</b>	(P2,626,864)	P8,189,583
Adjustments for:			
Depreciation	<b>867,310</b>	979,344	3,783,571
Provision for (reversal of) ECL on:			
Trade and Receivables	-	-	743,999
Advances to related parties	-	-	(1,378,081)
Provision for retirement benefits	-	-	41,700
Finance costs	-	-	740,619
Interest income	<b>(1,768)</b>	(2,376)	(941,956)
Gain on sale of investment properties	-	-	(11,332,213)
Operating income (loss) before working capital changes	<b>(56,134)</b>	(1,649,895)	(152,778)
Decrease (increase) in:			
Trade and other receivables	<b>2,259,173</b>	3,011,064	(1,142,132)
Prepayments and other assets	<b>(522,913)</b>	(238,930)	(401,552)
Increase (decrease) in:			
Accounts payable and other liabilities	<b>(2,731,259)</b>	2,826,038	8,271,916
Advances from lessees	<b>109,357</b>	(380,435)	1,695,259
Net cash generated from (used in) operations	<b>(941,776)</b>	3,567,842	8,270,713
Interest received	<b>1,768</b>	2,376	10,391
Income tax paid	-	-	(4,593,154)
Net cash provided by (used in) operating activities	<b>(940,008)</b>	3,570,217	3,687,950
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Collection (grant) of advances to related parties	<b>1,032,062</b>	1,240,189	3,686,491
Proceeds from sale of investment properties	-	-	27,890,121
Additions to investment property	-	-	(5,932,415)
Additions to property and equipment	-	-	(374,108)
Net cash provided by (used in) investing activities	<b>1,032,062</b>	1,240,189	25,270,089
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Addition (Payment) of advances from related parties	<b>(2,682,395)</b>	(6,770,103)	(28,130,805)
Payment of lease liability	-	-	(150,000)
Proceeds (Payment) from borrowings	-	(99,648)	(413,082)
Finance cost paid	-	-	(21,486)
Net cash provided by (used in) financing activities	<b>(2,682,395)</b>	(6,869,751)	(28,715,373)
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(2,590,341)</b>	(2,059,345)	242,666
<b>CASH</b>			
At beginning of year	<b>8,977,418</b>	8,734,752	8,734,752
At end of year	<b>P6,387,077</b>	P6,675,407	P8,977,418

*(The accompanying notes are an integral part of these consolidated financial statements.)*

**1. CORPORATE INFORMATION, STATUS OF OPERATIONS AND MANAGEMENT PLANS**

**Corporate Information**

Wellex Industries Incorporated (the 'Parent Company') was incorporated in the Philippines on October 19, 1956. The Parent Company engaged primarily in the business of mining and oil exploration and was known as Republic Resources and Development Corporation (REDECO). The Parent Company extended its corporate life for another 50 years up to October 19, 2056 which was approved by the Securities and Exchange Commission (SEC) on July 20, 2007.

The Parent Company's shares are listed and traded in the Philippine Stock Exchange (PSE).

The Parent Company wholly owns Plastic City Industrial Corporation (PCIC). PCIC ceased its manufacturing operations but PCIC subsidiaries have leased out their warehouse and building facilities.

The financial position and results of operations of the Parent Company and its Subsidiaries, (herein referred to as the 'Group') are consolidated in these financial statements.

The registered office address of the Parent Company is located at 35th Floor, One Corporate Center, Doña Julia Vargas Ave., cor. Meralco Ave., Ortigas Center, Pasig City, Philippines.

**Status of Operations and Management Plans**

For the quarter ended March 31, 2024 and 2023, the Group has incurred losses resulting in a deficit of ₱2,097,695,483 and ₱2,103,006,214, respectively. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, the Group may be unable to realize its assets and discharge its liabilities in the normal course of business. Albeit these conditions, management believes that the Group will be able to meet all its outstanding obligations and continue to operate as a going concern.

To continue as a going concern, the officers and major stockholders of the Group have committed to provide full financial support to the Group to sustain its operations, meet the working capital requirements and settle obligations as they fall due.

In prior years, the Parent Company's planned business of mining and oil exploration became secondary to real estate and energy development. On January 28, 2008, the BOD approved the amendment of the Parent Company's primary purpose from a holding company to a company engaged in the business of mining and oil exploration.

The purpose of the amendment of the primary purpose was to enable the Parent Company to ride the crest of a resurgent mining industry and including oil exploration of the country's offshore oil fields. The Parent Company's strategy is to identify mining properties with proven mineral deposits particularly nickel, chromite, gold and copper covered by Mineral Production Sharing Agreements (MPSAs) and to negotiate for either a buy-out or enter into a viable joint venture arrangement. For its oil and mineral exploration activities, the Parent Company has identified and conducted initial discussions with potential investors.

However, the continuing global financial crises dampened the metal and oil prices that adversely affected the investment environment of mining and oil, and mineral exploration industry of the country. To finance its operating expenses, the Parent Company obtains advances from related parties.

The Group has put on hold its plan to acquire a mining company with an existing Mineral Product Service Agreement (MPSA) with the Mines and Geosciences Bureau (MGB). This is due to the stringent requirements that the Department of Environment and Natural Resources (DENR) had placed on several dominant mining companies and the subsequent business slowdown in the industry as a result thereof.

#### *Redevelopment of the Plastic City Complex in Valenzuela*

On December 17, 2012, the Group and other related parties entered into a Memorandum of Agreement (MOA) with Avida Land Corp (ALC) for the development of 21.3 hectares of land located in Valenzuela City into a residential clusters of condominium, townhouses, house and lots. Out of the total 21.3 hectares, 12.8 hectares (representing 60% of the aggregate area) was owned by the Group and its affiliates and around 8.47 hectares were owned by related parties.

By virtue of a Rescission Agreement dated November 29, 2019, the Group elected not to pursue their Agreement with ALC for the development of the real estate. The project will now be undertaken in a joint venture with Philippine Estate Corporation (PHES), an affiliate, and will involve the conversion of the industrial state into a mixed-use hub with complimentary commercial, office and residential zones. The Group believes that it will increase the value of the property and will encourage the development and growth of a new Central Business District of Valenzuela City.

#### *Business and Operations*

Based on current operation, the Group's cash requirements can be generated internally from rental income from the remaining lease contracts of its subsidiaries. The management believes that resources are sufficient for projected leasing plans for the next twelve months. However, should there be an opportunity for an interested business acquisition as related above, there might be a need to raise funds via a stock rights offering with the local course. In any case, the Group has substantial amount of advances to related parties which are realizable upon demand.

The Group will explore new business opportunities in the development of industrial estates, and to this end, ocular inspections for suitable raw land for development into industrial estates are being carried out in Cavite, Laguna, Batangas and Bulacan. Discussions have been carried out with local government city planning officials in order to determine which sites are candidates for long-term success and the Group is in constant communication with urban planners and construction engineers in order to fully understand the financial feasibility models for the development of these industrial estates.

In addition, due to high demand in parking spaces and warehouses nowadays, management is eyeing to convert its unused land in Valenzuela into open parking spaces and renovate its vacant buildings into new warehouses for rent.

Project manpower will be outsourced when the operations commence and as the need arises. Technical and managerial positions will be filled when future operations commence in either the mining sector or industrial estate development. A capital-infusion and build-up program will address the Group's financial standing, the size and timing of which will be directly related to the planned entry into new business endeavors.

Despite the resurgence of global travel and renewed business interest in the Philippines, new territorial issues with claim have risen at the West Philippine Sea. This, together with economic turbulence brought about by the war in Ukraine and Palestinian conflict, has made management cautious about entering into new business ventures.

Consequently, the Group's consolidated financial statements have been prepared assuming that the Parent Company will continue as a going concern. The Group's consolidated financial statements do not include any adjustments relating to the recoverability and classification of the recorded assets or the recognition and classification of liabilities that might result from the outcome of this uncertainty.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized below and in the succeeding pages. The policies have been consistently applied to all the years presented, unless otherwise stated.

#### **Statement of Compliance**

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS) and Interpretations issued by the former Standing Interpretations Committee (SIC), the Philippine Interpretations Committee (PIC) and the International Financial

Reporting Interpretations Committee (IFRIC), which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

### **Basis of Preparation**

The consolidated financial statements have been prepared on a historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

### **Functional and Presentation Currency**

The consolidated financial statements are presented in Philippine peso (₱), the Group's functional currency. All amounts are rounded to the nearest peso except when otherwise indicated.

### **Current and Non-Current Classification**

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- expected to be realized or intended to be sold or consumed in normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realized within twelve months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reported period.

All other assets are classified as non-current.

A liability is current when:

- it is expected to be settled in normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and tax liability are classified as non-current assets and non-liabilities, respectively.

### **Basis of Consolidation**

The consolidated financial statements incorporate the financial statements of the Parent Company and subsidiaries it controls. Control is achieved when the Parent Company has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to use its power to affect its returns. The Parent Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of these three elements of control.

When the Parent Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

Consolidation of subsidiaries begins when the Parent Company obtains control over the subsidiaries and ceases when the Parent Company loses control of the subsidiaries. Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statements of comprehensive income from the date the Parent Company gains control until the date when the Parent Company ceases to control the subsidiaries.

The financial statements of the subsidiaries are prepared for the same reporting year, using accounting policies that are consistent with those of the Parent Company. Intra-group balances, transactions, income and expenses, and profits and losses resulting from intra-group transactions are eliminated in full in the consolidation.

Changes in the ownership interests in subsidiaries that do not result in the loss of control are accounted for as equity transactions.

If the Parent Company loses control over its subsidiaries, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resulting gain or loss is recognized in consolidated statements of comprehensive income.

### Composition of the Group

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at March 31, 2024 and 2023. The details of its subsidiaries are as follows:

Subsidiaries	Principal Activity	Ownership	
		2024	2023
Direct Ownership			
PCIC	Manufacturing	100%	100%
Indirect Ownership (Subsidiaries of PCIC)			
ICC	Manufacturing	100%	100%
KCC	Manufacturing	100%	100%
PPC	Manufacturing	100%	100%
Rexlon Industrial Corporation (RIC)	Manufacturing	100%	100%

#### a) Direct ownership

##### *PCIC*

PCIC and its subsidiaries have ceased operations but have leased out their warehouse facilities. The intention of the Group is to continue its operation by focusing on “injection molding” due to its very encouraging prospect and which has shown to have a high viability rating that will contribute highly towards the Group’s maximum operation and financial position. Management is continuously in search for reliable joint venture partners who have the means to continue its operations.

#### b) Indirect ownership

##### *ICC*

ICC was incorporated in the Philippines and registered with the SEC on June 23, 1981, primarily to engage in the manufacture of plastic containers. The Company ceased its commercial operations on July 30, 2000, and has leased out its buildings as warehouses.

##### *KCC*

KCC was incorporated in the Philippines and registered with the SEC on February 14, 1983. The Company was established to manufacture all kinds of plastic containers. The Company ceased its commercial operations on April 30, 2002, and has leased out its buildings as warehouses.

##### *PPC*

PPC was incorporated in the Philippines and registered with the SEC on October 1, 1982. The Company was established primarily to manufacture plastic raw materials, rigid and non-rigid plastic products, plastic compounds, derivatives and other related chemical substances. The Company ceased its commercial operations on May 16, 2002, and has leased out its buildings as warehouses.

##### *RIC*

RIC was incorporated in the Philippines and registered with the SEC on October 9, 1984. The Company was engaged in the business of manufacturing and molding plastic products. The Company ceased its commercial operations on April 30, 2002.

### Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial years except for the following new and amended PFRS that are mandatorily effective for annual periods beginning on or after January 1, 2023.

*Disclosure of Accounting Policies (Amendments to PAS 1 and PFRS Practice Statement 2).* The narrow-scope amendments PAS 1, Presentation of Financial Statements require entities to disclose material accounting policy information instead of significant accounting policies. The amendments also clarify the following: (1) accounting policy information may be material because of its nature, even if the related amounts are immaterial; (2) accounting policy is material if users of an entity's financial statements would need it to understand other material information in the statements; and (3) if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information. Further, the amendments provide several paragraphs to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material. In addition, PFRS Practice Statement 2 has been amended by adding guidance and examples to explain and demonstrate the application of 'four-step materiality process' to accounting policy information in order to support the amendments to PAS 1. The amendments are applied prospectively. Management assessed that the application of such amendments had no significant impact on the Group's consolidated financial statements.

*Definition of Accounting Estimates (Amendments to PAS 8).* The amendments to PAS 8, Accounting Policies, Changes focus entirely on accounting estimates and clarify the following:

- The definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".
- Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.
- A change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.
- A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognized as income or expense in the current period. The effect, if any, on future periods is recognized as income or expense in those future periods.

Management assessed that the application of such amendments had no significant impact on the Group's consolidated financial statements.

*Deferred Tax Related to Assets and Liabilities arising from Single Transaction (Amendments to PAS 12).* The amendment clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary difference arise on initial recognition. The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgment (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense). Management assessed that the application of such amendments had no significant impact on the Group's consolidated financial statements.

### **New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to January 1, 2023**

Standards issued but not yet effective up to the date of the Group's consolidated financial statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

*Classification of Liabilities as Current or Noncurrent (Amendments to PAS 1).* The narrow-scope amendments to PAS 1, Presentation of Financial Statements clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (eg the receipt of a waiver or a breach of covenant). The amendments also clarify what PAS 1 means when it refers to the 'settlement' of a liability. The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. The amendments are effective for annual periods beginning on or after January 1, 2024, with earlier application permitted.

*Noncurrent Liabilities with Covenants (Amendments to PAS 1)*. The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of liability. Only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as either current or non-current. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months. The amendments are effective for annual periods beginning on or after January 1, 2024.

*Lease Liability in a Sale and Leaseback (Amendments to PFRS 16)*. The amendment clarifies the how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in PFRS 15 to be accounted for as a sale. The amendments to PFRS 16 specifies that, in subsequently measuring the lease liability, the seller-lessee determines 'lease payments' and 'revised lease payments' in a way that does not result in the seller-lessee recognizing any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after January 1, 2024.

*Cash Flow Statements and PFRS 7 (Amendments)*, Financial Instruments: Disclosures – Supplier Finance Agreements. The amendment does not define supplier finance arrangements. Instead, the amendment describes the characteristics of an arrangement for which an entity is required to provide information. The amendments note that arrangements that are solely credit enhancements for the entity or instruments used by the entity to settle directly with a supplier the amounts owed are not supplier finance arrangements. The entities will have to disclose in the notes information that enable users of the financial statements to assess how supplier finance arrangements affect an entities' liabilities and cash flows and understand its effects on exposure to liquidity risk and how the entity may be affected if the arrangements were no longer available.

The amendments are effective for annual periods beginning on or after January 1, 2024, with earlier application permitted.

*The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability*. The amendment specifies that a currency is exchangeable when an entity can exchange that currency for the other currency through markets or exchange mechanisms that create enforceable rights and obligations without undue delay at measurement date and for a specified purpose while a currency is not exchangeable into other currency if an entity can only obtain an insignificant amount of the other currency. When a currency is not exchangeable, an entity estimates the spot exchange rate as the rate that would have applied to an orderly transaction between market participants at the measurement date and that would faithfully reflect the economic conditions. The amendment requires the disclosure of additional information when a currency is not exchangeable.

The amendment is effective for annual periods beginning on or after January 1, 2025, with earlier application permitted.

#### *Deferred Effectivity*

*PFRS 10, Consolidated Financial Statements and PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)*. The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture. On January 13, 2016, the FRSC deferred the original effective date of April 1, 2016 of the said amendments until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

The Group has not early adopted the previously mentioned new, amended and improved accounting standards and interpretations. The Group continues to assess the impact of the above new, amended and improved accounting standards and interpretations that are effective subsequent to January 1, 2023 on its consolidated financial statements in the period of initial application.

Additional disclosures required by these amendments will be included in the consolidated financial statements when these amendments are adopted.

#### **Determination of Fair Value and Fair Value Hierarchy**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

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

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

The Group determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement.

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

Fair value measurement disclosures of financial and non-financial assets are presented in Note 24 to the consolidated financial statements.

#### **“Day 1” Difference**

When the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a “Day 1” difference) in the consolidated statements of comprehensive income unless it qualifies for recognition as some other type of asset or liability. 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 statements of comprehensive 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.



## **Financial Instruments**

### *Initial Recognition, Measurement and Classification*

The Group recognizes financial assets and financial liabilities in the consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place are recognized on the settlement date.

With the exception of trade receivables that do not contain a significant financing component, financial assets and financial liabilities are recognized initially at fair value including transaction costs, except for those financial assets and liabilities at FVPL where the transaction costs are charged to expense in the period incurred. Trade receivables that do not contain a significant financing component are recognized initially at their transaction price.

The Group classifies its financial assets as subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI) and FVPL.

The classification of financial assets depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing the financial assets. The Group's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Group classifies its financial liabilities as subsequently measured at amortized cost using the effective interest method or at FVPL.

The Group does not have any financial instruments that are measured and classified at FVPL.

### *Financial Assets at Amortized Cost*

Financial assets are measured at amortized when both of the following conditions are met:

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

After initial measurement, financial assets at amortized cost are subsequently measured using the effective interest method less allowance for impairment. Gains and losses are recognized in the statements of comprehensive income when the financial assets at amortized cost are derecognized, modified or impaired. These financial assets are included in current assets if maturity is within twelve (12) months from the end of reporting period. Otherwise, these are classified as noncurrent assets

As at March 31, 2024 and 2023, included under financial assets at amortized cost are the Group's cash, trade and other receivables, and advances to related parties (see Notes 4, 5 and 20).

### *Cash*

The Group's cash includes cash on hand and in banks. Cash in banks earn interest at respective bank deposit rates.

### *Trade and other receivables*

Receivables consist of trade receivable, advances to third parties, rental receivable and utilities receivable.

### *Advances to related parties*

Represent non-interest bearing cash advances to related parties for working capital requirements.

### *Equity Instruments Designated at FVOCI*

Upon initial recognition, the Group may make an irrevocable election to present in other comprehensive income changes in the fair value of an equity investment that is not held for trading. The classification is determined on an instrument-by-instrument basis.

When the equity instrument is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is not subsequently reclassified to profit or loss, but is transferred to retained

earnings. Dividends on such investments are recognized in profit or loss when the right of payment has been established, except when the dividends represent a recovery of part of the cost of the investment, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at FVOCI are not subject to impairment assessment. These financial assets are classified as noncurrent assets.

As at March 31, 2024 and 2023, the Group elected to classify irrevocably its unquoted equity investments under this category (see Note 7).

#### *Financial Liabilities at Amortized Cost*

Financial liabilities that are not contingent consideration of an acquirer in a business combination, held for trading, or designated as at FVPL, are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

As at March 31, 2024 and 2023, included in financial liabilities at amortized cost are the Group's accounts payable and other liabilities, borrowings, advances from related parties, lease liability and advances from lessees (see Notes 11, 12, 20 and 22).

#### *Accounts payable and other liabilities*

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Other current liabilities include non-trade payables and accrued expenses.

#### *Advances from related parties*

Represents cash advances to related parties for working capital requirements.

#### *Advances from lessees*

Represent payment of advance rental which shall be refunded without interest on the expiration of the lease or pre-termination of the lease period.

#### *Borrowing cost*

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in the consolidated statements of comprehensive income in the period incurred.

#### *Lease liability*

Lease liability represents the Group's obligation to make lease payments for all leases with a term of more than twelve (12) months, unless the underlying asset is of low value is effectively treated as a financial liability which is measured at amortized cost, using its incremental borrowing rate as the discount rate.

#### **Offsetting of Financial Instruments**

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statements 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 assets and settle the liabilities simultaneously.

## **Derecognition of Financial Instruments**

### *Financial assets*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- 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 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 substantially all risks and rewards of the asset, but has transferred 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 the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

### *Financial liabilities*

A financial liability is derecognized when the obligation under the liability was discharged, 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 derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

## **Impairment of Financial Assets**

The Group recognizes an allowance for ECL for all debt instruments that are measured at amortized cost or at FVOCI. ECL is a probability-weighted estimate of credit losses over the expected life of the financial asset.

Credit losses are the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. The expected cash flows include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The Group assesses at each end of the reporting period whether the credit risk on a financial asset has increased significantly since initial recognition. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is measured at an amount equal to the lifetime ECL. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, a loss allowance is measured at an amount equal to 12-month ECL. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within twelve (12) months after the reporting period.

For trade and other receivables, the Group applies a simplified in calculating ECL. The ECL on these financial assets are estimated using a provision matrix based on the Group’s historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment, including time value of money where appropriate.

For advances to third parties and related parties, the Group applies a general approach in calculating ECL. The Company recognizes a loss allowance using management’s adopted policy on ECL at the end of each reporting period.

When the credit risk on financial instruments for which lifetime ECL have been recognized subsequently improves, and the requirement for recognizing lifetime ECL is no longer met, the loss allowance is measured at an amount equal to 12-month ECL at the current reporting period, except for assets for which simplified approach was used.

The Group recognizes impairment loss (reversals) in consolidated statements of comprehensive income for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset in the consolidated statements of financial position.

#### *Significant increase in credit risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the end of reporting period with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. the extent to which the fair value of a financial asset has been less than its amortized cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are one (1) day past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the end of reporting period. A financial instrument is determined to have low credit risk if:

- the financial instrument has a low risk of default;
- the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

#### *Definition of default*

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or

- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group)

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than one (1) year past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

#### *Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lenders of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lenders would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- or
- the disappearance of an active market for that financial asset because of financial difficulties.

#### *Write-off policy*

The Group writes-off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables and contract assets, when the amounts are over five (5) years past due, whichever occurs sooner.

Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in consolidated statements of comprehensive income.

#### **Prepayments and Other Current Assets**

Prepayments are expenses paid in advance and recorded as asset before they are utilized. Prepayments are initially recognized at cost and subsequently measured at cost less any utilized portion and impairment loss. This account comprises prepaid items which are apportioned over the period covered by the payment and charged to the appropriate accounts in the consolidated statements of comprehensive income when incurred.

Prepayments that are expected to be realized for not more than twelve (12) months after the reporting period are classified as current assets; otherwise, these are classified as other noncurrent assets.

An impairment loss is recognized for the amount by which the assets carrying amount exceeds its recoverable amount. Prepaid expenses are derecognized upon consumption and usage.

#### *Input value-added tax (VAT) and Other Prepaid Taxes*

Input VAT is the indirect tax paid by the Group on the local purchase of goods or services from a VAT-registered person. Creditable withholding tax pertains to taxes withheld by the customers upon payment and is to be deducted from income tax payable of the Group.

The Group's input tax and other prepaid taxes are initially recognized at face value and subsequently measured at face value less provision for impairment, if any. Allowance for unrecoverable input tax and other prepaid taxes, if any, are maintained by the Group at a level considered adequate to provide for potential uncollectible portion of the claims. The Group, on a continuing basis, makes a review of the status of the claims designed to identify those that may require provision for impairment loss.

#### **Property and Equipment**

Property and equipment are tangible assets that are held for use supply of services, for rental to others, or for administrative purposes, and are expected to be used during more than one (1) period.

Property and equipment are initially measured at cost. The cost of property and equipment comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location of its intended use.

Subsequent to initial recognition, property and equipment are carried at cost less accumulated depreciation and any impairment in value.

Expenses that provide incremental future economic benefits to the Group are added to the carrying amount of an item of property and equipment. All other expenses are recognized in the consolidated statements of comprehensive income as incurred.

Depreciation of property and equipment commences once the property and equipment are available for use and computed using the straight-line basis over the estimated useful life of property and equipment as follows:

	In Years
Buildings and improvements	5 to 50
Machinery and equipment	4 to 32
Transportation equipment and tools	5 to 10
Furniture and fixtures	3 to 10
Right-of-use Asset	2

The useful lives and depreciation method are reviewed annually to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

When property and equipment are retired or otherwise disposed of, the cost and the related accumulated depreciation and accumulated provision for impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations. Fully depreciated property and equipment are retained in the accounts until they are no longer in use and no further depreciation is charged against current operations.

### **Investment Properties**

Investment properties are for rental and capital appreciation, and not occupied by the Group.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties (except land) are carried at cost less accumulated depreciation and any impairment in value. Land is carried at cost less any impairment in value.

Expenses that provide incremental future economic benefits to the Group are added to the carrying amount of an item of property and equipment. All other expenses are recognized in the consolidated statements of comprehensive income as incurred.

Depreciation is computed using the straight-line method over the following estimated useful lives:

	In Years
Buildings and improvements	50
Land improvements	5

Investment properties are derecognized when either they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of comprehensive income in the year of retirement or disposal.

A transfer is made to investment property when there is a change in use, evidenced by ending of owner-occupation and commencement of an operating lease to another party. A transfer is made from investment property when and only when there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. A transfer between investment property, owner-occupied property and inventory does not change the carrying amount of the property transferred nor does it change the cost of that property for measurement or disclosure purposes.

### **Interest in Joint Operation**

The Group has entered into joint operations for the development of properties.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a Group undertakes its activities under joint operations, the Group as a joint operator recognizes in relation to its interest in a joint operation:

- Its assets, including its share of any assets held jointly.
- Its liabilities, including its share of any liabilities incurred jointly.
- Its revenue from the sale of its share of the output arising from the joint operation.
- Its share of the revenue from the sale of the output by the joint operation.
- Its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the PFRS applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognized in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognize its share of the gains and losses until it resells those assets to a third party.

### **Impairment of Non-Financial Assets**

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any). When the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted at their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increase to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income.

### **Equity**

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are measured (initial and subsequent) at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

#### *Capital stock*

Capital stock represents the par value of the shares of the Parent Company that are issued and outstanding as of reporting date.

#### *Additional paid-in Capital*

Additional paid-in capital includes any premium received on the initial issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

#### *Treasury shares*

Treasury shares are own equity instruments which are reacquired and are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Treasury shares represent capital stock of the Parent Company that is owned by its subsidiary.

#### *Deficit*

Deficit includes all current and prior period results of operation as disclosed in the consolidated statements of comprehensive income.

#### **Revenue Recognition**

Revenue is recognized to the extent that it is probable that economic benefits will flow to the entity and the amount of revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for services provided in the normal course of business.

#### *Rental income*

Rental from investment properties that is leased to a third party under an operating lease is recognized in the consolidated statements of comprehensive income on a straight-line basis over the lease term. Rental received in advance is treated as advances from lessees and recognized as income when actually earned.

#### *Interest income*

Interest income is accrued on a time proportion basis, by reference to the principal amount outstanding and at the effective interest rate applicable.

#### *Other income*

Other income is income generated outside the normal course of business and is recognized when it is probable that the economic benefits will flow to the Group and it can be measured reliably.

#### **Expense Recognition**

Cost and expenses are recognized in the consolidated statements of comprehensive income when decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. Expenses in the consolidated statements of comprehensive income are presented using the functional method.

#### *Direct cost and expenses*

Direct cost and expenses are recognized as expense when the related services are rendered.

#### *Operating expenses*

Operating expenses constitute costs of operating and administering the business and are expensed as incurred.

#### **Income Tax**

The tax expense for the period comprises current tax only. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity.



The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable income. Deferred income tax is determined using tax rates and laws, in the period the temporary difference is expected to be recovered or settled, that have been enacted or substantively enacted as at reporting period.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each reporting date the Group reassesses the need to recognize previously unrecognized deferred income tax asset.

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax asset against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

## **Leases**

### **Group as Lessee**

At inception of a contract, the Group assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group has elected to apply the practical expedient to account for each lease component and any non-lease components as a single lease component.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined generally, the Group uses its incremental borrowing rate as the discount rate.

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

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group applies the practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases is recognized as an expense on a straight-line basis over the lease term.

### *Group as Lessor*

Leases wherein the Group substantially transfers to the lessee all risks and benefits incidental to ownership of the leased item are classified as finance leases and are presented as receivable at an amount equal to the Group's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Group's net investment outstanding in respect of the finance lease.

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating lease. Lease income from operating lease is recognized in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

The Group determines whether an arrangement is, or contains a lease based on the substance of the arrangement. It makes an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

The Group is a party to operating leases as a lessor. Rentals received under operating leases are charged to consolidated statements of comprehensive income (net of any incentives).

### **Related Party Relationships and Transactions**

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

Related party relationship exists when: (a) a person or a close member of that person's family has control or joint control, has significant influence or is a member of the key management personnel of the reporting entity or of a parent of the reporting entity; and (b) when any of the following conditions apply: (i) the entity and the Group are members of the same group; (ii) one entity is an associate or joint venture of the other entity; (iii) both entities are joint ventures of the same third party; (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third party; (v) the entity is a post-employment benefit plan for the benefit of employees of the Group; (vi) the entity is controlled or jointly controlled by a person as identified in (a) above; (vii) the entity or any member of a group of which it is part, provides key management personnel services to the Group or to the parent of the Company; (viii) a person identified in (a) above has significant influence over the entity or is a member of the key management personnel of the entity or of a parent of the entity.

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

### **Retirement Benefits Obligation**

The Group has no formal retirement plan for its employees as it does not meet the minimum number of employees required for the establishment of a retirement benefit plan, but accrues the estimated cost of retirement benefits required by the provisions of Republic Act (RA) No. 7641 (Retirement Law). Under RA 7641, the Group is required to provide minimum retirement benefits to qualified employees. The retirement cost accrued includes current service cost and estimated past service cost as determined under RA 7641.

### **Segment Reporting**

A business segment is a Group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments.

Operating segments are reported on the basis upon which the Group reports its primary segment information. Financial information on business segments is presented in Note 21.

### **Earnings (Loss) Per Share**

Earnings (loss) per share are determined by dividing net income (loss) for the year by the weighted average number of common shares outstanding during the year, excluding common shares purchased by the Group and held as treasury shares.

### **Provisions and Contingencies**

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. 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 assessments 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 interest expense. When the Group expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain and its amount is estimable. The expense relating to any provision is presented in the consolidated statements of comprehensive income, net of any reimbursement.

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the consolidated financial statements.

### **Events After the Reporting Date**

The Group identifies post-year events as events that occurred after the reporting date but before the date when the consolidated financial statements were authorized for issue. Post year-end events that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the consolidated financial statements when material.

### **3. MATERIAL ACCOUNTING JUDGMENTS AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTION**

The preparation of the Group's consolidated financial statements requires management to make judgments and estimates that affect amounts reported in the consolidated financial statements. These judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group believes the following represent a summary of these significant judgments and estimate and related impact and associated risks in the consolidated financial statements.

#### **Material Accounting Judgments in Applying the Group's Accounting**

In the process of applying the Group's accounting policies, management has made the following judgments apart from those involving estimation, which have the most significant effect on the amounts recognized in the consolidated financial statements:

##### *Leases*

###### *Group as lessee*

The Group has entered into contract of lease for its office space it occupies. In determining the substance of the lease, the Group considered, among others, whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Based on management judgment, the Group's lease for its office space has substance of lease, thus, the Group recognized right-of-use asset representing the right to use the leased asset and lease liability representing its obligation to make lease payments.

###### *Group as lessor*

The Group has entered into property leases on its buildings classified as investment properties. The Group has determined that it retains all significant risks and rewards of ownership of the property as the Group considered, among others, the length of the lease term as compared with the estimated life of the assets. The Group's operating lease contracts are accounted for as non-cancellable operating leases. In determining whether a lease contract is non-cancellable, the Group considers the provisions in the lease contract which among others, the payment of rental corresponding to the unexpired portion of the lease

period. The Group accounts the lease of its buildings under operating lease in accordance with the provision of lease contract and terms of the lease.

*Distinction between investment properties and interest in joint operation*

The Group determines whether a property contributed to joint venture operations will be classified as investment properties or investment in joint venture. In making this judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by the Group or whether it will be retained as part of the Group's asset and treated as the Group's share in the joint venture, based on the provisions governing the joint venture agreement. The Group considers land contributed to the joint venture as its investment. The Group, in the normal course of business does not hold the property to earn rentals or for capital appreciation; accordingly, land invested in the joint venture is classified as interest in joint operation (see Note 9).

*Realizability of input VAT*

The Group reviews and assesses its input VAT for its recoverability. Factors which primarily affect the recoverability include the completeness of the supporting documentation, entitlement to claim VAT paid as input tax credit against output tax liabilities and future vatable revenue. As at March 31, 2023 and 2022, the Group assessed that its input VAT is recoverable in future periods.

The Group's input VAT amounted to ₱4,734,435 and ₱1,983,381 as at March 31, 2024 and 2023, respectively (see Note 6).

*Operating segments*

The Group is organized and managed separately according to the nature of business. The Group reports its segment information according to its activities. Reportable segment operation pertains to the Group's leasing activity, while the non-reportable segment operation pertains to manufacturing operation, and mining and oil exploration.

*Provisions and contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision and disclosure of contingencies are discussed in Note 2.

**Significant Accounting Estimates and Assumptions**

*Determination of ECL on trade and other receivables, and advances to related parties*

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 22.

The carrying amount of the Group's trade and other receivables amounted to ₱27,828,349 and ₱26,736,163 as at March 31, 2024 and 2023, respectively. Allowance for ECL recognized in the statements of financial position amounted to ₱82,216,857 and ₱81,472,859 as at March 31, 2024 and 2023, respectively (see Note 5).

The carrying amount of the Group's advances to related parties amounted to ₱23,265,657 and ₱24,434,375 as at March 31, 2024 and 2023, respectively. Allowance for ECL recognized in the statements of financial position amounted to ₱127,632,610 and ₱129,010,691 as at March 31, 2024 and 2023, respectively (see Note 18).

*Useful lives of property and equipment, and investment properties*

The Group estimates the useful lives of property and equipment, and investment properties, except land, are based on the period over which the assets are expected to be available for use. The estimated useful lives are reviewed and updated if expectations differ from previous estimates due to physical wear and tear. The estimation of the useful lives of the property and equipment, and investment properties is based on a collective assessment of industry practice 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 factors mentioned above.

The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property and equipment, and investment properties would increase recorded operating expenses and decrease noncurrent assets.

The net carrying values of the Group's investment properties (except land) and property and equipment as at March 31, 2024 and 2023 are as follows:

	2024	2023
Property and equipment	P360,732	P851,011
Investment properties	42,422,722	45,229,870
	<b>P42,783,454</b>	<b>P46,080,881</b>

*Impairment of non-financial assets*

Non-financial assets are periodically reviewed to determine any indication of impairment. Though management believes that the assumptions used in the estimation of fair values are reasonable and appropriate, significant changes in these assumptions may materially affect the assessment of the recoverable amounts and any resulting impairment loss could have a material adverse effect in the results of operations.

The accumulated impairment losses on investment properties, investment in joint venture, and property and equipment amounted to P237,408,239, P47,641,000, and P80,120,199, respectively, as at March 31, 2024 and 2023 (see Notes 8, 9 and 10).

*Retirement benefits obligation*

The determination of the Group's obligation and cost of pension benefits is dependent on certain assumptions used by management in calculating such amounts. Any changes in these assumptions will impact the carrying amount of retirement benefit obligation. In estimating the Group's retirement benefit obligation, the Group used the minimum required retirement payment of 22 ½ days for every year of service as mandated by RA 7641. The Group also considers the employee's current salary rate and the employees' number of service years.

Retirement benefits obligation as at March 31, 2024 and 2023, amounted to P875,700 and P834,000, respectively (see Note 17). The Group believes that the retirement benefits obligation and retirement expense would not materially differ had the Group used projected unit credit method for the computation of retirement benefits because of minimal number of employees.

*Deferred tax assets*

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. The recognition of deferred tax assets is based on the assessment that the Group will generate sufficient taxable profit to allow all or part of the deferred tax assets will be utilized.

The Group looks at its projected performance in assessing the sufficiency and timing of future taxable income. Based on management assessment, the Group would not be able to realize the deferred tax assets in the near future.

**4. CASH**

Cash as at March 31 are as follows:

	2024	2023
Cash on hand	P20,000	P20,000
Cash in bank	6,367,077	6,655,407
	<b>P6,387,077</b>	<b>P6,675,407</b>

Cash in banks earn interest at the respective bank deposit rates. Interest income earned from deposits amounted to P1,768 and P2,376 as of March 31, 2024 and 2023, respectively (note 16).

There is no restriction on the Group's cash as at March 31, 2024 and 2023.

## 5. TRADE AND OTHER RECEIVABLES – net

Trade and other receivables as at March 31 are as follows:

	2023	2023
Advances to third parties	P100,644,242	P100,644,242
Receivable from related parties - 18	318,506	318,506
Rental receivable - 19	1,425,285	1,024,165
Utilities receivable	294,355	326,688
Others	7,420,655	5,895,420
	<b>110,103,043</b>	108,209,021
Allowance for ECL	<b>(82,216,857)</b>	(81,472,859)
	<b>P27,886,187</b>	P26,736,163

Rent Receivable are non-interest bearing and are collectible within thirty (30) days.

Advances to third parties represent receivable from a previously disposed subsidiary.

Other receivables include advances to employees and reimbursable expenses from PCIC subsidiaries' tenants.

Certain trade and other receivables were found to be impaired using the provisional matrix as determined by the management, hence, adequate amounts of allowance for impairment have been recognized

The movement in the allowance for ECL is as follows:

	2024	2023
Beginning Balance	P82,216,857	P86,474,558
Provision for ECL	-	(5,001,700)
	<b>P82,216,857</b>	P81,472,859

The Group's trade and receivables as at March 31, 2024 and 2023 are not held as collateral for its liabilities and are free from any encumbrances.

## 6. PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayments and Other Current Assets as at March 31 are as follows:

	2024	2023
Creditable withholding tax	P13,418,725	P12,719,746
Input VAT	4,734,435	1,983,381
Other Prepaid Expenses	-	2,764,500
	<b>P18,153,161</b>	P17,467,627

As at March 31, 2024 and 2023, respectively, no provision for impairment has been recorded since management believes that the accounts are fully realizable.

## 7. FINANCIAL ASSET AT FVOCI

The Group's financial asset at FVOCI consists of investment in unquoted shares of stock amounting to P12,500,000 represents ownership in Bulacan Harbour Dev't. Corp. This investment is irrevocably designated at FVOCI as the Group considers this investment to be strategic in nature and it holds this investment to foreseeable future. The cost of the investment approximates its fair value.

The Group's financial assets at FVOCI as at March 31, 2024 and 2023 are not held as collateral for its financial liabilities.

## 8. INVESTMENT PROPERTIES – net

Details of investment properties as at March 31 are as follows:

March 31, 2024	Land	Land improvement	Building and improvements	Total
<b>Cost</b>				
Beginning	₱1,024,201,504	₱3,290,825	₱312,179,250	1,339,671,579
Write off	-	-	-	-
Ending	1,024,201,504	3,290,825	312,179,250	1,339,671,579
<b>Accumulated Depreciation</b>				
Beginning	-	3,290,825	92,392,542	95,683,367
Depreciation	-	-	766,397	766,397
Ending	-	3,290,825	93,158,939	96,449,764
<b>Accumulated impairment loss</b>				
Beginning and end of the year	60,810,650	-	176,597,589	237,408,239
<b>New Carrying amount</b>	<b>₱963,390,854</b>	<b>₱ -</b>	<b>₱42,422,722</b>	<b>₱1,005,813,576</b>

March 31, 2023	Land	Land Improvement	Building and improvements	Total
<b>Cost</b>				
Beginning	₱1,034,826,997	₱3,290,825	₱312,179,250	₱1,350,297,072
Write off	-	-	-	-
Ending	1,034,826,997	3,290,825	312,179,250	1,350,297,072
<b>Accumulated Depreciation</b>				
Beginning	-	3,290,825	89,585,395	92,876,219
Depreciation	-	-	766,397	766,397
Ending	-	3,290,825	90,351,792	93,642,616
<b>Accumulated impairment loss</b>				
Beginning and end of the year	60,810,650	-	176,597,589	237,408,239
<b>New Carrying amount</b>	<b>₱974,016,347</b>	<b>₱-</b>	<b>₱45,229,870</b>	<b>₱1,019,246,217</b>

Rental income earned on the above investment properties amounted to ₱8,368,451 and ₱5,273,392 for the quarters ended March 31, 2024 and 2023, respectively. While direct costs and expenses incurred on the buildings amounted to ₱0.8 million and ₱0.8 million in March 31, 2024 and 2023, respectively, shown under “Direct costs and expenses” in the statements of comprehensive income (see Note 14).

Fully depreciated investment properties still in use as at March 31, 2024 and 2023 amounted to ₱3,290,824.

The aggregate fair value of the investment properties amounted to ₱3,600,224,600 and ₱3,543,635,160, as at March 31, 2024 and 2023, respectively.

The fair values are based on combination of appraisal done by an independent appraiser on various dates in 2022 and using the market approach, in which the fair value is based on prices recently paid for similar assets, with adjustment made to the indicated market prices to reflect condition and utility of the appraised assets relative to the market comparable.

The fair value of the land was arrived using the sales comparison approach. This comparative approach, considers the sales of similar or substitute properties and related market data, and establishes a value estimate by process involving comparison. The value of the building and improvements was arrived at using cost approach. In the cost approach, an estimate is made of the current replacement/reproduction cost, new of the replaceable property in accordance with the prevailing market prices for materials, equipment, labor, contractor’s overhead, profit, fees and all other attendant costs associated with its acquisition, installation and construction in place, but without provision for overtime or bonuses for labor and premiums for materials.

The fair value information of investment properties is disclosed in Note 24.

Except from restrictions described above, there are no other restrictions on the realizability of its investment properties and no other contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

#### 9. INTEREST IN JOINT OPERATION – net

The Group’s investment in joint venture represents land contributed to the Joint Venture.

In July 1997, the Group, together with International Polymer Corp. (IPC), Pacific Rehouse Corp. (PRC) and Ropeman International Corp. (RIC), entered into a Joint Venture Agreement (the “Agreement”) as Owners with Philippine Estates Corporation (PHES), as Developer for the Metrotech Industrial Park. Under the agreement, the owners contributed land with an approximate area of 29.5629 hectares located in Canumay, Valenzuela City, whereby PHES will develop into industrial estate in accordance with the plans mutually agreed by venturers.

The developer is entitled to forty percent (40%) of the net proceeds after deducting all relevant taxes, marketing and administrative expenses, and the remaining sixty percent (60%) of the shall constitute the owners share, divided proportionately to the areas of property contributed.

The carrying amount of joint venture asset is as follows:

	2024	2023
Cost		
At beginning and end of period	₱570,557,369	₱570,557,369
Adjustment	-	-
	<b>570,557,369</b>	570,557,369
Accumulated impairment loss		
At beginning and end of period	47,641,000	47,641,000
Net carrying amounts	<b>₱522,916,369</b>	₱522,916,369

The fair value information of investment in joint operation is disclosed in Note 24.

No liabilities, revenue and expenses recognized in relation to the joint venture for the first quarter of 2024 and 2023.

#### 10. PROPERTY AND EQUIPMENT – net

The reconciliation of property and equipment as at March 31 as follows:

	Building and Improvements	Machinery and Equipment	Transportation Equipment and Tools	Furniture and Fixtures	Right-Of- Use Asset	Total
Cost						
At beginning & end of period	₱800,000	₱547,522,657	₱9,917,567	₱10,043,310	₱285,077	₱568,568,611
Additional/Disposal	-	-	-	-	-	-
	<b>800,000</b>	<b>547,522,657</b>	<b>9,917,567</b>	<b>10,043,310</b>	<b>285,077</b>	<b>568,568,611</b>
Accumulated depreciation						
At beginning of period	800,000	467,402,458	9,917,567	9,629,178	237,564	487,986,767
Depreciation	-	-	-	100,913	-	100,913
Balance at end of period	<b>800,000</b>	<b>467,402,458</b>	<b>9,917,567</b>	<b>9,730,091</b>	<b>237,564</b>	<b>488,087,680</b>
Impairment loss						
Balance at beg. and end of period	-	80,120,199	-	-	-	80,120,199
Net carrying amounts, March 31, 2024	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱313,219</b>	<b>₱47,513</b>	<b>₱360,732</b>



	Building and Improvements	Machinery and Equipment	Transportation Equipment and Tools	Furniture and Fixtures	Right-Of- Use Asset	Total
Cost						
At beginning & end of period	₱800,000	₱547,522,657	₱9,917,568	₱9,669,202	₱285,077	₱568,194,503
Additional/Disposal	-	-	-	-	-	-
	800,000	547,522,657	9,917,568	9,669,202	285,077	568,194,503
Accumulated depreciation						
At beginning of period	800,000	467,402,458	9,393,757	9,319,105	95,025	487,010,345
Depreciation	-	-	195,514	17,433	-	212,947
Balance at end of period	800,000	467,402,458	9,589,271	9,336,538	95,025	487,223,292
Impairment loss						
Balance at beg and end of period	-	80,120,199	-	-	-	80,120,199
Net carrying amounts, March 31, 2023	₱-	₱-	₱328,296	₱332,664	₱190,052	₱851,011

Reversal of right-of-use assets pertains to expired lease contract.

In 2020, the Group purchased two units of delivery truck and used as collateral for the borrowings obtained from a local bank (see Note 12). The net carrying amount of delivery trucks amounted to Nil and ₱328,296 in March 31, 2024 and 2023, respectively.

Total depreciation charged to operation amounted to ₱100,913 and ₱212,947 in first quarter of 2024 and 2023, (see Note 15).

Fully depreciated property and equipment still in use as at March 31, 2024 and 2023 amounted to ₱558,240,224 and ₱530,560,083, respectively

## 11. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities as at March 31 are as follows:

	2024	2023
Accounts payable	₱5,201,144	₱5,224,080
Government liabilities	2,112,823	1,037,510
Deferred rental	3,336,169	1,683,926
	₱10,660,136	₱7,945,516

Accounts payable pertains to the amount due to supplier payable from thirty (30) to ninety (90) days from the date of sale and do not bear any interest.

Deferred rental represents advance rental paid by the lessees.

Government liabilities pertain to VAT payable and tax withheld from payment to suppliers, employee's compensation, and statutory contributions to SSS, PHIC and HDMF.

There were no assets of the Group that were collateralized for the above accounts payable and other liabilities as at March 31, 2024 and 2023.

## 12. BORROWINGS

Borrowings as at March 31 consist of:

	2024	2023
Current	₱ -	₱313,434
Noncurrent	-	-
	₱ -	₱313,434

On December 5, 2020, the Group entered into a chattel mortgage agreement with a local bank amounting to ₱1,140,000, to finance the purchase of Group's delivery trucks. The loan carries an annual interest of 9.46%, or total financing charges of ₱163,704 which approximates the market rate. The loan is secured by transportation equipment.

This loan is secured by transportation equipment with a carrying amount of Nil and ₱328,296 in March 31, 2024 and 2023.

There were no significant loan covenants related to the Group's borrowings.

### 13. CAPITAL STOCK

Details of the Parent Company's capital stock as at March 31 are as follows:

	2024	2023	2022
Authorized – 3,500,000 shares at ₱1 par value per share	<b>₱3,500,000,000</b>	₱3,500,000,000	₱3,500,000,000
Issued and fully paid – 3,276,045,637 shares at ₱1 par value per share	<b>3,276,045,637</b>	3,276,045,637	3,276,045,637
Less: Treasury stock – 10,000 shares	<b>10,000</b>	10,000	10,000
	<b>₱3,276,035,637</b>	₱3,276,035,637	₱3,276,035,637

As at March 31, 2024, 2023 and 2022, the Parent Company has outstanding shares of 3,271,952,740, 3,271,952,740 and 3,271,938,180, respectively, under its name. Remaining unconverted shares under REDECO as at March 31, 2024, 2023 and 2022, is 4,092,897, 4,092,897 and 4,107,457, respectively. Outstanding shares owned by the public as at March 31, 2024, 2023 and 2022, is 1,413,467,270.

#### *Track record of registration of securities*

The Parent Company was originally registered as REDECO with the SEC on October 19, 1956. The Parent Company was listed with the PSE on January 9, 1958 with an initial registered 200,000,000 shares.

On May 25, 1995, the BOD and stockholders approved a reverse stock split and a subsequent increase in the authorized capital stock in line with its recapitalization program. Accordingly, on November 15, 1995, the Parent Company filed with the SEC a motion to effect a 1-for-5 reverse stock split which decreased its authorized capital from ₱75 million divided into 75 million shares to ₱15 million divided into 15 million shares, both with a par value of P1 per share. It was approved by the SEC on January 15, 1996. This was also done in order to recall all outstanding stock certificates and be able to account for the over-issuance of shares which management has decided to be absorbed by the Parent Company.

On January 8, 1996, the Parent Company filed with the SEC a motion to increase its authorized capital stock from ₱15 million divided into 15 million shares to ₱1 billion divided into 1 billion shares with a par value of P1. The increase was approved by the SEC on May 16, 1996. Subscriptions to the increase in authorized capital stock were made through stocks-for-assets swap.

On September 2, 1996, the Board of Directors and the stockholders approved a resolution to amend the Parent Company's Articles of Incorporation changing the par value per share of its capital stock from ₱0.01 to ₱1.00, removing the pre-emptive rights of shareholders and increasing the authorized capital stock from ₱500 million divided by 50 billion shares with a par value of ₱0.01 per share to ₱2.0 billion divided into 2.0 billion shares with a par value of ₱1.00 per share. The proposed amendments were approved by the SEC on September 27, 1996.

Relative to the approval of the proposed amendment, any part of such stock or other securities may, at any time, be issued, optioned for sale and sold or disposed of by the Parent Company pursuant to resolution of the Board of Directors, to such persons and upon such terms as the Board may deem proper, without first offering such stock or securities or any part thereof to existing stockholders.

On August 22, 1997, the Board of Directors and the stockholders approved a further increase in the Parent Company's authorized capital stock from ₱2.0 billion to ₱3.5 billion divided into 3.5 billion shares

with a par value of ₱1.00 per share. On March 11, 1998, the SEC approved the increase in the Parent Company's authorized capital stock.

*Treasury shares*

Treasury shares represent 29,486,633 Parent Company's shares of stock acquired by Rexlon Industrial Corp. (RIC), a wholly owned subsidiary of PCIC, in prior years. In 2007 and 2009, RIC sold 13,000,000 and 16,476,633 shares of the Parent Company to a third party.

**14. DIRECT COSTS AND EXPENSES**

Direct costs and expenses for the quarters ended March 31 are as follows:

	2024	2023
Security services	₱-	₱-
Depreciation	766,397	766,397
Property taxes	-	-
Repairs and maintenance	-	-
	<b>₱766,397</b>	<b>₱766,397</b>

**15. OPERATING EXPENSES**

Operating expenses for the quarters ended March 31 are as follows:

	2024	2023
Taxes and licenses	₱3,557,901	₱3,201,584
Salaries and wages	1,106,474	906,903
Rent, light and water	570,902	303,933
Professional fees	270,000	240,000
Commission	217,272	118,887
SSS, Medicare and EC contributions	142,892	109,304
Depreciation	100,913	212,947
Miscellaneous	2,340,065	2,114,039
	<b>₱8,306,419</b>	<b>₱7,207,597</b>

**16. OTHER INCOME/(LOSS) – net**

Other income for the quarter ended March 31 is as follows:

	2024	2023
Interest income	₱1,768	₱2,376
Other charges	(299,436)	-
Interest Expense	-	(8,994)
Other income	80,357	80,357
	<b>(₱217,311)</b>	<b>₱73,739</b>

**17. RETIREMENT BENEFITS OBLIGATION**

The Group adopted Republic Act No. 7641 as its arrangement to provide retirement benefits to all its regular employees. In case of retirement, employees shall be entitled to receive such retirement benefits as may have been earned under the existing laws.

The movements in the defined benefit obligation recognized and presented as accrued retirement benefit obligation in the consolidated statement of financial position are as follows:

	2024	2023	2021
Balance at beginning of year	₱875,700	₱834,000	₱792,300
Retirement provision	-	-	-
Balance at end of year	<b>₱875,700</b>	<b>₱834,000</b>	<b>₱792,300</b>

The provision for retirement benefits in 2024, 2023 and 2022 were included under salaries, wages and employees benefit in the consolidated statements of comprehensive income. Management believes that the defined benefit obligation computed using the provisions of R.A 7641 is not materially different with the amount computed using the projected unit credit method as required under PAS 19, Employee Benefits.

## 18. RELATED PARTY TRANSACTIONS

The Group, in the normal course of business, has transactions with related parties. The specific relationships, amount of transaction, account balances, the terms and conditions and the nature of the consideration to be provided in settlement are shown below as at March 31.

Category	Amount/Volume		Outstanding Receivable		Terms and Condition
	Mar 31, 2024	Mar 31, 2023	Mar 31, 2024	Mar 31, 2023	
<b>Receivable from related parties with common key management</b>					
Philippine Estates Corp. (PHES)	-	₱-	₱-	₱-	(a)
Genwire Manufacturing Corp. (GMC)	-	-	318,506	318,506	(b)
	-	₱-	₱318,506	₱318,506	

Category	Amount/Volume		Outstanding Receivable		Terms and Condition
	Mar 31, 2024	Mar 31, 2023	Mar 31, 2024	Mar 31, 2023	
<b>Advances to related parties with common key management</b>					
Polymax Worldwide Limited (PWL)	₱-	₱-	₱105,060,000	₱105,060,000	(c)
The Wellex Group, Inc. (TWGI)	(1,032,062)	(1,240,689)	43,845,267	46,892,066	(c)
Philippine Estates Corp. (PHES)	-	(500,000)	-	-	(c)
Concept Moulding Corp. (CMC)	-	500,500	1,993,000	1,493,000	(c)
	(1,032,062)	(1,240,189)	150,898,267	153,445,066	
Allowance for impairment	-	-	(127,632,610)	(129,010,691)	
	(₱1,032,062)	(₱1,240,189)	₱23,265,657	₱24,434,375	

Category	Amount/Volume		Outstanding Payable		Terms and Condition
	Mar 31, 2024	Mar 31, 2023	Mar 31, 2024	Mar 31, 2023	
<b>Advances from related parties with common key management</b>					
Diamond Stainless Corp. (DSC)	₱-	₱-	₱70,557,800	₱70,557,800	(d)
Plastic City Corp. (PCC)	(2,682,395)	6,369,398	79,789,587	75,266,015	(d)
International Polymer Corp. (IPC)	-	551,208	24,244,596	24,642,300	(d)
Philippine Estates Corp. (PHES)	-	32,101	34,023,403	37,307,523	(e)
Kenstar Industrial Corp. (KIC)	-	-	23,539,858	23,539,858	(d)
Rexlon Realty Corp. (RRC)	-	-	23,187,370	23,187,370	(d)
Pacific Rehouse Corp. (PRC)	-	-	15,540,753	15,540,753	(d)
The Wellex Group, Inc.	-	-	13,722,810	13,722,810	
Polymaster Industrial Corp	-	-	62,500	62,500	
Ropeman Int'l Corp.	-	-	3,202,528	3,202,528	(d)
	(2,682,395)	6,952,707	287,871,205	287,029,457	
<b>Advances from stockholders/ key management</b>					
Key management and officers	-	-	109,654,116	133,826,479	(f)
	(₱2,682,395)	₱6,952,707	₱397,525,321	₱420,855,936	

*(a) Receivable from co-venture*

The Group has outstanding receivable from PHES pertaining to the Group's share in the proceeds of the lot sold in 2015 held as interest in joint venture (Note 9). This receivable is unsecured, unguaranteed and to be settled in cash. In 2023, the receivable was offset to advances from stockholders.

*(b) Receivable from related parties with common key management*

The Group pays operating expenses on behalf of GMC. These receivables are normally collected the following year, unsecured, non-interest bearing and with no guarantee. The Group has also made offsetting arrangements to settle intercompany receivables and payables.

*(c) Advances to related parties with common key management*

*PWL*

On November 24, 2009, Philippine Veterans Bank foreclosed land to secure payment of loan of an affiliate amounting to ₱88.8 million by virtue of the real estate mortgage, executed by the Group. The property was sold at an auction to the highest bidder Philippine Veterans Bank which tendered an amount of ₱71.326 million.

The Group recognized advances to PWL of ₱105.6 million for the value of the land foreclosed to settle the affiliate loan with the bank.

The advances are unsecured, with no definite terms of repayment and with no guarantee and to be settled in cash.

*TWGI*

On December 16, 2020, TWGI issued promissory note amounting to ₱46,578,262 for five years maturing December 15, 2025 and bear an interest of 2% per annum. Interest income earned amounted to ₱931,565 in 2023. Charging of interest is made at every end of year.

To settle the outstanding advances, the Group entered into the following contracts with TWGI, which in return, amounts incurred will be applied to the outstanding advances:

- The Group entered into a Consultancy Agreement with TWGI which is valid until April 30, 2024. Total consultancy fees incurred for the quarters ended March 31, 2024 and 2023, amounted to ₱120,000.
- Lease Agreement for the Group's office space for a monthly rental of ₱12,500, utilities of ₱5,000, and storage fee of ₱1,000 which is valid from April 30, 2024. The Group recognized the asset as 'right-of-use asset' and corresponding lease liability. Total rent expense and utilities amounted to ₱37,500 and ₱18,000, respectively, for the quarters ended March 31, 2024 and 2023.

The present value of the lease liability as at March 31 is as follows:

	<b>2024</b>	2023
Current	<b>₱48,323</b>	₱143,349
Non-current	-	48,323
	<b>₱48,323</b>	₱191,672

The net carrying amount of the right-of-use assets recognized as at March 31, 2024 and 2023 is disclosed in Note 10.

*CMC and PHES*

The Group provided non-interest bearing and unguaranteed advances to CMC and PHES for working capital requirements. The advances are unsecured, with no definite terms of repayment and with no guarantee.

Certain advances to related parties were found to be impaired using the provisional matrix as determined by the management, hence, adequate amounts of allowance for impairment have been recognized (Note 22).

The movement in the allowance for ECL as of March 31 is as follows:

	2024	2023
Balance at beginning of year, as previously reported	P127,632,610	P129,010,691
Effect on adoption of PFRS 9	-	-
Balance at beginning of year, as restated	127,632,610	129,010,691
Provisions for ECL	-	-
At end of year	P127,632,610	P129,010,691

*(d) Advances from related parties*

In prior years, the Group obtained unguaranteed and non-interest-bearing cash advances from related parties intended to finance its operating expenses, capital expenditures and payment of outstanding obligations. The Group has not made any arrangement for the terms, security and guarantee on the advances as the subsidiaries has ceased its manufacturing operations. The advances are payable in cash upon settlement depending on the availability of funds. The Group was granted an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. The management assessed that the advances from the related parties are not expected to be settled within 12 months from the reporting period.

*(e) PHES*

In 2009, the Group and PHES executed unsecured promissory note (PN) for the advances with a term of five (5) years, and bear interest of three percent (3%) per annum, renewable upon agreement of the parties. This PN was renewed in 2014 with a three-year term which matured during 2018 at interest of two percent (2%) per annum. This cash advance is to be settled through cash payments. On December 29, 2016, the PN was renewed for three (3) years and matured in January 2021. The promissory note is extended for an additional three (3) years from January 31, 2021 to January 31, 2024. On January 31, 2024, the promissory note is extended for an additional three (3) years from January 31, 2024 to January 31, 2027.

*(f) Advances from key management*

The Group obtains non-interest bearing and unsecured advances from stockholders and key officers for working capital purposes. The advances have no guarantee and definite terms of repayment. Payment will depend on the availability of funds. The Group was granted an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. The management assessed that the advances from the related parties are not expected to be settled within 12 months from the reporting period.

*(g) Remuneration of key management personnel*

Directors' fees for the quarters ended March 31, 2024 and 2023 is NIL.

With the cessation of the subsidiaries operations in prior years and the Group is in tight cash position, management decided to suspend any form of compensation to key management and officers effective in 2004.

**19. LEASES**

The Group entered into lease contracts with various tenants for the rental of the Group's warehouse and building facilities. The lease term ranges from three (3) months to one (1) year and is renewable under such terms and conditions as the parties may agree, provided that at least ninety (90) days prior to the expiration of the lease period, the lessee shall inform the lessor in writing of his desire to renew the lease.

Lease contracts include payment of advance rental by the lessee which shall be refunded without interest on the expiration of the lease or pre-termination of the lease period, less any corresponding obligation and damages.

Outstanding advances from lessee amounted to ₱5,436,371 and ₱3,251,320 as at March 31, 2024 and 2023, respectively. Deferred rental income relative to the lease amounted to ₱3,336,169 as at March 31, 2024 and ₱1,683,926 as at March 31, 2023 as shown under "Accounts payable and other liabilities" account (Note 11).

Outstanding balance of receivable from tenants as at March 31, 2024 and 2023 amounted to ₱1,425,285 and ₱1,024,165, respectively (Note 5). Total rental income is ₱8,368,451 and ₱5,273,392 in the quarter of March 31, 2024 and 2023, respectively.

## 20. INCOME/(LOSS) PER SHARE

The following table presents information necessary to calculate the loss per share for quarter ended March 31:

	2024	2023	2022
Consolidated net loss for the quarter	(₱921,676)	(₱2,626,864)	(₱3,474,974)
Weighted average number of common shares outstanding during the quarter	3,276,045,637	3,276,045,637	3,276,045,637
Loss per share	(₱0.0003)	(₱0.0008)	(₱0.0011)

## 21. CONTINGENCIES

Commitments, guarantees and contingent liabilities that arise in the normal course of operations of the Group are not reflected in the accompanying Group financial statements. Management is of the opinion that losses, if any, from these commitments and contingencies will not have a material effect on the Group financial statements.

- A. *G.R. No. 249337 entitled, "WATERFRONT PHILIPPINES, INC. (WPI), WELLEX INDUSTRIES, INC. (WII), AND THE WELLEX GROUP, INC. (TWGI) vs. SOCIAL SECURITY SYSTEM (SSS)", pending before the Supreme Court*

On September 7, 1999, the Board of Directors approved the execution of a third-party real estate mortgage on the Group's properties located in Quezon City with an actual area of 6,678 square meters to secure the loan of Waterfront Philippines, Incorporated (WPI), an affiliate, with the Social Security System (SSS) amounting to ₱375 million. In 2003, SSS foreclosed the asset mortgaged in the amount of ₱198,639,000.

The Group filed a civil case against SSS on the foreclosed property claiming for sum of money and damages in the amount of ₱500 million. On January 12, 2015, the contract of loan and real estate mortgage were declared null and void by the RTC. Thus, WPI was directed to return the amount of ₱375 million to SSS and for SSS to return the properties and shares used as collateral. SSS filed an appeal to the Court of Appeals.

On August 30, 2019, the Court of Appeals issued its Decision reversing the RTC's Decision dated January 13, 2015 and Order dated May 11, 2015. The CA declared that the October 28, 1999 "Contract of Loan with Real Estate Mortgage and Assignment of Shares with Option to Convert to Shares of Stock" and the extra judicial foreclosure sale of the Green Meadows properties covered by Transfer Certificate of Title Nos. N-153395 and N-153396 are valid.

The CA ordered WPI to satisfy the deficiency under the October 28, 1999 "Contract of Loan with Real Estate Mortgage and Assignment of Shares with Option to Convert to Shares of Stock" in the sum of ₱841,567,136.85 due to SSS as of April 30, 2010. This obligation shall earn the stipulated interest and penalty charges, in accordance with the terms and conditions of the October 28, 1999 "Contract of Loan with Real Estate Mortgage and Assignment of Shares with Option to Convert to Shares of Stock", computed from April 30, 2010 until finality of the Decision.

On November 4, 2019, the Group together with WPI and TWGI filed a Petition for Review on Certiorari before the Supreme Court (SC). The SC in its decision dated July 6, 2021 granted the

petition and the CA's Decision dated August 30, 2019 was reversed and set aside. SSS filed its Motion for Reconsideration dated January 28, 2022 praying for the dismissal of WPI's Petition for Certiorari. On September 21, 2022, the SC issued a resolution denying SSS's Motion for Reconsideration with finality. On December 20, 2022 the SC issued an Entry of Judgment.

In compliance with the SC's Decision, both parties submitted their respective proposed computation of all amounts to be paid as well as a list of all properties to be returned by each party before the RTC. Thereafter, the RTC issued an Order dated August 17, 2023, to order WPI to pay ₱258,117,750 to SSS. In the same Order, SSS was ordered to return to the Group the original copies of Transfer Certificate of Title (TCT) Nos. N-153395 and N-153396, T-558207, T-186142, T-180250, T-180246, T-180247, T-180248, T-180249 and T-180250, together with the original tax declarations, if any, within a period of ten (10) days from receipt of the Order and reconvey to the Group the properties covered by TCT Nos. N-153395 and N-153396 within a period of sixty (60) days from receipt of the Order. Regina Capital Corporation is ordered to release to TWGI the Stock Certificates representing 235,000,000 shares of WPI within a period of ten (10) days from the receipt of the Order; and to release to the Group the Stock Certificates representing 80,000,000 shares of the Parent Company within a period of ten (10) days from the date of receipt of the Order.

SSS filed a Motion for Reconsideration to the aforesaid Order but the same was denied by the RTC in its Order dated January 12, 2024. The case is yet to attain finality because SSS may avail remedies provided by law such as filing an appeal or filing a petition for certiorari.

## **22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group is exposed to a variety of financial risk which results from both its operating and financing activities. The Group's risk management is coordinated with the Board of Directors and focuses on actively securing the short-term cash flows by minimizing the exposure to financial markets.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

The most significant financial risks to which the Group is exposed to are described below:

### **Credit risk**

Credit risk refers to the risk that a counterparty will default its contractual obligation resulting in financial loss to the Group. The Group's credit risk is primarily attributable to its financial assets which composed of cash, trade and other receivables, instalment contract receivables and advances to related parties.

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, as summarized below:

#### *Credit risk exposure*

The Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements arises from the carrying amount financial assets recognized in the consolidated statements of financial position.

In order to minimize credit risk, the Group has developed and maintained internal credit risk gradings to categorize exposures according to their degree of risk of default. The Group uses its own trading records to rate its major customers and other debtors.



The Group's current credit risk grading framework is as follows:

Category	Description	Basis for recognizing ECLs	Base	Minimum allowance for credit losses	Stage
Performing	The counterparty has a low risk of default and does not have any past due amounts	12-month ECS	0%	0%	1
Doubtful	Amount is 1-30 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL-not credit impaired	25%	1%	2
	Amount is 31-90 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL-not credit impaired	25%	5%	2
	Amount is 91-180 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL-not credit impaired	25%	10%	2
	Amount is 181-360 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL-not credit impaired	25%	12%	2
In default	Amount is over 1-2 years oast due or there is evidence indicating the asset is credit impaired	Lifetime ECL-credit impaired	50%	15%	3
	Amount is over 2-3 years oast due or there is evidence indicating the asset is credit impaired	Lifetime ECL-credit impaired	100%	15%	3
	Amount is over 3-5 years oast due or there is evidence indicating the asset is credit impaired	Lifetime ECL-credit impaired	100%	50%	3
Write off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written-off	100%	100%	3

The maximum credit risk exposure of the financial assets is the carrying amount of the financial assets shown on the face of statement of financial position, as summarized below as at March 31:

		Basis of recognizing ECL	2024	2023
Cash, excluding cash on hand	(a)		<b>₱6,367,077</b>	₱6,655,407
Trade and other receivables, at net amount	(b)	Lifetime ECL	<b>27,886,187</b>	26,736,163
Advances to related parties, at net amount	(c)	Lifetime ECL	<b>23,265,657</b>	24,434,375
			<b>₱57,518,921</b>	₱57,825,945

None of the Group's financial assets are secured by collateral or other credit enhancements, except for cash as described below.

*(a) Cash*

The credit risk for cash in banks is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Cash in banks are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of ₱500,000 for every depositor per banking institution.

*(b) Trade and other receivables and advances to related parties*

Trade and other receivables

Credit risk arising from rental income from leasing of buildings is primarily managed through a tenant selection process. Prospective tenants are evaluated on the basis of payment track record and other credit information. In accordance with the provisions of the lease contracts, the lessees are required to

deposit with the Group security deposits and advance rentals which helps reduce the Group's credit risk exposure in case of defaults by the tenants.

For existing tenants, the Group has put in place a monitoring and follow-up system. Receivables are aged and analyzed on a continuous basis to minimize credit risk associated with these receivables.

The Group has applied simplified approach to measure the loss allowance using management's adopted policy on ECL on trade and other receivables.

#### Advances to related parties

For advances to related parties, the Group has applied the general approach to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

To measure the ECL, trade and other receivables, and advances to related parties have been grouped based on shared credit risk characteristics and the days past due. The Group has therefore concluded that the expected loss rates for trade and other receivables, and advances to related parties are a reasonable approximation of the loss rates for the financial assets.

The management continues to review trade and other receivables and advances to related parties for any legally enforceable right to offset with liabilities with the expressed intention of the borrower to settle on a net basis.

Impaired accounts represent account of third parties and related parties that have not paid for a long time and for which the Group believes that a portion of the receivables may not be collected. The allowance is estimated based on the Group's estimate for accounts which it believes may no longer be collected.

#### **Equity Price risk**

Equity price risk is the risk that the fair value of equity instrument decreases as a result of changes in the value of individual stocks. The Group's exposure to equity price risk arises from investments held by the Group and classified in the Group's consolidated statements of financial position as financial asset at FVOCI.

Equity instruments designated at FVOCI in unquoted price are held for strategic rather than trading purposes. The Group does not actively trade these investments.

#### **Liquidity risk**

The Group's policy is to maintain a balance between continuity of funding through cash advances from related parties.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table below has been drawn up based on undiscounted cash flows of financial liabilities based on earliest date on which the Group can be required to pay.

March 31, 2024	With indefinite term of maturity	With definite term of maturity		Total
		Due within one year	More than one year	
Accounts payable and other liabilities	P-	P8,547,313	P-	P8,547,313
Lease liability	-	48,323	-	48,323
Advances from related parties	397,525,321	-	-	397,525,321
Advances from lessees	-	5,436,371	-	5,436,371
Borrowings	-	-	-	-
	P397,525,321	P14,032,007	P-	P411,557,328

*\*excluding government liabilities*

March 31, 2023	With indefinite term of maturity	With definite term of maturity		Total
		Due within one year	More than one year	
		Accounts payable and other liabilities	₱-	
Lease liability	-	143,349	48,323	191,672
Advances from related parties	420,855,936	-	-	420,855,936
Advances from lessees	-	3,251,320	-	3,251,320
Borrowings	-	313,434	-	313,434
	<b>₱420,855,936</b>	<b>₱10,616,109</b>	<b>₱48,323</b>	<b>₱431,520,368</b>

*\*excluding government liabilities*

Substantial portion of the Group's financial liabilities consist of advances from related parties. There are no specific terms of advances agreed with the related parties. The Group does not expect to pay its liabilities nor expect related parties to collect within twelve (12) months after the reporting date. Furthermore, advances from affiliates and stockholders were settled through assignment and offsetting among the Group.

### **23. CAPITAL RISK MANAGEMENT**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for stockholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group defines capital as share capital and deficit for the purpose of capital management.

Consistently with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including accounts payables and other liabilities, advances from related parties as shown in the consolidated statements of financial position) less cash. Total capital is calculated as Equity as shown in the consolidated statement of financial position plus Net debt.

Gearing ratio compares some form of owner's equity to borrowed funds. It is a measure of financial leverage demonstrating the degree to which the Group's activities are funded by owner's funds versus creditor's fund.

During the first quarter of 2024, the Group's strategy, which was unchanged from 2023, was to keep the gearing ratio below 50% as proportion to net debt to capital. The gearing ratios as at March 31 were as follows:

	<b>2024</b>	<b>2023</b>
Gross debt	<b>₱414,557,729</b>	₱433,448,707
Cash	<b>(6,387,077)</b>	(6,675,407)
Net debt	<b>408,170,652</b>	426,773,300
Total equity	<b>1,202,832,955</b>	1,197,522,224
Total capital	<b>1,611,003,607</b>	1,624,295,523
Gearing ratio	<b>25.34%</b>	26.27%

The status of the Group's operation and management plan is fully disclosed in Note 1.

The Parent Company is subject to externally imposed capital requirement amounting to ₱6,250,000 which is the minimum paid-up capital requirement of SEC for mining companies. As at March 31, 2024 and 2023, the Parent Company is in compliance with this externally imposed capital requirement.

On the other hand, the Parent Company's subsidiaries are not subject to any externally imposed capital requirements.

## 24. FAIR VALUE INFORMATION

### *Assets and liabilities not measured at fair value*

The methods and assumptions used by the Group in estimating the fair value of the financial instruments is as follows:

- (a) The fair values of advances to related parties and advances from related parties are determined based on the discounted value of future cash flows using the prevailing PH BVAL rates that are specific to the tenor of the instruments' cash flow as at reporting date. Discount rates used is 5.21% in 2022 and 11.66% in 2021.
- (b) The fair values are based on combination of appraisal done by an independent appraiser on various dates in 2022 and using the market approach, in which the fair value is based on prices recently paid for similar assets, with adjustment made to the indicated market prices to reflect condition and utility of the appraised assets relative to the market comparable.

The fair value of cash, trade and other receivables, instalment contract receivable, accounts payable and other liabilities, lease liability and advances from lessee's approximate carrying value due to relatively short-term maturities.

## 25. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The reconciliation about the changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes for the years ended March 31 are as follows:

	Balance as at January 1, 2024	Changes from financing cash flows	Balance as at March 31, 2024
Advances from related parties	₱400,207,716	(₱2,682,395)	₱397,525,321
Lease liability	48,323	-	48,323
	<b>₱400,256,039</b>	<b>(₱2,682,395)</b>	<b>₱397,573,644</b>

	Balance as at January 1, 2023	Changes from financing cash flows	Balance as at March 31, 2023
Advances from related parties	₱427,626,039	(₱6,770,103)	₱420,855,936
Borrowings	413,082	(99,648)	313,434
Lease liability	191,672	-	191,672
	<b>₱428,230,793</b>	<b>(₱6,869,751)</b>	<b>₱421,361,042</b>

## 26. RECLASSIFICATION

Certain accounts in March 31, 2024 unconsolidated financial statements were reclassified to conform to the current year's presentation.

\* \* \*

**WELLEX INDUSTRIES INCORPORATED AND SUBSIDIARIES**  
**APPENDIX A – FINANCIAL SOUNDNESS**

	<b>31-Mar 2024</b>	31-Mar 2023	31-Dec 2023
<b>Profitability ratios:</b>			
Return on assets	<b>Nil</b>	Nil	0.002
Return on equity	<b>Nil</b>	Nil	0.003
Net profit margin	<b>Nil</b>	Nil	0.14
Gross profit margin	<b>0.91</b>	0.85	0.37
<b>Solvency and liquidity ratios:</b>			
Current ratio	<b>3.25</b>	4.36	3.02
Debt to equity ratio	<b>0.34</b>	0.37	0.35
<b>Financial leverage ratios:</b>			
Asset to equity ratio	<b>1.34</b>	1.36	1.34
Debt to asset ratio	<b>0.26</b>	0.27	0.26
Interest rate coverage ratio	<b>Nil</b>	Nil	Nil

**WELLEX INDUSTRIES INCORPORATED AND SUBSIDIARIES**  
**APPENDIX B – ACCOUNTS RECEIVABLE AGING**  
**March, 2024**

	Current	1-30 days	31-60 days	Over 60 days	Total
Advances to third parties	P-	P-	P-	P100,644,242	P100,644,242
Receivable from related parties				318,506	318,506
Rental receivable	307,300	318,860	318,860	480,265	1,425,285
Utilities receivable	242,140	52,215	-	-	294,355
Others	29,627	29,627	159,562	7,201,839	7,420,655
<b>Subtotal</b>	<b>579,067</b>	<b>400,702</b>	<b>478,422</b>	<b>108,644,852</b>	<b>110,103,044</b>
Impairment - Advances to affiliates					
Allowance for doubtful accounts					(82,216,857)
<b>Accounts receivable</b>					<b>P27,886,187</b>