COVER SHEET

SEC Registration Number

3	9	6	5	2						

Company Name

MEDCO HOLDINGS, INC.

Principal Office (No./Street/Barangay/City/Town/Province)

31st FLOOR RUFINO PACIFIC TOWER 6784 AYALA AVENUE MAKATI CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
FORM 17-Q		

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
	(02) 8811-0465	

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
		12/31

CONTACT PERSON INFORMATION

The designated contact person *MUST* be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Dionisio E. Carpio, Jr.	denniscarpio@medco.com.ph	(02) 8811-0465	

Contact Person's Address

31st Floor Rufino Pacific Tower 6784 Ayala Avenue, Makati City

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

SECURITIES AND EXCHANGE COMMISSION
Metro Manila, Philippines

SEC FORM 17-Q
QUARTERLY REPORT PURSUANT TO SECTION 11 OF THE REVISED SECURITIES ACT AND RSA RULE 11(a)-1(b)(2) THEREUNDER

1. For the quarterly period ended **30 September 2023**

2. SEC Identification Number **39652**

3. BIR Tax Identification No. **004-844-938**

4. **Medco Holdings, Inc.**
   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. **31st Floor, Rufino Pacific Tower, 6784 Ayala Avenue, Makati City, Metro Manila, Philippines** — **1229**
   Address of principal office — Postal Code

8. Registrant's telephone number, including area code: **(632) 8811-0465**

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

Title of each class	Number of shares of common stock outstanding and amount debt outstanding
Common	**3,159,292,441 shares**

10. Are any or all of these securities listed on the Philippine Stock Exchange. Yes [/] No [ ]

11. Check whether the registrant:

    (a) has filed all reports required to be filed by Section 11 of the Revised Securities Act (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 [ ]

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

See Attachment A

Item 2. Management's Discussion and Analysis or Results of Operation.

2023 - Third Quarter Financial Highlights

Revenues of Medco Holdings, Inc. (MHI or the Company) for the third quarter of 2023 decreased by 24% compared to last year's third quarter figure. During the quarter under review, revenues consisted of interest income (1%), realized foreign exchange gain (21%), and unrealized foreign exchange gain (78%).

The decline in the total revenues was mainly due to the unrealized foreign exchange gain from the revaluation of US Dollars which decreased by 37% compared to last year's third quarter figure. Relative to the start of the quarter figure, the exchange rate increased by P1.599 during the third quarter of 2023, and stood at P56.961 to a US Dollar at quarter-end. In comparison, during the prior year, there was an increase of P3.054 in the exchange rate, which closed at P58.91 exchange rate as at September 30, 2022.

On the other hand, there was no significant change in the total expenses compared to the same quarter of last year. The expenses for this period were composed of salaries and employee benefits (70%), occupancy (8%), transportation (6%), professional fees (6%), representation (5%), and other expenses (5%).

As to the balance sheet as at the end of this year's third quarter, there was a 16% increase in total assets in comparison to the end of last year. This was due mainly to the 135% increase in cash and cash equivalents as a result of the US dollar remittance from the parent company last February 13, 2023 for the Company's working capital requirements. In addition, there was an approximately 87% increase in due from related party account for this quarter. Likewise, other assets also increased by 100% due to the accumulated input Value Added Tax (VAT) that remained unused or unapplied as at September 30, 2023. On the liabilities side, due to related parties increased significantly by 129% as a consequence of the aforementioned advances obtained for working capital requirements. However, accrued expenses and other liabilities decreased by 30% due to the payment of accrued expenses as at December 31, 2022.

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

The Company is not aware of any trends, events or uncertainties that would materially affect its liquidity and its operations as a whole. The Company does not also anticipate any liquidity problem within the next twelve (12) months. The Company has no default or breach of any note, loan, lease or other indebtedness or financing arrangement. There are also no past due trade payables.

The Company's internal sources of short-term and long-term liquidity are its liquid assets which as at September 30, 2023, consisted of P7.6 million of cash and cash equivalents. Its external sources of liquidity would consist of advances from its affiliate companies or major shareholders.

2022 - Third Quarter Financial Highlights

Revenues of Medco Holdings, Inc. (MHI or the Company) for the third quarter of 2022 increased enormously by 2009% compared to last year's third quarter figure. During the quarter under review, revenues consisted of interest income (.52%), realized foreign exchange gain (5.35%), and unrealized foreign exchange gain (94.13%).

The increase in total revenues was mainly contributed by the unrealized foreign exchange gain from the revaluation of US dollars received from the Company's parent company for working capital requirements. The exchange rate at the end of the third quarter of 2022 went up to P58.910 to a US dollar, compared to the P55.856 exchange rate on August 19, 2022 when the US dollar remittance was received.

Total expenses, on the other hand, decreased by approximately 22% relative to the previous year's third quarter, due mainly to the lower professional expenses paid this quarter. In contrast to 2021's third quarter, no engagement fee for the services of a law firm was incurred and paid during this year's third quarter. Also, there were no repairs incurred during the quarter under review. Expenses were composed of salaries and employee benefits (70%), rent expense (8%), professional fees (6%), transportation (5%), representation & entertainment (5%), and other expenses (6%).

As to the balance sheet as at the end of this year's third quarter, there was a 10% increase in total assets in comparison to the end of last year. This was due mainly to the 56% increase in cash and cash equivalents as a result of the aforementioned US dollar remittance for the Company's working capital requirements. There was a 100% increase in due from related party account for this quarter. Likewise, other assets also increased by 100% due to the accumulated input Value Added Tax (VAT) that remained unused or unapplied as at September 30, 2022. On the liabilities side, due to related parties increased significantly by 168% as a consequence of the advances obtained for working capital requirements. In addition, there was a significant increase in accrued expenses and other liabilities due to other payables recognized in the quarter under review.

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

The Company is not aware of any trends, events or uncertainties that would materially affect its liquidity and its operations as a whole. The Company does not also anticipate any liquidity problem within the next twelve (12) months. The Company has no default or breach of any note, loan, lease or other indebtedness or financing arrangement. There are also no past due trade payables.

The Company's internal sources of short-term and long-term liquidity are its liquid assets which as at September 30, 2022, consisted of P7.8 million of cash and cash equivalents. Its external sources of liquidity would consist of advances from its affiliate companies or major shareholders.

2021 - Third Quarter Financial Highlights

Revenues of Medco Holdings, Inc. (MHI or the Company) for the third quarter of 2021 decreased significantly by 74% compared to the previous year's third quarter figure. Revenues for this quarter consisted mainly of interest income from short-term placements and bank deposits (78%) and unrealized foreign exchange gain (22%). Interest income contracted because of the substantial reduction in the short-term placements that resulted from the withdrawals made for the Company's working capital requirement. In addition, the bank interest rates on short-term placements were lower this quarter compared to the same quarter last year.

There was a 22% decrease in the third quarter 2021 expenses compared to the same quarter last year. The expenses for this period were composed of salaries and employees' benefits (49%), professional fees (32%), occupancy (6%), representation (4%), transportation (4%), and other expenses (5%). Unlike in the previous year's third quarter, no virtual stockholders' meeting was held in this year's third quarter, hence, no directors' per diem and no publication fees were paid. Also, transportation and communication expenses decreased by 60% and 52%, respectively. Meanwhile, professional fees went up by 93% due to the engagement of the services of a law firm. Other than these, there was no significant movement in the expense components.

As to the balance sheet as at the end of the third quarter of 2021, total assets decreased by 10% as compared to the third quarter end of last year. As mentioned above, there was a substantial reduction in the short-term placements due to the withdrawals for working capital requirement thus cash and cash equivalents declined by 43%. However, there was an increase in the other assets account due to the accumulated input Value Added Tax (VAT) that remained unused or unapplied as at September 30, 2021. On the liabilities side, accrued expenses and other liabilities decreased by almost 75% due to the payment of accrued audit fee as at December 31, 2020.

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

The Company is not aware of any trends, events or uncertainties that would materially affect its liquidity and its operations as a whole. The Company does not also anticipate any liquidity problem within the next twelve (12) months. The Company has no default or breach of any note, loan, lease or other indebtedness or financing arrangement. There are also no past due trade payables.

The Company's internal sources of short-term and long-term liquidity are its liquid assets which as at September 30, 2021 consisted of P6.3 million of cash and cash equivalents. Its external sources of liquidity would consist of, among others, advances from its affiliate companies or major shareholders.

PART II - OTHER INFORMATION

Not applicable.

SIGNATURES

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

Medco Holdings, Inc.

By:

DIONISIO E. CARPIO, JR.
President

MARY ANN A. MIEL
Principal Accounting Officer

MEDCO HOLDINGS, INC.
Third Quarter Top Five (5) Performance Indicators
September 30, 2023, 2022 and 2021

		2023	2022	2021
1. Revenue Growth	Revenue Y1-Y0 / Revenue Y0	-24.12%	2009.07%	-73.73%
2. Net Income Growth*	Net Income Y1-Y0 / Net Income Y0	5.92%	-42.85%	-20.29%
3. Return on Equity	Net Income* / Total Stockholders' Equity	-2.43%	-2.25%	-3.60%
4. Current Ratio	Current Assets / Current Liabilities	0.68x	0.90x	2.18x
5. Debt-to-Equity-Ratio	Total Liabilities / Stockholders' Equity	0.70x	0.41x	0.15x

* Losses

Note:
Y1= Current year
Y0= Previous year

ATTACHMENT A

MEDCO HOLDINGS, INC.

Financial Statements
September 30, 2023, 2022, and 2021

MEDCO HOLDINGS, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2023 AND DECEMBER 31, 2022

		2023		(Audited) 2022
A S S E T S				
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	P	7,602,008	P	3,228,882
Receivables - net (Note 8)		725,646		725,646
Due from related parties (Note 11)		5,502,000		2,950,000
Total Current Assets		13,829,654		6,904,528
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - net (Note 7)		38,142,260		38,142,260
Other assets - net (Note 9)		139,623		-
Total Non-current Assets		38,281,883		38,142,260
TOTAL ASSETS	**P**	**52,111,537**	**P**	**45,046,788**
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Accrued expenses and other liabilities(Note 10)	P	900,861	P	1,291,504
Due to related parties (Note 11)		19,307,916		8,450,000
Total Current Liabilities		20,208,777		9,741,504
NON-CURRENT LIABILITY				
Post-employment benefit obligation (Note 12)		1,270,637		1,270,637
Total Liabilities		21,479,414		11,012,141
EQUITY				
Capital stock (Note 5)		157,964,622		157,964,622
Additional paid-in capital (Note 5)		25,498,912		25,498,912
Revaluation reserves - net (Note 7, 12)		(516,459,952)		(516,459,952)
Retained earnings (Note 5)		363,628,541		367,031,065
Total Equity (Note 5)		30,632,123		34,034,647
TOTAL LIABILITIES AND EQUITY	**P**	**52,111,537**	**P**	**45,046,788**

MEDCO HOLDINGS, INC.
STATEMENTS OF INCOME AND RETAINED EARNINGS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023, and 2022

	JULY TO SEPTEMBER		JANUARY TO SEPTEMBER	
	2023	2022	2023	2022
REVENUES	P 202,725	P 267,156	P 289,800	P 277,468
EXPENSES	947,681	970,564	3,691,604	3,544,009
INCOME/ (LOSS) BEFORE FINAL TAX	(744,956)	(703,408)	(3,401,804)	(3,266,541)
LESS: PROVISION FOR FINAL TAX	351	253	720	1,351
NET INCOME / (LOSS)	(745,307)	(703,661)	(3,402,524)	(3,267,892)
RETAINED EARNINGS AT BEGINNING OF YEAR/QUARTER	364,373,848	369,943,314	367,031,065	372,507,545
NET INCOME / (LOSS)	(745,307)	(703,661)	(3,402,524)	(3,267,892)
RETAINED EARNINGS AT END OF QUARTER	363,628,541	369,239,653	363,628,541	369,239,653
EARNINGS (LOSS) PER SHARE (Note 14)	P (0.0002)	P (0.0002)	P (0.0011)	P (0.0010)

MEDCO HOLDINGS, INC.
STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023, 2022, and 2021

		2023		2022		2021
Capital stock- P0.05 par value						
Authorized - 9,400,000,000 shares						
Issued and outstanding - 3,159,292,441 shares	P	157,964,622	P	157,964,622	P	157,964,622
Additional paid-in capital		25,498,912		25,498,912		25,498,912
Revaluation reserves		(516,459,952)		(521,487,362)		(523,666,244)
Retained earnings						
Balance, beginning of year		367,031,065		372,507,545		378,794,038
Net income (loss)		(3,402,524)		(3,267,892)		(4,426,992)
Balance, end of quarter		363,628,541		369,239,653		374,367,046
Total equity	P	30,632,123	P	31,215,825	P	34,164,336

MEDCO HOLDINGS, INC.
STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023, 2022 AND
FOR THE YEAR ENDED DECEMBER 31, 2022

		September 30 2023		(Audited) December 31 2022		September 30 2022
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit (loss) before tax	P	(3,401,804)	P	(5,474,347)	P	(3,266,541)
Adjustments for:						
Impairment losses		-		147,462		-
Interest income		(4,723)		(77,951)		(6,884)
Unrealized foreign exchange loss (gain) - net		(266,277)		(14,997)		(256,297)
Operating profit (loss) before working capital changes		(3,672,804)		(5,419,833)		(3,529,722)
Decrease (increase) in:						
Receivables		0		(2,278,253)		(80,984)
Due from related parties		(2,552,000)		(725,646)		(950,000)
Other assets		(139,623)		(147,462)		(111,546)
Increase (decrease) in:						
Accrued expenses and other liabilities		(390,643)		1,094,408		1,902,935
Post-employment benefit obligation		-		285,698		-
Cash provided by (used in) operating activities		(6,755,070)		(7,191,088)		(2,769,317)
Interest received		4,723		77,951		6,884
Cash paid for final/income taxes		(720)		(2,133)		(1,351)
Net Cash Provided by (Used in) Operating Activities		(6,751,067)		(7,115,270)		(2,763,784)
CASH FLOWS FROM A FINANCING ACTIVITY						
Proceeds from advances obtained from related parties		10,857,916		5,300,000		5,300,000
Cash from Investing Activities		0		0		0
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		266,277		14,997		256,297
NET INCREASE IN CASH AND CASH EQUIVALENTS		4,373,126		(1,800,273)		2,792,513
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		3,228,882		5,029,155		5,029,155
CASH AND CASH EQUIVALENTS AT END OF QUARTER/ YEAR	P	7,602,008	P	3,228,882	P	7,821,668

MEDCO HOLDINGS, INC.
(A Subsidiary of Bonham Strand Investments Ltd.)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023, 2022 AND 2021
(Amounts in Philippine Pesos)

1. GENERAL INFORMATION

1.1 Corporate Information

Medco Holdings, Inc. (the Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on October 23, 1969. The Company currently conducts business as an investment holding company. Its shares of stock are publicly traded at the Philippine Stock Exchange (PSE).

The Company is a subsidiary of Bonham Strand Investments Ltd. (BSIL) with an ownership of 69.68% and 69.67% as of December 31, 2022 and 2021, respectively. BSIL is an entity engaged in investment holding and registered in British Virgin Islands.

The registered office address of the Company, which is also its principal place of business, is located at 31st Floor, Rufino Pacific Tower, 6784 Ayala Avenue, Makati City. The registered office address of BSIL, which is also its principal place of business, is located at Akara Building, 24 De Castro Street, Wickhams Cay I, Road Town, Tortola, British Virgin Islands.

1.2 Continuing Impact of COVID-19 Pandemic on the Company's Business

The COVID-19 pandemic started to become widespread in the Philippines in early March 2020 and its adverse impact has continued until the end of the third quarter of 2023. Fortunately, the local health situation has gradually and steadily improved in 2022 and the pandemic's adverse impact has significantly abated since the start of the current year. In 2022, the country's economic status improved because of reopening of local and international travels and loosening of health and safety protocols and restrictions. Demand and supply of products are slowly returning to pre-pandemic levels. As a result, overall continuing impact of the COVID-19 pandemic to the Company is continuously improving and Company's operations is slowly going back to its pre-pandemic levels.

Management will continue to take actions to continually improve the operations as the need arises. Based on the foregoing improvements, management projects that the Company would continue to report positive results of operations and would remain liquid to meet current obligations as they fall due. Accordingly, management has not determined material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern due to the effects of the pandemic.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board and approved by the Philippine Board of Accountancy.

The Company has qualified as a small entity (SE) based on the criteria set by the SEC. Entities qualifying as SEs are required to use the Philippine Financial Reporting Standard for SEs as their financial reporting framework. However, due to the exemptions from SEC being a listed entity, the Company has opted to use PFRS in the preparation of its financial statements.

The financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Financial Statements

The financial statements are prepared in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Company presents all items of income and expenses and other comprehensive income (losses) in a single statement of comprehensive income.

The Company presents a third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

(c) Functional and Presentation Currency

These financial statements are presented in Philippine pesos, the Company's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the financial statements of the Company are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Company operates.

2.2 Adoption of New and Amended PFRS

(a) Effective in 2022 that are Relevant to the Company

The Company adopted for the first time the following amendments and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2022:

PAS 37 (Amendments)	:	Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to PFRS (2018-2020 Cycle)		
PFRS 9 (Amendments)	:	Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities
PFRS 16 (Amendments)	:	Leases – Lease Incentives

Discussed below are the relevant information about these pronouncements.

(i) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract.* The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services. Costs that relate directly to a contract include both incremental costs of fulfilling that contract (e.g., direct labor and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g., the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments resulted in a revision in the Company's policy to include both incremental costs and an allocation of other costs when determining whether a contract was onerous. The amendments apply prospectively to contracts existing at the date when the amendments are first applied. Management assessed that there is no significant impact on the Company's financial statements as a result of the change since none of the existing contracts as of January 1, 2022 would be identified as onerous after applying the amendments.

(ii) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments which do not have significant impact and which are effective from January 1, 2022, are relevant to the Company's financial statements:

a. PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities.* The amendments clarify the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

b. Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives.* The amendments remove potential for confusion regarding lease incentives by deleting from Illustrative Example 13 the reimbursement relating to leasehold improvements as it had not been explained clearly enough as to whether the reimbursement would meet the definition of a lease incentive in accordance with PFRS 16.

(b) Effective in 2022 that is not Relevant to the Company

Among the amendments to PFRS which are mandatorily effective for annual periods beginning on or after January 1, 2022, the following are not relevant to the Company's financial statements:

(i) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use.* (effective from January 1, 2022)

(ii) PFRS 3 (Amendments), *Business Combinations - Reference to the Conceptual Framework* (effective from January 1, 2022)

(ii) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments, which are effective from January 1, 2022, are not relevant to the Company:

a. PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards – Subsidiary as a First-time Adopter*

b. PAS 41, *Agriculture – Taxation in Fair Value Measurements*

(c) Effective Subsequent to 2022 but not Adopted Early

There are amendments and annual improvements to existing standards effective for annual periods subsequent to 2022, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and none of these are expected to have significant impact on the Company's financial statements:

(i) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2023)

(ii) PAS 1 and PFRS Practice Statement 2 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies* (effective from January 1, 2023)

(iii) PAS 8 (Amendments), *Accounting Estimates – Definition of Accounting Estimates* (effective from January 1, 2023)

(iv) PAS 12 (Amendments), *Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction* (effective from January 1, 2023)

2.3 Current versus Non-current Classification

The Company presents assets and liabilities in the statement of financial position based on current or 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 12 months after the reporting period; or,
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting 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 12 months after the reporting period; or,
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred income tax assets and liabilities are classified as non-current assets and liabilities.

2.4 Financial Instruments

Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions in the financial instrument.

(a) Financial Assets

For purposes of classifying financial assets, an instrument is considered an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments: Presentation*. All other non-derivative financial instruments are treated as debt instruments.

(i) Classification, Measurement and Reclassification of Financial Assets

The classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The classification and measurement of financial assets are described below in the succeeding pages.

<u>*Financial Assets at Amortized Cost*</u>

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

- the asset is held within the Company's business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect"); and,

- the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

All financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest method, less any allowance for expected credit losses (ECL).

The Company's financial assets at amortized cost are presented in the statement of financial position as Cash and Cash Equivalents, Receivables – net, and Due from Related Parties.

Financial assets measured at amortized cost are included in current assets, except for those with maturities greater than 12 months after the end of reporting period, which are classified as non-current assets.

For purposes of cash flows reporting and presentation, cash and cash equivalents comprise accounts with original maturities of three months or less, including cash. These generally include cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial assets except for those that are subsequently identified as credit impaired. For credit-impaired financial assets at amortized cost, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance). The interest earned is recognized in the statement of comprehensive income as Interest Income.

Financial Assets at Fair Value Through Other Comprehensive Income

The Company accounts for financial assets at fair value through other comprehensive income (FVOCI) if the assets meet the following conditions:

- they are held under a business model whose objective is to hold to collect the associated cash flows and sell ("hold to collect and sell"); and,

- the contractual terms of the financial assets give rise to cash flows that are SPPI on the principal amount outstanding.

At initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Company for trading or as mandatorily required to be classified as fair value through profit or loss (FVTPL). The Company has designated unquoted equity instruments as at FVOCI.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value, including the foreign exchange component, are recognized in other comprehensive income and are reported as part of Revaluation Reserves - net account in equity. When the asset is disposed of, the cumulative gain or loss previously recognized in the Revaluation Reserves - net account is not reclassified to profit or loss but is reclassified directly to Retained Earnings account.

Any dividends earned on holding equity instruments are recognized under the Income section of the statement of comprehensive income, when the Company's right to receive dividends is established, it is probable that the economic benefits associated with the dividend will flow to the Company, and, the amount of the dividend can be measured reliably, unless the dividends clearly represent recovery of a part of the cost of the investment.

The Company can only reclassify financial assets if the objective of its business model for managing those financial assets changes.

A change in the objective of the Company's business model will take effect only at the beginning of the next reporting period following the change in the business model.

(ii) Evaluation of Impairment of Financial Assets

The Company assesses its ECL on its financial assets carried at amortized cost on a forward-looking basis. Recognition of credit losses is no longer dependent on the Company's identification of a credit loss event. Instead, the Company considers a broader range of information in assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets.

For cash and cash equivalents, the Company applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are low credit risk investments.

The key elements used in the calculation of ECL are as follows:

- *Probability of default* – It is an estimate of likelihood of a counterparty defaulting at its financial obligation over a given time horizon, either over the next 12 months or the remaining lifetime of the obligation.

- *Loss given default* – It is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Company would expect to receive, including the realization of any collateral or effect of any credit enhancement.

- *Exposure at default* – It represents the gross carrying amount of the financial instruments in the event of default which pertains to its amortized cost.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

(iii) Derecognition of Financial Assets

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

(b) Financial Liabilities

Financial liabilities, which include Accrued Expenses and Other Liabilities (except tax related liabilities and government payables included therein) and Due to Related Parties, are recognized initially at their fair values and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer), or the Company does not have an unconditional right to defer settlement of liability for at least 12 months after the end of the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. Financial liabilities are also derecognized when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit of loss.

(c) Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

2.5 Other Assets

Other assets pertain to other resources controlled by the Company as a result of past events. They are recognized in the financial statements when it is probable that the future economic benefits will flow to the Company and the asset has a cost or value that can be measured reliably.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Company beyond one year after the end of the reporting period or in the normal operating cycle of the business, if longer, are classified as non-current assets.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.10).

2.6 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources, and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pre-tax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets; hence, are not recognized in the financial statements. On the other hand, any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.7 Revenue and Expense Recognition

Currently, the Company does not have any revenue source except those arising from financial assets which are under PFRS 9 (i.e., dividends and interest income).

Expenses are recognized in profit or loss upon utilization of the goods or services or at the date they are incurred.

2.8 Leases - Company as Lessee

For any new contracts entered into, the Company considers whether a contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company;

- the Company has the right to obtain substantially all of the economic benefits from the use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,

- the Company has the right to direct the use of the identified asset throughout the period of use. The Company assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

The Company has elected to account for short-term leases using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

2.9 Foreign Currency Transactions and Translation

The accounting records of the Company are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

2.10 Impairment of Non-financial Assets

The Company's non-financial assets are subject to impairment testing. These assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized in profit or loss for the amount by which the assets or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the assets or cash generating unit's recoverable amount exceeds its carrying amount.

2.11 Employee Benefits

The Company provides post-employment benefits to employees through a defined benefit plan, certain defined contribution plans, and other employee benefits which are recognized as follows:

(a) Short-term employee benefits

Short-term employee benefits include salaries, contributions to government agencies, and non-monetary benefits provided to current employees, which are expected to be settled before 12 months after the end of the reporting period during which employee services are rendered, but does not include termination benefits.

These benefits are recognized in profit or loss when the services are rendered.

(b) Post-employment defined benefit plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Company, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund as well as qualifying insurance policies. The Company's defined benefit post-employment plan covers all regular full-time employees. The post-employment plan is tax-qualified, non-contributory and administered by a trustee.

The liability recognized in the statement of financial position for defined benefit post-employment plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually or every two years by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of zero coupon government bonds [using the reference rates published by Bloomberg using its valuation technology, Bloomberg Valuation (BVAL)], that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability. BVAL provides evaluated prices that are based on market observations from contributed sources.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest), are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest is reported as part of Interest Expense or Interest Income account in the statement of comprehensive income. Past service costs are recognized immediately in profit or loss in the period of a plan amendment or curtailment.

(c) Post-employment defined contribution plan

A defined contribution plan is a post-employment plan under which the Company pays fixed contributions into an independent entity (such as the Social Security System). The Company has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

(d) Termination Benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.12 Income Taxes

Tax expense recognized in profit or loss comprises the sum of current tax and deferred tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or current tax liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or current tax liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carry forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deferred tax assets are to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or deferred tax liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

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

2.13 Related Party Relationships and Transactions

Related party transactions are transfers of resources, services or obligations between the Company and its related parties, regardless of whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company; (b) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual; and (c) the Company's partially funded retirement plan.

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

Based on the requirement of SEC Memorandum Circular 2019-10, *Rules of Material Related Party Transactions of Publicly-listed Companies*, transactions amounting to 10% or more of the total consolidated assets based on its latest consolidated financial statements that were entered into with related parties are considered material.

All individual material related party transactions shall be approved by at least two-thirds (2/3) vote of the Group's BOD, with at least a majority of the independent directors voting to approve the material related party transactions. In case that a majority of the independent directors' vote is not secured, the material related party transaction may be ratified by the vote of the stockholders representing at least two-thirds of the outstanding capital stock. For aggregate related party transactions within a 12-month period that breaches the materiality threshold of 10% of the Group's consolidated total assets based on the latest consolidated financial statements, the same board approval would be required for the transactions that meet and exceed the materiality threshold covering the same related party.

2.14 Equity

Capital stock represents the nominal value of shares that have been issued, reduced by the decrease in par value as approved by the SEC.

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

Revaluation reserves - net comprise fair value changes of financial assets at FVOCI and remeasurements of the defined benefit post-employment plan.

Retained earnings includes the current and prior period results of operations as reported in the profit or loss section of the statement of comprehensive income and the application of surplus from the decrease in par value of capital stock due to the equity restructuring scheme.

2.15 Loss Per Share

Basic loss per share is computed by dividing net loss attributable to shareholders of the Company by the weighted average number of shares issued and outstanding, adjusted retroactively for any stock dividend, stock split or reverse stock split declared during the current year, if any.

Diluted loss per share is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares. Currently, the Company does not have potentially dilutive shares outstanding; hence, the diluted earnings (loss) per share is equal to the basic loss per share.

2.16 Events After the End of the Reporting Period

Any post year-end event that provides additional information about the Company's financial position at the end of the reporting period (adjusting event) is reflected in the financial statements. Post year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Company's financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. 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. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

In the process of applying the Company'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 financial statements:

(a) Evaluation of Business Model Applied in Managing Financial Instruments

The Company developed business models which reflect how it manages its portfolio of financial instruments. The Company's business models need not be assessed at entity level or as a whole but shall be applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Company) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument, the Company evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Company (e.g., held-for-trading, generating accrual income, direct matching to a specific liability) as those relate to the Company's investment and trading strategies.

(b) Testing the Cash Flow Characteristics of Financial Assets and Continuing Evaluation of the Business Model

In determining the classification of financial assets, the Company assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. Moreover, the assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk) does not meet the amortized cost criteria. In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as modified time value of money, the Company assesses the modified time value of money feature to determine whether the financial instrument still meets the SPPI criterion. The objective of the assessment is to determine how different the undiscounted contractual cash flows could be from the undiscounted cash flows that would arise if the time value of money element was not modified (the benchmark cash flows). If the resulting difference is significant, the SPPI criterion is not met. In view of this, the Company considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

(c) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provisions and contingencies are discussed in Note 2.6 and relevant disclosures are presented in Note 15.

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) Estimation of Allowance for ECL

The measurement of the allowance for ECL on receivables and due from related parties is an area that requires the use of significant assumptions about the future economic conditions and credit behaviour (e.g., likelihood of counterparties defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 4.2.

(b) Determination of Fair Value Measurement for Financial Instruments

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the end of reporting period.

The carrying values of the Company's financial assets at FVOCI and the amounts of fair value changes recognized on those assets are disclosed in Note 7.

(c) Determination of Realizable Amounts of Deferred Tax Assets

The Company 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. No deferred tax assets were recognized as of December 31, 2022 and 2021 as the Company's management believes that the Company will not be able to generate sufficient taxable profit in the coming years against which the assets can be utilized (see Note 13).

(d) Evaluation of Impairment of Non-financial Assets

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.10). Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in those assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Accumulated impairment loss recognized on the Company's other assets is disclosed in Note 9.

(e) Valuation of Post-employment Defined Benefit Obligation

The determination of the Company's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by an independent actuary in calculating such amounts. Those assumptions include, among others, discount rates and expected rate of salary increases. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or loss and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment benefit, as well as the significant assumptions used in estimating such obligation are presented in Note 12.2.

4. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to a variety of financial risks in relation to financial instruments. The Company's financial assets and financial liabilities by category are summarized in Note 16. The main types of risks are market risk, credit risk, and liquidity risk. The Company's risk management is coordinated with the BOD and focuses on actively securing the Company's short to medium-term cash flows by minimizing the exposure to financial markets.

The Company does not actively engage in the trading of financial assets for speculative purposes, nor does it write options. The relevant financial risks to which the Company is exposed to are described below and in the succeeding pages.

4.1 Market Risk

The Company is exposed to market risk through its use of financial instruments and specifically to foreign currency risk, interest rate risk and certain other price risk which result from both its operating, investing and financing activities.

(a) Foreign Currency Risk

Most of the Company's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates mainly arise from the Company's cash and cash equivalents, which are primarily denominated in United States (U.S.) dollars.

To mitigate the Company's exposure to foreign currency risk, non-Philippine peso cash flows are monitored.

As at September 30, 2023 and December 31, 2022, the U.S. dollars denominated financial assets, translated into Philippine pesos at the closing rate amounted to P7,273,385 and P2,727,889, respectively.

The sensitivity of profit before tax with respect to changes in Philippine peso against U.S. dollar exchange rates is identified by management to have an insignificant impact on the Company's financial statements.

(b) Interest Rate Risk

The Company monitors interest rate movements and adjusts on its applicable financial assets and financial liabilities, if any, as may be deemed necessary. At September 30, 2023 and December 31, 2022, the Company is exposed to changes in market interest rates through its cash and cash equivalents which are subject to variable interest rates (see Note 6). Management believes that the impact of changes in market interest rates is not material to the financial statements. All other financial assets and financial liabilities are noninterest bearing.

4.2 Credit Risk

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Company. The Company is exposed to this risk for various financial instruments from granting receivables to customers including related parties and placing deposits with banks. The Company continuously monitors defaults of customers and other counterparties, identified either individually or by Company, and incorporates this information into its credit risk controls. The Company's policy is to deal only with creditworthy counterparties.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the statements of financial position or in the detailed analysis provided in the notes to financial statements, as summarized in the succeeding page.

	Notes	2023	2022
Cash and cash equivalents	6	**P 7,602,008**	P 3,228,882
Due from related parties	11	**5,502,000**	2,950,000
Receivables - net	8	**725,646**	725,646
		P 13,829,654	P 6,904,528

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

(a) Cash and Cash Equivalents

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalents are cash in banks and short-term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million for every depositor per banking institution.

(b) Due from Related Parties

The Company's due from related parties is repayable on demand and the contractual period is the very short period needed to transfer the cash once demanded. Management determines possible impairment based on the related parties' ability to repay the advances upon demand at the reporting date taking into consideration historical defaults from the related parties. Accordingly, no impairment was recognized in 2022.

(c) Receivables

The credit risk for interest and other receivables is considered negligible as this pertains to interest earned from short-term placements, which normally matures within 30 to 92 days.

4.3 Liquidity Risk

The Company manages its liquidity needs by carefully monitoring cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as based on a rolling 30-day projection. Long-term liquidity needs for a six-month and one-year period are identified monthly.

As at September 30, 2023 and December 31, 2022, the Company's financial liabilities have contractual maturities of within one year as presented below.

	Notes	2023	2022
Accrued expenses and other liabilities	10	**P 848,147**	P 1,235,626
Due to related parties	11	**19,307,916**	8,450,000
		P 20,156,063	P 9,685,626

Due to the Company's financial condition, related parties have not required immediate payment of the amounts due to them to enable the Company to conduct normal business operations.

5. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

5.1 Capital Management Objectives, Policies and Procedures

The Company's capital management objectives are to ensure that the Company continues as a going concern. With the current financial condition of the Company, the management is working closely with the parent company and the BOD to achieve these objectives.

Relevant information is shown below.

	2023	2022
Total liabilities	**P 21,479,414**	P 11,012,141
Total equity	**30,632,123**	34,034,647
Debt-to-equity ratio	**0.70 : 1.00**	0.32 : 1.00

As at September 30, 2023 and December 31, 2022, the Company is not subject to any externally imposed capital requirements.

5.2 Track Record of Registration of Securities

On April 24, 2018, the SEC approved the decrease in the Company's authorized capital stock from P700,000,000 divided into 700,000,000 common shares to P35,000,000 divided into 700,000,000 common shares by reducing the par value per share from P1.00 to P0.05. In addition, the SEC also approved the application of the resulting surplus amounting to P665,000,000 against the outstanding deficit as of December 31, 2017. On the same day, the SEC approved the Company's application for increase of its capital stock from P35,000,000 divided into 700,000,000 common shares to P470,000,000 divided into 9,400,000,000 shares. The payables to BSIL and Mr. Xu Hanjiang totalling P122,964,622 were used as subscription for this application.

The Company has a total authorized capital stock of P470,000,000 divided into 9,400,000,000 common shares with a P0.05 par value as at September 30, 2023 and December 31, 2022. There are 3,159,292,441 issued and outstanding shares with a total par value of P157,964,622 as of September 30, 2023 and December 31, 2022.

The Company has 475 and 476 stockholders owning 100 or more shares each of the Company's capital stock as at September 30, 2023 and December 31, 2022, respectively.

On November 18, 1975, the SEC approved the listing at the PSE of the Company's shares totalling 700,000,000. As of September 30, 2023 and December 31, 2022, there are 673 and 674 holders of the listed shares equivalent to 100% of the Company's total outstanding shares, respectively. Such listed shares closed at P0.08 and P0.163 per share as of September 30, 2023 and December 31, 2022, respectively. The Company has no other securities being offered for trading in any stock exchange. As of September 30, 2023, the Company has a pending application for listing of its newly authorized securities with the PSE.

6. CASH AND CASH EQUIVALENTS

This account consists of:

	2023	2022
Cash in banks	**P 1,251,874**	P 3,228,882
Short-term placements	**6,350,134**	-
	P 7,602,008	P 3,228,882

Cash in banks generally earn interest based on daily bank deposit rates. Interest earned from cash and cash equivalents is reported as Interest Income in the statements of comprehensive income.

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Company's financial assets at FVOCI pertains to unquoted equity securities. The reconciliation of the carrying amounts of these financial assets are as follows:

	2023	2022
Balance at beginning of year	**P 38,142,260**	P 34,531,079
Fair value gain	**-**	3,611,181
Balance at end of year	**P 38,142,260**	P 38,142,260

The Company has designated the equity securities as financial assets at FVOCI because they are held for long-term investments and are neither held-for-trading nor designated as at FVTPL. The investment in unquoted equity security of the Company as at September 30, 2023 and December 31, 2022 mainly pertains to the Company's investment in Manila Exposition Complex, Inc. (MEC) representing 18.18% ownership interest (P31,268,750), investment in I-Mart Corporation (I-Mart) representing 10% ownership interest (P45,000,000) and investment in Export and Industry Bank, Inc. (EIB) representing 2.45% ownership (P478,380,834).

In 2019, the Company and other shareholders of MEC had a special agreement on the 1st tranche of capital call in the amount of P30,000,000 for the funding of the World Trade Center Metro Manila's expansion project. However, due to the adverse business effects of the pandemic, the Company decided to withdraw its participation on the capital call in 2021. Although this special arrangement has been overtaken by subsequent events, the Company has honored its commitment to pay interest on its deferred remittance amounting to P568,553 based on MEC's average bank placement rate and is presented as part of Net interest expense in the 2021 statement of comprehensive income. No similar transaction occurred in 2022.

In 2022 and 2021, the fair value of the Company's investment in MEC is determined using market approach - price/book value, while the fair values of the investments in I-Mart and EIB were determined using the net asset valuation approach in both years. Hence, these assets are categorized under Level 3 of the fair value hierarchy (see Note 17.2). No cash dividends were received from MEC in 2022 and 2021.

The investments in I-Mart and EIB are carried at nil in the financial statements as of September 30, 2023 and December 31, 2022. The related fair value losses are accumulated as part of the Revaluation Reserves - net account under the equity section of the statements of financial position.

8. RECEIVABLES

This account consists of the following:

	2023	2022
Accounts receivable	P 40,313,000	P 40,313,000
Other receivables	725,646	725,646
	41,038,646	41,038,646
Allowance for impairment	(40,313,000)	(40,313,000)
	P 725,646	P 725,646

The accounts receivable of the Company pertains to advances granted to a foreign corporation. These advances matured on August 31, 2000. Full allowance for impairment has been provided on this balance as management believes that it may no longer be collectible.

Other receivables pertain to the taxes and licenses paid by the Company on behalf of Classic Tycoon Investment Limited and Fair Navigator Limited, related parties under common ownership, with registered address at British Virgin Islands. The outstanding receivables are unsecured, noninterest-bearing and collectible in cash on demand. These receivables are subject to credit risk. Based on management's review, management determines that the related losses are immaterial to the financial statements. This assessment is undertaken each financial year based on the Company's ECL model as fully disclosed in Note 4.2.

9. OTHER ASSETS - Net

This account consists of the following:

	2023	2022
Input value added tax (VAT)	P 2,550,811	P 2,411,188
Allowance for impairment	(2,411,188)	(2,411,188)
	P 139,623	P -

In 2021, the Company has written-off the Miscellaneous other assets amounting to P59 as the management assessed that they can no longer utilized it. The related impairment loss is presented as part of Impairment Losses in the 2021 statement of comprehensive income. No similar transaction occurred in 2022.

10. ACCRUED EXPENSES AND OTHER LIABILITIES

This account consists of the following:

		2023		2022
Accrued expenses	**P**	**-**	P	245,800
Due to the government agencies		**52,714**		55,878
Other payables		**848,147**		989,826
	P	**900,861**	P	1,291,504

Accrued expenses primarily include unpaid professional fees, transportation and other expenses as of the end of the reporting dates.

Other payables include transfers made by the Parent Company to the Company on behalf of expenses incurred during the Parent Company's tender offer (see Note 11).

11. RELATED PARTY TRANSACTIONS

The Company's related parties include its stockholders, other entities through common ownership and/or with interlocking directors, its retirement fund and key management personnel as described below.

11.1 Due to Related Parties

Due to related parties pertain to noninterest-bearing, unsecured cash advances from related parties for working capital requirements and other purposes. The advances are generally payable in cash upon demand and is presented as Due to Related Parties in the statements of financial position.

11.2 Due from Related Parties

The Company grants advances to related parties for working capital requirements and other purposes. The advances are noninterest-bearing, unsecured, collectible in cash upon demand. These entities are related parties of the Company by virtue of having interlocking directors and common executive officers. As of September 30, 2023 and December 31, 2022, the outstanding receivable amounts to P5,502,000 and P2,950,000, respectively, which is presented as Due from Related Parties in the 2023 and 2022 statement of financial position.

In 2020, the Company provided an allowance for doubtful accounts amounting to P2,000 which was recognized as part of Impairment Losses in the 2020 statement of comprehensive income. There was no similar transaction in 2022 and 2021.

11.3 Lease of Office Space

The Company leases its office space from a related party under common ownership for a period of one year, renewable upon mutual agreement of the parties. Total rent charged to operations are presented as Occupancy in the statements of comprehensive income. The Company does not have any outstanding liabilities arising from these transactions as of September 30, 2023 and December 31, 2022 as the payments are made every month.

11.4 Key Management Personnel Compensation

The compensation and benefits provided to key management personnel generally consist of short-term employee benefits. These are presented as part of Employee Benefits in the statements of comprehensive income (see Note 12).

11.5 Transactions with the Retirement Fund

The retirement fund for the defined benefit post-employment plan is administered and managed by a trustee bank. The fair value and the composition of the plan assets as of September 30, 2023 and December 31, 2022 are presented in Note 12.2.

The retirement fund neither provides any guarantee or surety for any obligation of the Company nor its investments covered by any restrictions or liens.

11.6 Other Payables

In 2022, the Parent Company transferred funds to the Company in relation to the Parent Company's tender offer. As of September 30, 2023, the outstanding payable is P848,147 (see Note 10). No similar transactions occurred in 2021 and 2020.

12. EMPLOYEE BENEFITS

12.1 Employee Benefits Expense

Details of salaries and employee benefits are presented below.

	2023	2022	2021
Short-term employee benefits	**P 1,943,191**	P 2,048,623	P 1,910,481
Post-employment defined benefits	**-**	-	-
	P 1,943,191	P 2,048,623	P 1,910,481

12.2 Post-employment Defined Benefit

(a) Characteristics of the Defined Benefit Plan

The Company maintains a partially funded, tax-qualified, non-contributory post-employment benefit plan that is being administered by a trustee bank that is legally separated from the Company. The trustee bank managed the fund in coordination with the Company's Management Committee who acts in the best interest of the plan assets and is responsible for setting the investment policies. The post-employment plan covers all regular full-time employees.

The normal retirement age is 65. The plan also provides for an early retirement at age 50 with a minimum of ten years of credited service and voluntary separation with a minimum of five years of credited service, both subject to the approval of the Company's BOD. Normal retirement benefit is an amount equivalent to 100% of the final monthly salary for every year of credited service.

(b) *Explanation of Amounts Presented in the Financial Statements*

Actuarial valuations are made every two years to update the retirement benefit costs and the amount of contributions. The 2022 amounts presented below and in the succeeding pages are based on the actuarial valuation report obtained from an independent actuary. No actuarial valuation was done in 2021.

The amounts of post-employment benefit obligation recognized in the statements of financial position are determined as follows:

	2023	2022
Present value of obligation	**P 3,024,171**	P 3,024,171
Fair value of the plan assets	**(1,753,534)**	(1,753,534)
	P 1,270,637	P 1,270,637

These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero-coupon government bond with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

13. TAXES

The components of tax expense as reported in the profit or loss section of the statement of comprehensive income are as follows:

	2023	2022	2021
Final tax at 20% and 15%	**P 720**	P 1,351	P 5,505
MCIT at 1%	**-**	-	-
	P 720	P 1,351	P 5,505

The breakdown of the Company's NOLCO as at September 30, 2023, which can be claimed as deductions from future taxable income within three or five years from the year the tax loss was incurred, is presented below. Specifically, NOLCO incurred in 2021 and 2020 can be claimed as a deduction from the gross income until 2026 and 2025, respectively, in accordance with Republic Act No. 11494, *Bayanihan to Recover as One Act*. The NOLCO incurred in 2022 and 2019 shall be valid for a period of three years.

Year	**Original Amount**	**Expired Balance**	**Remaining Balance**	**Valid Until**
2022	P 4,913,834	P -	P 4,913,834	2025
2021	5,708,824	-	5,708,824	2026
2020	4,959,499	-	4,959,499	2025
2019	5,271,487	5,271,487	-	
	P 20,853,644	**P 5,271,487**	**P 15,582,157**	

The Company is subject to MCIT which is computed at 1% in 2022 and 2021 and 2% in 2020 of gross income, net of allowable deductions, as defined under the tax regulations, or RCIT whichever is higher. There was no RCIT incurred in 2022 and 2021 as the Company is in a tax loss position in both years. However, the Company incurred MCIT in 2022, which the Company can claim as deduction against any RCIT until 2025, amounting to P662 due to realized foreign currency gains. No MCIT was incurred in 2021 and 2020.

In September 30, 2023, 2022 and 2021, the Company opted to claim itemized deductions in computing for its income tax due.

14. BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

Basic and diluted earnings (loss) per share for the period ended September 30, 2023, 2022, and 2021 is computed as follows:

	2023	2022	2021
Net loss attributable to the shareholders of the Company	**(P 3,402,524)**	(P 3,267,892)	(P 4,426,992)
Divided by the weighted average number of outstanding shares	**3,159,292,441**	3,159,292,441	3,159,292,441
Basic and diluted loss per share	**(P 0.0011)**	(P 0.0010)	(P 0.0014)

The Company has no potentially dilutive common shares as of September 30, 2023, 2022 and 2021.

15. COMMITMENTS AND CONTINGENCIES

There are commitments and contingencies that arise in the normal course of the Company's operations which are not reflected in the financial statements. As at September 30, 2023, 2022 and 2021, management is of the opinion that losses, if any, that may arise from these commitments and contingencies will not have a material effect on the Company's financial statements.

16. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

16.1 Carrying Amounts and Fair Values by Category

The Company has no financial assets at fair value whose fair value is required to be disclosed. For the Company's financial assets and financial liabilities at amortized cost as of September 30, 2023 and December 31, 2022, management considers that their carrying values approximate or equal their fair values, thus, no further comparison is presented. Fair value determination of such financial instruments is discussed in Note 17.

16.2 Offsetting of Financial Assets and Financial Liabilities

The Company has not set off financial instruments and does not have relevant offsetting arrangements. Currently, financial assets and financial liabilities are settled on a gross basis; however, each party to the financial instrument (particularly related parties) will have the option to settle all such amounts on a net basis in the event of default of the other party through approval by the respective BOD and stockholders of both parties or upon instruction by its major stockholders. There was no potential offsetting as at September 30, 2023 and December 31, 2022.

17. FAIR VALUE MEASUREMENT AND DISCLOSURES

17.1 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value.

The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry Company, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the related credit risk of counterparties or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Company uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

17.2 Financial Instruments Measured at Fair Value

The Company holds financial assets at FVOCI. The fair value of investments in I-Mart and EIB has been determined based on the net asset approach. The assets are carried at nil as of September 30, 2023 and December 31, 2022.

In 2022 and 2021, the Company used the market approach – price/book value as its valuation method in determining the fair value of investments in MEC. The approach is based on valuation technique for unquoted equity instruments, which maximizes the use of relevant observable inputs (i.e., PSE Index) and minimizes the use of unobservable inputs in accordance with PFRS 13.

All financial assets at FVOCI are categorized under Level 3 of the fair value hierarchy.

The Company has no financial liabilities measured at fair value as of September 30, 2023 and December 31, 2022.

17.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

Management considers that due to the short duration of financial assets and financial liabilities measured at amortized cost, as disclosed in Note 16, their carrying amounts as of September 30, 2023 and December 31, 2022 approximate their fair value. Except for cash and cash equivalents which is classified under Level 1, all other financial instruments are classified under Level 3 wherein inputs are not based on observable data.

There were neither transfers between Levels 1 and 2 nor changes in Level 3 instruments in both years.

MEDCO HOLDINGS, INC.
AGING OF RECEIVABLES
As of September 30, 2023

		NO OF DAYS OUTSTANDING				
	AMOUNT	**1 -30 days**	**31-60 days**	**61-90 days**	**91-120 days**	**Over 120 days**
Various	P725,646					P725,646