

**COVER SHEET**

SEC Number **CS201721758**  
File Number

**ASIA-PACIFIC MEDICAL CENTER BACOLOD INC.**  
**(Formerly Allied Care Experts Medical Center-Bacolod Inc.)**  
(Company's Full Name)

**Lacson St., Barangay Bata, Bacolod City, Negros Occidental**  
(Company's Address)

(034) 703-0049  
(Company's Telephone Number)

**2024 December 31**  
(Fiscal Year Ending-Month and Day)

**SEC FORM 17-Q**  
(FORM TYPE)

**30 September 2024**  
Period Ended Date

**SEC FORM 17-Q-A-2**  
\_\_\_\_\_  
(Amendment Designation, if applicable)

\_\_\_\_\_  
(Secondary License Type, if any)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q-A-2

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

1. For the quarterly period ended 30 September 2024.
2. SEC Identification Number CS201721758 3. BIR Tax Identification No. 009-725-618-000.
4. ASIA-PACIFIC MEDICAL CENTER BACOLOD, INC. (Formerly Allied Care Experts Medical Center-Bacolod Inc.)  
Exact name of issuer as specified in its charter
5. Negros Occidental, Philippines.  
Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code:  (SEC Use Only).
7. Lacson St., Barangay Bata, Bacolod City 6100  
Address of issuer's principal Office Postal Code
8. (034) 703-0049  
Issuer's telephone number, including area code principal Office
9. Rm.4 GF, MC Metroplex Bldg., BS Aquino Drive, Bacolod City  
Former name, former address, and former fiscal year, if changed since last report.

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Founders' share	600
Common share	210,060
Debt Outstanding	356,640,000

11. Are any or all of these securities listed on a Stock Exchange. Yes ☐ No ☒  
If yes, state the name of such Stock Exchange and the class/es of securities listed therein: N/A

12. Indicate by check whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code 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 twelve (12) months (or for such shorter period the registrant was required to file such reports);

Yes ☒ No ☐

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

Yes ☒ No ☐

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## **PART I - FINANCIAL INFORMATION**

### **Item 1. Financial Statements**

The amended unaudited financial statements of Asia-Pacific Medical Center Bacolod, Inc. (Formerly Allied Care Experts Medical Center-Bacolod Inc.) (the Company) as at and for the period ended September 30, 2024 (with comparative figures as at December 31, 2023 and for the period ended September 30, 2023) are filed as part of this SEC Form 17-Q-A-2 as Annex "A".

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

The information required by Part III, Paragraph (A)(2)(b) of "Annex C, as amended" is attached hereto as Annex "B".

## **PART II - OTHER INFORMATION**

There are no disclosures not made under SEC Form 17-C.

### **SIGNATURES**

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

Issuer **ASIA-PACIFIC MEDICAL CENTER BACOLOD, INC. (Formerly Allied Care Experts Medical Center-Bacolod Inc.)**


Signature and Title

  
**DR. MA. LEILA M. MAGBANUA**  
President

Date

**25 February 2025**

Signature and Title

  
**DR. OLGA H. PABICON**  
Corporate Treasurer

Date

**25 February 2025**

**ASIA-PACIFIC MEDICAL CENTER BACOLOD, INC.**  
**(Formerly Allied Care Experts Medical Center-Bacolod Inc.)**

**STATEMENTS OF FINANCIAL POSITION**  
**September 30, 2024 AND DECEMBER 31, 2023**  
**(Amounts in Philippine Peso)**

	<b>September 30, 2024</b> <b>(Unaudited)</b>	<b>December 31, 2023</b> <b>(Audited)</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Notes 2, 3, 4 and 5)	<b>P12,899,831</b>	P22,111,663
Advances to a related party (Notes 2, 3, 4 and 16)	-	-
Advances to contractors (Notes 2, 3 and 6)	<b>37,654,670</b>	33,213,994
Input VAT (Notes 2 and 3)	<b>62,225,823</b>	41,720,983
Deferred input VAT (Notes 2,3 and 21)	<b>6,055,566</b>	2,842,130
Prepayments (Notes 2,3,7 and 21)	<b>105,982</b>	252,737
Total Current Assets	<b>118,941,872</b>	100,141,507
<b>Noncurrent Assets</b>		
Property and equipment - net (Notes 2, 3 and 8)	<b>1,127,974,992</b>	875,317,823
Security deposit (Notes 2, 3, 9 and 15)	<b>45,466</b>	45,466
Total Noncurrent Assets	<b>1,128,020,458</b>	875,363,289
<b>TOTAL ASSETS</b>	<b>P1,246,962,330</b>	P975,504,796
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade and other payables (Notes 2, 4 and 10)	<b>P142,018,112</b>	P49,653,541
Retention payable (Notes 3, 4 and 11)	<b>80,605,790</b>	56,739,982
Income tax payable	<b>541</b>	4,320
Advances from shareholders (Notes 2, 4, 16 and 19)	<b>397,874,946</b>	226,133,559
Total Current Liabilities	<b>620,499,389</b>	332,531,402
<b>Noncurrent Liability</b>		
Loans payable (Notes 2, 4, 12 and 19)	<b>356,640,000</b>	356,640,000
Total Liabilities	<b>977,139,389</b>	689,171,402
<b>Equity</b>		
Share capital (Notes 2, 4 and 13)	<b>210,660,000</b>	210,660,000
Additional paid-in capital (Notes 2 and 4)	<b>159,840,000</b>	159,840,000
Deficit (Notes 2 and 4)	<b>(100,677,059)</b>	(84,166,606)
Total Equity	<b>269,822,941</b>	286,333,394
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>P1,246,962,330</b>	P975,504,796

See accompanying Notes to Financial Statements.

**ASIA-PACIFIC MEDICAL CENTER BACOLOD, INC.**  
*(Formerly Allied Care Experts Medical Center-Bacolod Inc.)*

**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE NINE- MONTH PERIOD ENDED SEPTEMBER 30, 2024 AND 2023**  
*(Amounts in Philippine Peso)*

	<b>Jan 1 to Sep 2024 (Unaudited)</b>	<b>Jan 1 to Sep 2023 (Unaudited)</b>
<b>OTHER INCOME</b> - net (Note 2)	<b>P41,706</b>	P106,333
<b>EXPENSES</b> (Notes 2 and 14)	<b>(16,552,159)</b>	(19,674,415)
<b>LOSS BEFORE INCOME TAX</b>	<b>(P16,510,453)</b>	(19,568,082)
<b>PROVISION FOR INCOME TAX</b> (Notes 2 and 17)	<b>(541)</b>	(74)
<b>NET LOSS</b>	<b>(16,510,994)</b>	(19,568,156)
<b>LOSS PER SHARE</b> (Notes 2 and 18)	<b>(P78.37)</b>	(92.89)

*There was no other comprehensive income during the nine-month period ended September 30, 2024 and 2023.*

*See accompanying Notes to Financial Statement*

**ASIA-PACIFIC MEDICAL CENTER BACOLOD, INC.**  
*(Formerly Allied Care Experts Medical Center-Bacolod Inc.)*

**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE THREE- MONTH PERIOD ENDED SEPTEMBER 30, 2024 AND 2023**  
*(Amounts in Philippine Peso)*

	<b>Jul 1 to Sep 2024</b>	<b>Jul 1 to Sep 2023</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>OTHER INCOME</b> - net (Note 2)	<b>P12,955</b>	<b>P9,571</b>
<b>EXPENSES</b> (Notes 2 and 14)	<b>(5,519,298)</b>	<b>(8,932,301)</b>
<b>LOSS BEFORE INCOME TAX</b>	<b>(P5,606,343)</b>	<b>(P8,922,730)</b>
PROVISION FOR INCOME TAX (Notes 2 and 17)	<b>(208)</b>	<b>(74)</b>
<b>NET LOSS</b>	<b>(P5,506,551)</b>	<b>(8,922,804)</b>
<b>LOSS PER SHARE</b> (Notes 2 and 18)	<b>(P26.14)</b>	<b>(P42.36)</b>

*There was no other comprehensive income during the three- month period ended September 30, 2024 and 2023.*  
*See accompanying Notes to Financial Statement*

**ASIA-PACIFIC MEDICAL CENTER BACOLOD, INC.**  
*(Formerly Allied Care Experts Medical Center-Bacolod Inc.)*

**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2024 AND 2023**  
*(Amounts in Philippine Peso)*

	<b>Sept. 30, 2024 (Unaudited)</b>	<b>Sept. 30, 2023 (Unaudited)</b>
<b>SHARE CAPITAL</b> (Notes 2, 4 and 13)	<b>P210,660,000</b>	P210,660,000
<b>ADDITIONAL PAID-IN CAPITAL</b> (Notes 2 and 4)	<b>159,840,000</b>	158,400,000
<b>DEFICIT</b> (Notes 2 and 4)		
Balance at beginning of period	<b>(84,166,606)</b>	(58,891,280)
Net loss	<b>(16,510,453)</b>	(19,568,082)
Balance at end of period	<b>(100,677,059)</b>	(78,459,362)
	<b>P 269,822,941</b>	P290,600,712

*See accompanying Notes to Financial Statements.*



**ASIA-PACIFIC MEDICAL CENTER BACOLOD, INC.**  
**(Formerly Allied Care Experts Medical Center-Bacolod Inc.)**

**STATEMENTS OF CASH FLOWS**  
**FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2024 AND 2023**  
**(Amounts in Philippine Peso)**

	<b>September 30, 2024(Unaudited)</b>	<b>September 30, 2023(Unaudited)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before income tax	<b>(P16,510,453)</b>	(P19,568,082)
Adjustments to reconcile pretax loss to cash:		
Other income (Note 5)	<b>(41,706)</b>	(106,333)
Depreciation (Notes 8 and 14)	<b>67,474</b>	78,328
Loss before working capital changes	<b>(16,484,685)</b>	(19,596,087)
Decrease (increase) in:		
Input VAT	<b>(20,504,840)</b>	(13,248,966)
Deferred Input VAT	<b>(3,213,436)</b>	1,077,663
Prepayments (Note 7)	<b>146,754</b>	
Increase (decrease) in trade and other payables (Note 10)	<b>92,425,381</b>	(17,517,433)
Net cash generated from operations	<b>52,369,174</b>	(49,284,823)
Other income received	<b>41,706</b>	106,333
Income tax paid	<b>(541)</b>	(74)
Net cash used in operating activities	<b>52,410,339</b>	(49,178,416)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Advances to a related party (Note 16)	-	(14,377,933)
Retention from payment to contractors (Note 11)	<b>23,865,808</b>	7,834,046
Advance payments made to contractors (Note 6)	<b>(4,440,676)</b>	11,346,069
Additions to property and equipment (Note 8)	<b>(252,724,643)</b>	(184,221,437)
Net cash used in investing activities	<b>(233,299,511)</b>	(179,419,255)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from subscription of share capital (Note 13)	-	139,918,035
Receipts of advances from shareholders (Notes 16 and 19)	<b>171,741,387</b>	25,075,374
Net cash provided by financing activities	<b>171,741,387</b>	164,993,409
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(9,211,832)</b>	(63,620,292)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>22,111,663</b>	<b>89,957,922</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>P12,899,831</b>	<b>P26,337,630</b>

See accompanying Notes to Financial Statements.

**ASIA-PACIFIC MEDICAL CENTER BACOLOD, INC.**  
**(Formerly Allied Care Experts Medical Center-Bacolod Inc.)**  
**NOTES TO FINANCIAL STATEMENTS**

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**1. General Information**

Allied Care Experts Medical Center-Bacolod Inc. (the Company) was registered with the Philippine Securities and Exchange Commission (SEC) on July 4, 2017, primarily to establish, maintain, operate, own and manage hospitals, medical and related healthcare facilities and businesses such as but without restriction to clinical laboratories, diagnostic centers, ambulatory clinics, condo hospitals, scientific research and other allied undertaking and services which shall provide medical, surgical, nursing, therapeutic, paramedic or similar care, provided that purely professional, medical or surgical services shall be performed by duly qualified and licensed physicians or surgeons who may or may not be connected with the hospitals and whose services shall be freely and individually contracted by the patients.

On August 22, 2020, the majority of the Board of Directors and the vote of the shareholders owning and representing at least two-thirds of the outstanding share capital approved the amendment of Article I of the Articles of Incorporation (AOI) by changing its name from Allied Care Experts Medical Center-Bacolod Inc. to Asia-Pacific Medical Center Bacolod, Inc. On September 21, 2021, the SEC approved the amendment to the Articles of Incorporation of the Company to change its corporate name.

Its principal place of business is located at Lacson Street, Barangay Bata, Bacolod City, Negros Occidental (As amended on November 6, 2023).

The Company has twelve (12) employees as at September 30, 2024 and December 31, 2023.

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**2. Summary of Significant Accounting Policies and Disclosures**

Basis of Preparation

The accompanying financial statements of the Company have been prepared on a historical cost basis, except as otherwise stated. Historical costs refer to the amount of cash paid to acquire an asset or, in the case of exchange, the fair value of the consideration given to acquire an asset. The financial statements are presented in Philippine peso, which is the functional and presentation currency under the Philippine Financial Reporting Standards (PFRS). All values are rounded to the nearest peso except as otherwise indicated.

Statement of Compliance

The accompanying financial statements 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 former Standing Interpretations Committee, the Philippine Interpretations Committee and the International Financial Reporting Interpretations Committee (IFRIC), which have been approved by the Philippine Financial Reporting Standards Council and adopted by the Philippine SEC.

Changes in Accounting Policies

The Company consistently adopted and applied all accounting policies under PFRS which have been issued and becomes effective except adoption of the following amendments effective beginning January 1, 2024. Adoption of these amendments to PFRS, PAS and Philippine Interpretations did not have any significant impact on the Company's financial position or performance unless otherwise indicated.

- The Amendments to PAS1, *"Noncurrent Liabilities with Covenants"*

The amendments clarify how conditions with which an entity must comply within twelve months after the

reporting date affect the classification of a liability. The amendments modify the requirements introduced by PAS 1, *Presentation of Financial Statements- Classification of Liabilities as Current or Noncurrent*, on how an entity classifies debt and other financial liabilities as current or noncurrent in particular circumstances. Only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or noncurrent. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that noncurrent liabilities with covenants could become repayable within twelve months.

The adoption of this amendment has no significant impact on the financial statements.

- Amendments to PAS 16, "*Lease Liability in a Sale and Leaseback* "

The amendments specify how a seller-lessee should apply the subsequent measurement requirements in PFRS 16 to the lease liability that arises in the sale and leaseback transaction. The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognizing in profit or loss relating to the partial or full termination of a lease.

The amendments also do not prescribe specific measurement requirements for lease liabilities arising from a leaseback.

The adoption of this amendment has no significant impact on the financial statements.

- Amendments to PAS 7 and PFRS 7, "*Supplier Finance Arrangements* "

The amendments are intended to enable users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows and on the entity's exposure to liquidity risk.

The amendments require an entity to disclose the following for its supplier finance arrangements:

- the terms and conditions of the arrangements;
- the carrying amounts and associated line items of financial liabilities in the statement of financial position that are part of a supplier finance arrangement, with breakup of the amounts for which the suppliers have already received payment from the finance providers;
- ranges of payment due dates; and
- liquidity risk information.

The amendments also include explanation of characteristics of a supplier finance arrangement and provide transitional relief, mainly for disclosure of comparative information. The Company has no supplier finance arrangements, thus, has no significant impact on the financial statements.

New Accounting Standards, Amendments to Existing Standards and Interpretations  
Effective Subsequent to September 30, 2024

The standards, amendments and interpretations which have been issued but not yet effective as at September 30, 2024 are disclosed below. Except as otherwise indicated, the Company does not expect the adoption of the applicable new and amended PFRS to have a significant impact on the financial position or performance.

Effective beginning on or after January 1, 2025

- PFRS 17, "*Insurance Contracts* "\*\*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition

and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, "Insurance Contracts" This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adoption for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.
- Amendments to PFRS 17, "*Insurance Contracts*"\*

The amendments, which respond to feedback from stakeholders, are designed to:

- Reduce costs by simplifying some requirements in the Standard;
- Make financial performance easier to explain; and
- Ease transition by deferring the effective date of the Standard to 2023 and by providing additional relief to reduce the effort required when applying PFRS 17 for the first time.

The amendments are not applicable to the Company since it does not have activities that are predominantly connected with insurance or issue insurance contracts.

- Amendment to PFRS 17, "*Initial Application of PFRS 17 and PFRS 9 – Comparative Information*"

The amendment is a transition option relating to comparative information about financial assets presented on initial application of IFRS 17. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of financial statements.

The adoption of this amendment is not expected to have any significant impact on the financial statements.

*\*On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of IFRS 17 by two (2) years after its effective date as decided by the IASB.*

- Amendments to PAS 21, "*Lack of Exchangeability*"

The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

When applying the amendments, an entity cannot restate comparative information.

#### *Deferred Effectivity*

- Amendments to PFRS 10 and PAS 28, "*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*"

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, "*Business Combinations*". 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 January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes 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.

These amendments may apply to future transactions of the Company.

- Deferment of Implementation of International Financial Reporting Interpretations Committee (IFRIC) Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, "Borrowing Cost") for the Real Estate Industry

In March 2019, IFRIC published an Agenda Decision on whether borrowing costs can be capitalized on real estate inventories that are under construction and for which the related revenue is/will be recognized over time under par. 35 (c) of PFRS 15. IFRIC concluded that borrowing costs cannot be capitalized for such real estate inventories as they do not meet the definition of a qualifying asset under PAS 23 considering that these inventories are ready for their intended sale in their current condition.

On February 21, 2020, the Philippine SEC issued MC No. 4, Series of 2020, providing relief to the Real Estate Industry by deferring the mandatory implementation of the above IFRIC Agenda Decision until December 31, 2020. Effective January 2021, the Real Estate Industry will adopt the IFRIC agenda decision and any subsequent amendments thereto retrospectively or as the SEC will later prescribe. A real estate company may opt not to avail of the deferral and instead comply in full with the requirements of the IFRIC agenda decision. The adoption of this amendment is not expected to have any significant impact on the financial statements since the Company is not in a real estate industry.

#### *No Mandatory Effective Date*

- PFRS 9, "Financial Instruments (Hedge Accounting and Amendments to PFRS 9, PFRS 7 and PAS 39)"

The amendments require the inclusion of general hedge accounting model in the notes' disclosure to the financial statements. The amendments allow early adoption of the requirement to present fair value changes due to own credit on liabilities designated as at fair value through profit or loss (FVPL) to be presented in the other comprehensive income.

These amendments are not applicable to the Company and expected not to have an impact on the financial statements.

#### Material Accounting Policies

##### Current versus Noncurrent Classification

The Company presents assets and liabilities in the statements of financial position based on current or noncurrent classification. An asset is current if:

- Expected to be realized or intended to be sold or consumed in the 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 reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the 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 noncurrent.

Deferred income tax assets and liabilities, if any, are classified as noncurrent assets and liabilities.

##### Fair Value Measurement

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 the Company.

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

All assets and liabilities for which fair value is measured or disclosed in the 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 prices (unadjusted) 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 - Unobservable inputs for the asset or liability

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

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the assets or liabilities and the level of the fair value hierarchy.

### Financial Instruments

Financial instrument is any contract that gives rise to a financial asset of one entity or a financial liability or equity instrument of another entity.

#### **Date of Recognition**

The Company recognizes a financial asset or a financial liability in the statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

#### ***"Day 1" Difference***

Where the transaction 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 Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there is no observable data on inception, the Company deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference.

### ***Financial Assets***

#### **Initial Recognition**

Financial assets are recognized initially at fair value, which is the fair value of the consideration given.

The initial measurement of financial assets, except for those designated at fair value through profit or loss (FVPL), includes transaction cost.

#### Classification

The Company classifies its financial assets at initial recognition under the following categories:

(a) financial assets at amortized cost, (b) financial assets at fair value through other comprehensive income (FVOCI) and (c) financial assets at FVPL. The classification of a financial asset at initial recognition largely depends on the Company's business model for managing the asset and its contractual cash flow characteristics.

#### Financial Assets at Amortized Cost

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

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

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

The Company's cash and cash equivalents are classified under this category (see Note 5).

#### Debt Instruments at FVOCI

For debt instruments that are not designated at FVPL under the fair value option, the financial assets are measured at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial assets give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, interest income (calculated using the effective interest rate method), foreign currency gains or losses and impairment gains or losses of debt instruments measured at FVOCI are recognized directly in profit or loss. When the financial asset is derecognized, the cumulative gains or losses previously recognized in OCI are classified from equity to profit or loss as a reclassification adjustment.

As at September 30, 2024 and December 31, 2023, the Company does not have debt instruments at FVOCI.

#### Equity Instruments at FVOCI

For equity instruments that are not held for trading, the Company may irrevocably designate, at initial recognition, a financial asset to be measured at FVOCI when it meets the definition of equity instrument under PAS 32, "Financial Instruments: Presentation". This option is available and made on an instrument by instrument basis.

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment. All other gains or losses from equity instruments are recognized in OCI and presented in the equity section of the statements of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods, instead, these are transferred directly to retained earnings.

As at September 30, 2024 and December 31, 2023, the Company does not have equity instruments at FVOCI.

#### Financial Assets at FVPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVOCI are classified under this category. Specifically, financial assets at FVPL include financial assets that are (a) held for trading, (b) designated upon initial recognition at FVPL, or (c) mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

This category includes debt instruments whose cash flows, based on the assessment at initial recognition of the assets, are not “solely for payment of principal and interest”, and which are not held within a business model whose objective is either to collect contractual cash flows or to both collect contractual cash flows and sell.

This category also includes equity instruments which the Company had not irrevocably elected to classify at FVOCI at initial recognition.

After initial recognition, financial assets at FVPL are subsequently measured at fair value. Gains or losses arising from the fair valuation of financial assets at FVPL are recognized in profit or loss.

As at September 30, 2024 and December 31, 2023, the Company has no financial assets at FVPL.

#### Reclassification

The Company reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in OCI.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at amortized cost, its fair value at the reclassification date becomes its new gross carrying amount.

For a financial asset reclassified out of the financial assets at FVOCI category to financial assets at amortized cost, any gain or loss previously recognized in OCI, and any difference between the new amortized cost and maturity amount, are amortized to profit or loss over the remaining life of the investment using the effective interest method. If the financial asset is subsequently impaired, any gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognized in profit or loss when the financial asset is sold or disposed. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at FVOCI, its fair value at the reclassification date becomes its new gross carrying amount. Meanwhile, for a financial asset reclassified out of the financial assets at FVOCI category to financial assets at FVPL, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

#### Impairment of Financial Assets at Amortized Cost and FVOCI

The Company recognizes an allowance for ECL for all debt instruments not held at FVPL. ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation to the asset's original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.



For other debt instruments measured at amortized cost and FVOCI, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. The Company also considers reasonable and supportable information, that is available without undue cost or effort that is indicative of significant increases in credit risk since initial recognition.

The Company considers a financial asset in default when contractual payments are 30 days past due unless it is demonstrated that the nonpayment was an administrative oversight rather than resulting from financial difficulty of the borrower. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

#### Derecognition

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

- The right to receive cash flows from the asset has expired;
- The Company retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- The Company has transferred its right to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

#### Financial Liabilities

##### Initial Measurement

Financial liabilities are recognized initially at fair value, which is the fair value of the consideration received. In case of financial liabilities at amortized cost, the initial measurement is net of any directly attributable transaction costs.

##### Classification and Subsequent Measurement

The Company classifies its financial liabilities at initial recognition as either financial liabilities at FVPL or financial liabilities at amortized cost.

##### Financial liabilities at FVPL

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss. As at September 30, 2024 and

December 31, 2023, the Company does not have financial liabilities at FVPL.

#### Financial liabilities at amortized cost

Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate.

Included in this category are the Company's trade and other payables (except government payables), retention payable, loans payable and advances from shareholders.

#### Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statements of comprehensive income.

#### Fair Value Option

The Company may, at initial recognition, irrevocably designate a financial asset or liability that would otherwise have to be measured at amortized cost or fair value through other comprehensive income to be measured at fair value through profit or loss if doing so would eliminate or significantly reduce an accounting mismatch or otherwise results in more relevant information.

#### Classification of Financial Instrument between Liability and Equity

A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

#### Offsetting of Financial Assets and Liabilities

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statements of financial position.

#### Input VAT

Input VAT represents value-added tax (VAT) paid to suppliers that can be claimed as credit against the Company's VAT liabilities.

#### Prepayments

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to expense as they are consumed in operations, capitalized to qualifying asset or expire with the passage of time.

#### Deferred Input VAT

Deferred VAT input represents value-added tax (VAT) on the purchases of services billed to the Company but not yet paid. This can be claimed as credit against the Company's VAT liabilities.

### Property and Equipment

Property and equipment, except land, are carried at cost less accumulated depreciation and amortization and accumulated provision for any impairment in value, if any.

The initial cost of property and equipment comprises its purchase price and other costs directly attributable in bringing the assets to its working condition and location for its intended use. Expenditures incurred after the property have been put into operation, such as repairs and maintenance, are normally charged to income in the year the costs are incurred. In situations when it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance and the cost of such item can be measured reliably, the expenditures are capitalized as an additional cost of the said property and equipment.

Land is stated at cost less impairment in value, if any.

Depreciation is computed using the straight-line method over the estimated useful life of office equipment which is 3 to 5 years.

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

Construction in progress represents structures under constructions and is stated at cost (include cost of construction, machinery and equipment under installation and other related costs). Construction in progress is not depreciated until such time as the relevant assets are completed and ready for its intended use.

The carrying values of property and equipment are reviewed for impairment when events or changes in the circumstances indicate that the carrying values may not be recoverable. Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation and amortization are recognized in profit or loss.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit and loss in the period the asset is derecognized.

### Security Deposit

Security deposit represents deposit made on lease contracts of office, initially measured at cost less impairment loss, if any, and which are recoverable at the end of lease terms.

### Impairment of Nonfinancial Assets

Property and equipment, security deposit, input VAT, advances to contractors, deferred input VAT and prepayments are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount of an asset exceeds its recoverable amount, the asset or cash-generating unit (CGU) is written down to its recoverable amount. The estimated recoverable amount is the higher of an asset's fair value less cost to sell and value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's-length transaction less the costs of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less cost to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other fair value indicators. Impairment losses are recognized in the statements of comprehensive income.

Recovery of impairment loss recognized in prior years is recorded on nonfinancial asset when there is an indication that the impairment loss recognized for the asset no longer exists or has decreased. The recovery is recorded in the statements of comprehensive income. However, the increased carrying amount of an asset due to a recovery of an impairment loss is recognized to the extent that it does not

exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized for that asset in prior years.

### Equity

#### *Share Capital*

Share capital is recognized as issued when the share is paid for or subscribed under a binding subscription agreement and is measured at par value.

The share capital is classified into founders' share and common share.

#### *Additional Paid-in Capital*

Proceeds and/or fair value considerations received in excess of par value.

#### *Deficit*

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

### Revenue Recognition

Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Company performs its obligations; (b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Company also assesses its revenue arrangements to determine if it is acting as a principal or as an agent.

#### *Interest Income*

Interest income is recognized as the interest accrues taking into account the effective yield on the asset.

### Cost and Expenses

Costs and expenses are recognized in the statements of comprehensive income upon utilization of the service or goods or at the date these are incurred or received.

### Borrowing Costs

Borrowing costs are generally expensed as incurred. Interest and other finance costs incurred during the construction period on borrowings used to finance property development are capitalized to the appropriate asset accounts.

The capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. The capitalization of these borrowing costs ceases when substantially all activities necessary to prepare the asset for sale or its intended use are complete. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

### Employee Benefits

#### *Short-term Benefits*

Short-term employee benefits are those benefits expected to be settled wholly before 12 months after the end of the annual reporting period during which employee services are rendered, but do not include termination benefits. Short-term benefits given by the Company to its employees include salaries and wages, social security, health insurance and housing contributions, short-term compensated absences, bonuses and other non-monetary benefits.

### Leases

The Company assesses whether the contract is, or contains, a lease. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether, throughout the period of use, it has the following:

- the contract involves an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. The Company has the right to direct the use of the asset of either:
  - a. the Company has the right to operate the asset; or
  - b. the Company designed the asset in a way that predetermines how and for what purpose it will be used.

#### *Short-term Leases and Leases of Low-Value Assets*

The Company applies the short-term lease recognition exemption to its short-term leases of office space (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

#### Related Parties

Parties were considered to be related if one party has the ability, directly or indirectly, to control the other party or exercises significant influence over the other party in making financial and operating decisions. Parties were also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. Transactions between related parties are based on terms similar to those offered to non-related parties.

#### Income Taxes

##### *Current Income Tax*

Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting period.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the profit or loss.

##### *Deferred Income Tax*

Deferred income tax is provided using the liability method on temporary differences at the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences except: (1) when the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and (2) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

(1) when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and (2) in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the

temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting period.

Deferred income tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

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

#### Provisions

Provisions are recognized when the Company has present obligations, legal or constructive, as a result of past events, when 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. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income, net of any reimbursements. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to passage of time is recognized as interest expense.

#### Contingencies

Contingent liabilities are not recognized in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed in the notes to financial statements when an inflow of economic benefits is probable.

#### Loss per Share

Basic loss per share is calculated by dividing the net loss (less preferred dividends net of tax, if any) for the year attributable to common shareholders by the weighted average number of common shares outstanding during the year, with retroactive adjustment for any stock dividends or stock splits declared during the year.

Diluted loss per share is computed by dividing net loss by the weighted average number of common stocks outstanding during the year, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the year, and adjusted for the effect of dilutive options.

#### Events after the Reporting Period

Post year-end events that provide additional information about the Company's financial position at the end of the reporting period (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

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### **3. Material Judgments, Accounting Estimates and Assumptions**

The preparation of the financial statements in conformity with PFRS requires management to make judgments and estimates that affect the reported amounts of revenues, expenses, assets and liabilities and disclosure of contingent liabilities at the reporting date. The uncertainties inherent in these judgments and estimates could result in outcomes that could require a significant adjustment to the carrying amount of the assets or liabilities affected in future years.

## Judgments

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

### *Business Model Assessment*

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

### *Significant Increase of Credit Risk*

Where the fair values of financial assets and financial liabilities recorded on the statements of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The input to these models is taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility and correlation.

### *Classification of Financial Instruments*

The Company classifies its financial assets and financial liabilities in the following measurement categories:

- i) those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss) and ii) those to be measured at amortized cost.

The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss (irrevocable election at the time of recognition).

For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

### *Determination Whether an Arrangement Contains a Lease*

The Company uses its judgment in determining whether an arrangement contains a lease, based on the substance of the arrangement at inception date and makes assessment whether the arrangement is dependent on the use of a specific asset or assets, the arrangement conveys a right to use the asset and the arrangement transfers substantially all the risks and rewards incidental to ownership to the Company.

The details of these lease agreements are disclosed in Note 15.

### *Determining the Lease Term of Contracts with Renewal and Termination Options – Company as Lessee*

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has lease contract that includes extension and termination options. The Company applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Company did not include the renewal period as part of the lease term for lease of its temporary office space even though the Company typically exercises its option to renew this lease because the Company does not have enforceable right to extend the lease beyond the non-cancellable period.

#### *Determining the Fair Values of Financial Instruments*

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to this model are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

#### *Estimates and Assumptions*

The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed as follows:

#### *Assessment for ECL on Other Financial Assets at Amortized Cost*

The Company determines the allowance for ECL using general approach based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL is provided for credit losses that result from possible default events within the next 12 months unless there has been a material increase in credit risk since initial recognition in which case ECL is provided based on lifetime ECL.

The Company also considers financial assets that are more than 30 days past due to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent a material risk in credit risk such as when non-payment was an administrative oversight rather than resulting from financial difficulty of the borrower.

When determining if there has been a material increase in credit risk, the Company considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- Actual or expected external and internal credit rating downgrade;
- Existing or forecasted adverse changes in business, financial or economic conditions; and
- Actual or expected significant adverse changes in the operating results of the borrower

The Company has assessed that the ECL on other financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Company only with reputable banks and companies with good credit standing and relatively low risk of defaults. Accordingly, no provision for ECL on other financial assets at amortized cost was recognized in 2024 and 2023. The carrying amounts of other financial assets at amortized cost is as follows:

	<b>September 30, 2024 (Unaudited)</b>	<b>December 31, 2023 (Audited)</b>
Cash in banks	<b>P12,768,268</b>	P21,980,493
Time deposits	<b>116,563</b>	116,170
	<b>P12,884,831</b>	P22,096,663

#### *Assessment for Impairment of Nonfinancial Assets*

The Company assesses impairment on nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of the assets or group of assets may not be recoverable. The relevant factors that the Company considers in deciding whether to perform an asset impairment review include, among others, the following:

- Significant underperformance of a business in relation to expectations;
- Significant negative industry or economic trends; and
- Significant changes or planned changes in the use of the assets.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. Recoverable amounts are estimated for individual assets or, if it is not possible, for the CGU



to which the asset belongs.

The recoverable amount of the asset is the greater of the fair value less cost of disposal or value in use. The fair value less cost of disposal is the amount obtainable from the sale of an asset in an arm's-length transaction. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

No impairment loss on nonfinancial assets was recognized for the nine-month period ended September 30, 2024 and year ended December 31, 2023. The carrying amounts of nonfinancial assets are as follows:

	<b>Sept. 30, 2024 (Unaudited)</b>	<b>Dec. 31, 2023 (Audited)</b>
Advances to contractors	<b>P37,654,670</b>	P33,213,994
Input VAT	<b>62,225,823</b>	41,720,983
Deferred Input VAT	<b>6,055,566</b>	2,842,130
Prepayments	<b>105,982</b>	252,737
Property and equipment- net	<b>1,127,974,992</b>	875,317,823
Security deposit	<b>45,466</b>	45,466.00
	<b>P 1,234,062,498</b>	P953,393,133

*Estimating Useful Life of Property and Equipment, Except Land*

The estimated useful lives used as bases for depreciating the Company's property and equipment, excluding land, were determined on the basis of management's assessment of the period within which the benefits of these asset items are expected to be realized taking into account actual historical information on the use of such assets.

The carrying amount of property and equipment, except land, amounted to P1,047,772,490 and P795,115,321 as at September 30, 2024 and December 31, 2023, respectively (see Note 8).

*Recognition of Deferred Tax Assets*

The Company reviews the carrying amounts of deferred tax assets at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

The management believes that the Company will not be able to realize the NOLCO in the future. The Company provided full valuation allowance on its NOLCO, thus no deferred tax asset was set up in 2024 and 2023.

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#### **4. Financial Risk Management Objectives and Capital Management**

Financial Risk Management Objectives and Policies

The main purpose of the Company's financial instruments is to fund its operations. The Company's principal financial instruments arising from operations consist of cash and cash equivalents, advances to a related party, trade and other payables (excluding government liabilities), loans payable and advances from shareholders. The main risks from the use of financial instruments are credit and liquidity risk. The Company has minimal exposure on interest rate risk since its loans payable are short-term and bear fixed interest rate.

The Company does not have foreign currency risk because the Company has no monetary assets and liabilities denominated in foreign currency for the nine-month period ended September 30, 2024 and yearended December 31, 2023.

The Company's Board of Directors reviews and approves the policies for managing each of these risks and these are summarized below:

### Credit Risk

The Company's exposure to credit risk arises from the failure on the part of its counterparty in fulfilling its financial commitments to the Company under the prevailing contractual terms. Financial instruments that potentially subject the Company to credit risk consist primarily of other financial assets at amortized cost.

The carrying amounts of financial assets at amortized costs represent its maximum credit exposure.

### *Other Financial Assets at Amortized Cost*

The Company's other financial assets at amortized cost are composed of cash in banks and time deposits. The Company limits its exposure to credit risk by investing its cash only with banks that have good credit standing and reputation in the local and international banking industry. These instruments are graded in the top category by an acceptable credit rating agency and, therefore, are considered to be low credit risk investments.

It is the Company's policy to measure ECL on the above instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

When determining if there has been a significant increase in credit risk, the Company considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- Actual or expected external and internal credit rating downgrade;
- Existing or forecasted adverse changes in business, financial or economic conditions; and
- Actual or expected significant adverse changes in the operating results of the borrower.

The Company also considers financial assets that are more than 30 days past due to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent significant credit risk such as when non-payment arising from administrative oversight rather than resulting from financial difficulty of the borrower.

The table below presents the summary of the Company's exposure to credit risk and shows the credit quality of the assets by indicating whether the assets are subjected to 12-month ECL or lifetime ECL. Assets that are credit-impaired are separately presented.

September 30, 2024				
	Financial asset at amortized cost			
		Lifetime ECL not credit impaired	Lifetime ECL credit impaired	
	9-month ECL			Total
Cash in banks	P12,768,268	P -	P -	P12,768,268
Time deposits	116, 563	P -	P -	116,563
	P12,884,831	P -	P -	P12,884,831

December 31, 2023				
	Financial asset at amortized cost			
		Lifetime ECL not credit impaired	Lifetime ECL credit impaired	
	12-month ECL			Total
Cash in banks	P21,980,493	P -	P -	P21,980,493
Time deposits	116, 170	P -	P -	116,170
	P22,096,663	P -	P -	P22,096,663

### *Liquidity Risk*

In the management of liquidity, the Company monitors and maintains a level of cash deemed adequate by the management to finance the Company's operations and mitigate the effects of fluctuations in cash flows.

To meet the Company's short-term obligations and funding for the construction of its building, the Company will call for payment of the subscription receivable from the stockholders. Also, the Company secured from Development Bank of the Philippines a credit line facility on August 11, 2021 as one of its sources in funding the construction of hospital building.

The table below summarizes the maturity profile of the Company's financial assets and liabilities as at September 30, 2024 and December 31, 2023 based on contractual and undiscounted payments.

<b>As at September 30, 2024</b>	On Demand	Within 1 year	1 to 5 years	More than 5 years	Total
<i>Financial liabilities:</i>					
Trade and other payable	P-	P141,828,285		P-	P141,828,285
Retention payable		80,605,790			80,605,790
Advances from shareholders	-	-	397,874,946		397,874,946
Loans payable	-	-	-	-	356,640,000
	P-	P222,624,075	P297,461,559	P-	P976,949,021
<i>Financial assets:</i>					
Cash and cash equivalents	P12,899,831	P-	P-	P-	P12,899,831
	P12,899,831	P-	P-	P-	P12,899,831

<b>As at December 31, 2023</b>	On Demand	Within 1 year	1 to 5 years	More than 5 years	Total
<i>Financial liabilities:</i>					
Trade and other payable	P-	P49,398,917	P-	P-	P49,398,917
Retention payable		56,739,982			56,739,982
Advances from shareholders	-	-	226,133,559	-	226,133,559
Loans payable	-	-	71,328,000	285,312,000	356,640,000
	P-	P106,138,89	P297,461,559	P312,060,000	P688,912,458
<i>Financial assets:</i>					
Cash and cash equivalents	P22,111,663	P-	P-	P-	P22,111,663
	P22,111,663	P-	P-	P-	P22,111,663

\*Excluding government payables amounting to P254,624 as at December 31, 2023

### Fair Values of Financial Instruments

The historical cost carrying amounts of the Company's financial assets and financial liabilities are all subject to normal credit terms, and are short-term in nature, and approximate their fair values. Details are as follows:

	September 30, 2024	December 31, 2023
<i>Financial assets:</i>		
Cash and cash equivalents	<b>P12,899,831</b>	P22,111,663
<i>Financial liabilities:</i>		
Trade and other payables	<b>141,828,285</b>	49,398,917
Retention payable	<b>80,605,790</b>	56,739,982
Advances form shareholders	<b>397,874,946</b>	226,133,559
Loans payable	<b>356,640,000</b>	356,640,000
	<b>P979,949,021</b>	P688,912,458

\*Excluding government payables amounting to P189,827 and 254,624 as at September 30, 2024 and December 31, 2023, respectively.

### Capital Management

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business, pay existing obligations and maximize shareholder value.

The Company manages capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust capital, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the nine-month period ended September 30, 2024 and year ended December 31, 2023.

The following table pertains to the account balances the Company considers as its core economic capital:

	<b>Sept. 30, 2024 (Unaudited)</b>	<b>Dec. 31, 2023 (Audited)</b>
Share capital	<b>P210,660,000</b>	P210,660,000
Additional paid-in capital	<b>159,840,000</b>	159,840,000
Deficit	<b>(100,677,059)</b>	(84,166,606)
	<b>P269,822,941</b>	P286,333,394

The Company is not subject to externally-imposed capital requirements.

## 5. Cash and Cash Equivalents

This account consists of:

	<b>Sept. 30, 2024 (Unaudited)</b>	<b>Dec. 31, 2023 (Audited)</b>
Cash on hand	<b>P15,000</b>	P15,000
Cash in banks	<b>12,768,268</b>	21,980,493
Time deposits	<b>116,563</b>	116,170
	<b>P12,899,831</b>	P22,111,663

Cash in banks earn interest at the respective bank deposit rates. Interest income earned from cash in banks amounted to P10,164 and P83,876 as at September 30, 2024 and December 31, 2023, respectively.

Time deposits earn interest at the respective bank deposit rates. Interest income earned from time deposits amounted to P4,492 and P19,304 as at September 30, 2024 and December 31, 2023, respectively.

## 6. Advances to Contractors

Advances to contractors represent advances for each awarded project activity and is liquidated via deduction, on a pro-rate basis from the contractor's periodic progress billings.

Advances to contractors amounted P37,654,670 and P33,213,994 as at September 30, 2024 and December 31, 2023, respectively.

## 7. Prepayments

This account consists of:

	<b>Sept. 30, 2024 (Unaudited)</b>	<b>Dec. 31, 2023 (Audited)</b>
Prepaid tax	<b>P60,420</b>	P241,680
Prepaid rent (Note 15)	<b>34,505</b>	-
Prepaid marketing	-	-
Others	<b>11,057</b>	11,057
	<b>P105,982</b>	P252,737

Prepaid marketing pertains to advance payment of advertisement.

Prepaid tax pertains to advance payment of real property tax.

Prepaid rent pertains to unamortized portion of its payment of lease with MC Metroplex Holdings, Inc. (see Note 15).

## 8. Property and Equipment

This account consists of:

Cost:

	December 31, 2023	Additions	Disposal	September 30, 2024
Land	P80,202,502	P-	P-	<b>P80,202,502</b>
Construction in progress	794,806,668	252,683,782		<b>1,047,490,450</b>
Office equipment	1,137,270	40,861		<b>1,178,131</b>
	876,146,440	252,724,643		<b>1,128,871,083</b>
Accumulated depreciation:				
Office equipment	828,617	67,474		<b>896,091</b>
Net book value	875,317,823			<b>P1,127,974,992</b>

	December 31, 2022	Additions	Disposal	December 31, 2023
Land	P80,202,502	P-	P-	P80,202,502
Construction in progress	572,319,763	222,486,905		794,806,668
Office equipment	950,820	186,450		1,137,270
	653,473,085	222,673,355		876,146,440
Accumulated depreciation: Office equipment	662,488	166,129		828,617
Net book value	P652,810,597			P875,317,823

Land pertains to properties located in Bacolod City, Negros Occidental with a total area of 10,000 square meters, where its hospital building is being constructed.

Construction in progress pertains to building under construction to be used as hospital building upon completion.

Beginning 2020, the Company entered into contracts with various contractors and suppliers for the construction of its hospital building.

The total estimated cost for the construction of the hospital building is P1.83 billion. The total estimated cost for the whole project until full operation is P2.33 billion.

As per construction manager, the estimated percentage of completion of the construction is at 42.605% as at September 30, 2024, and construction of the hospital building is estimated to be completed by the third quarter of 2026.

On August 11, 2021, the Company entered into a Mortgage Agreement with Development Bank of the Philippines (DBP) for loan and credit accommodations to finance the construction of the hospital building and acquisition of medical instruments, furniture and appliances. The Mortgage Agreement is secured by the land together with the buildings and other permanent improvements.

The terms and conditions of the Mortgage Agreement were as follows:

- keep the mortgaged property in good condition;
- pay on time the lawful taxes and assessments of the mortgaged property;
- insure the mortgaged property;

d) the Company shall not transfer, lease, mortgage or encumber the property, or demolish or make any alteration without first obtaining the Mortgagee's written consent.

The carrying amount of the mortgaged property amounted to P1,127,974,992 and 75,317,823 as at September 30, 2024 and December 31, 2023, respectively.

There were no amount of compensations received from any third parties for items of property and equipment that were impaired, lost or given up.

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## 9. Security Deposit

This account pertains to rent security deposit amounting to P45,466 as at September 30, 2024 and December 31, 2023 (see Note 15).

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## 10. Trade and Other Payables

This account consists of:

	September 30, 2024	December 31, 2023
Accounts payable	P141,828,285	P49,398,917
Withholding tax payable - expanded	117,895	223,224
SSS/PhilHealth/HDMF payable	52,004	31,400
Withholding tax payable - compensation	19,928	-
	P142,018,112	P49,653,541

Accounts payable pertains to short-term, unsecured, noninterest-bearing payable to other party.

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## 11. Retention Payable

Retention payable refers to the amount withheld by the Company from the contractor's periodic progress billings as provided for in their respective contract. The amount will be released to the contractor, net of deductions, if any, upon full completion and final acceptance by the Company.

Retention payable amounted P80,605,790 and P56,739,982 as at September 30, 2024 and December 31, 2023, respectively.

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## 12. Loans Payable

		Sept. 30, 2024 (Unaudited)	Dec. 31, 2023 (Audited)
DBP	The Company availed long-term loans in tranches from DBP. First tranche availed on June 16, 2022. The principal amount is payable quarterly beginning September 16, 2025 until June 16, 2035. The effective interest rate is floating with a floor rate of 5% per annum and payable quarterly. All loans are secured by the Company's real properties (see Note 8). The loan proceeds were used to finance the construction of the hospital building.	P356,640,000	P356,640,000

Borrowing costs amounting to P21,829,608 and P26,252,813 as at September 30, 2024 and December 31, 2023, respectively, were capitalized as cost of the hospital building.

### 13. Share Capital

This account consists of:

	Sept. 30, 2024 (Unaudited)	Dec. 30, 2023 (Audited)
Authorized share capital		
600 founders' share at P1,000 par value	600,000	600,000
239,400 common share at P1,000 par value	239,400,000	239,400,000
	<b>240,000,000</b>	240,000,000
Subscribed		
600 founders' share at P1,000 par value	600,000	600,000
210,060 common shares in 2024 and 208,430 common shares in 2023 at P1,000 par value	210,060,000	208,430,000
Current year issuance		
-1,630 common shares in 2023 at P1,000 par value		1,630,000
Balance at end period of 2024-210,060 common shares in 2024 and 2023	<b>210,060,000</b>	210,060,000
	<b>210,660,000</b>	210,660,000

The founders' share has the exclusive right to vote and be voted upon in the election of directors for a limited period not to exceed five (5) years.

Below are the details of registered common shares:

Date of Registration	Number of Blocks Licensed*	Issue/Offer Price Per Block
March 28, 2022	2,400	P250,000
March 28, 2022	800	300,000
March 28, 2022	400	400,000

\*10 shares per block

### 14. Expenses

This account consists of:

	For the nine months ended Sept. 30, 2024 (Unaudited)	Sept. 30, 2023 (Unaudited)
Meetings and conferences ( Note16)	P 6,989,756	P 8,380,372
Salaries and wages	3,813,361	1,462,634
Executive Compensation (Note 16)	2,196,000	4,361,000
Communication, power and water	1,724,973	1,859,591
Professional fees	407,300	1,143,553
Taxes and licenses	286,635	540,416
Rentals (Note 15)	103,517	110,753
Transportation and travel	81,503	188,563
Office supplies	71,950	184,676
SSS/Philhealth/HDMF expense	195,405	114,572

Depreciation	<b>67,474</b>	78,328
Trainings and seminars	<b>382,459</b>	76,280
Repairs and maintenance	<b>29,702</b>	5,431
Marketing	<b>26,631</b>	945,240
Miscellaneous	<b>175,493</b>	223,006
	<b>P 16,552,159</b>	P 19,674,415

This account consists of:

	For the three months ended	
	Sept. 30, 2024	Sept. 30, 2023
	(Unaudited)	(Unaudited)
Meetings and conferences (Note 16)	P 1,569,214	P 4,572,876
Executive Compensation	1,340,000	2,061,000
Salaries and wages	1,226,030	712,961
Marketing	22,497	-
Communication, power and water	578,699	532,009
Trainings and seminars	303,586	60,360
Professional fees	176,300	283,029
Taxes and licenses	80,978	395,860
SSS/Philhealth/HDMF expense	65,318	49,685
Transportation and travel	43,221	91,484
Rentals (Note 15)	34,506	36,930
Office supplies	28,344	98,866
Repairs and maintenance	11,987	3,400
Depreciation (Note 8)	8,752	-
Miscellaneous	29,866	33,841
	<b>P 5,519,298</b>	<b>P 8,932,301</b>

## 15. Lease Agreement

In January 2023, the Company renewed its contract of lease with MC Metroplex Holdings, Inc. for a period of one (1) year, commencing from January 1, 2023 to December 31, 2023 and paid the total amount of P147,684, inclusive of VAT and net of withholding tax.

In January 2024, the Company renewed its contract of lease with MC Metroplex Holdings, Inc. for a period of one (1) year, commencing from January 1, 2024 to December 31, 2024 and paid the total amount of P147,683, inclusive of VAT and net of withholding tax.

Due to the lease agreement which is for a period of 1 year and no purchase option, the lease is accounted as short-term and of low value and lease payments are recognized as expense on a straight-line basis over the lease term.

Rent expense charged to operations amounted to P103,517 and P110,753 for the nine-month period ended September 30, 2024 and 2023, respectively (see Note 14).

Rent expense charged to operations amounted to P34,505 and P36,930 for the three-month period ended September 30, 2024 and 2023, respectively (see Note 14).

The Company has a refundable security deposit of P45,466 as at September 30, 2024 and December 31, 2023 (see Note 9) and prepaid rent of P34,505 and nil as at September 30, 2024 and December 31, 2023, respectively (see Note 7).

At year-end, the Company has an outstanding commitment under non-cancellable operating leases that fall due as follows:



	Sept. 30, 2024 (Unaudited)	Dec. 31, 2023 (Audited)
Within 1 year	P34,505	P-
Later than 1 year but within 5 years	-	-
	P34,505	P-

## 16. Related Party Disclosure

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities, which are under common control with the reporting enterprises and its key management personnel, directors, or its shareholders.

In considering each related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. Related parties may be individuals or corporate entities.

The following are the details of related party transactions:

	Period	Classification	Terms and condition	Amount of the Transaction	Outstanding Balance
Shareholders	September 30, 2024	Advances from shareholders	Unsecured, noninterest bearing demandable, no term, payable in cash	P171,741,387	P397,874,946
	December 31, 2023			60,508,841	226,133,599
APMC-Iloilo	September 30, 2024	Advances to related party	Unsecured, interest bearing, no term, collectible in cash	-	-
	December 31, 2023			(622,067)	-

The following are other relevant related party disclosures:

Identification	Relationship	Business Purpose of Arrangement	Commitments
Shareholders	Shareholder	Advances from shareholders in support No contract for the Company's hospital building	No contract
APMC-Iloilo	Other related party	Loans provided to other related party for financing purposes	No contract

Advances from shareholders are payable upon demand. However, the Company is in the status of financing the construction of its hospital building, thus, settlement of advances is not the priority of the Company.

The Company's receivable from APMC - Iloilo amounting to P622,067 was collected as of December 31, 2023. It pertains to the reimbursement of expenses incurred by the latter but paid by the Company.

No allowance for doubtful accounts and bad debt expense were recognized in 2024 and 2023.

### *Compensation of Key Management Personnel*

	September 30, 2024	December 31, 2024
Executive compensation	P2,196,000	P7,333,000
Meetings and conferences	6,989,756	8,222,500
	P9,185,756	P15,555,500

## 17. Income Tax

The following are the computations of RCIT:

For the nine months ended		
	Sept. 30, 2024 (Unaudited)	Sept. 30, 2023 (Unaudited)
Loss before income tax	(P16,510,453)	(P19,568,082)
Deduct permanent difference on Interest income subjected to final tax	(41,706)	(106,333)
Taxable loss	(16,552,159)	(19,674,415)
Tax due at 25%	P-	P-

For the three months ended		
	Sept. 30, 2024 (Unaudited)	Sept. 30, 2023 (Unaudited)
Loss before income tax	(P5,606,343)	(P8,922,730)
Deduct permanent difference on Interest income subjected to final tax	(2,555)	(5,372)
Taxable loss	(P5,608,898)	(8,928,102)
Tax due at 25%	P-	P-

The following are the computations of MCIT:

For the nine months ended		
	Sept. 30, 2024 (Unaudited)	Sept. 30, 2023 (Unaudited)
Taxable income	P27,050	P7,400
Tax due at 2% in 2024 and 1% in 2023	P541	P74

For the three months ended		
	Sept. 30, 2024 (Unaudited)	Sept. 30, 2023 (Unaudited)
Taxable income	P10,400	P7,400
Tax due at 2% in 2024 and 1% in 2023	P208	P74

As at September 30, 2024, the Company has NOLCO which can be carried forward as a deduction for the next three consecutive taxable years immediately following the year of such loss, under certain conditions, as provided under Section 34(D) of the Tax Code. Details are as follows:

As at September 30, 2024, the Company has NOLCO which can be carried forward as a deduction for the next three consecutive taxable years immediately following the year of such loss, under certain conditions, as provided under Section 34(D) of the Tax Code. Details are as follows:

Dates Incurred	Amount	Applied/Expired	Remaining Balance	Expiry Dates
September 30, 2024	P16,552,159	P-	16,552,159	2027
December 31, 2023	25,329,186	-	25,329,186	2026
December 31, 2022	32,490,981	-	32,490,981	2025
	P74,372,326	-	74,372,326	

As at September 30, 2024, the Company has NOLCO in taxable years 2021 and 2020 which can be carried forward as a deduction for the next five consecutive taxable years immediately following the year of such loss, pursuant to the Bayanihan to Recover as One Act. Details are as follows:

Dates Incurred	Amount	Applied/Expired	Remaining Balance	Expiry Dates
December 31, 2021	P7,145,410	P-	P7,145,410	2026
December 31, 2020	11,715,453	-	11,715,453	2025
	P18,860,863	P-	P18,860,863	

Details of Company's MCIT which can be claimed as tax credits against regular income tax areas follows:

Date Incurred	Amount	Applied/ Expired	Remaining Balance	Expiry Dates
September 30, 2024	P 541	P-	P541	2027
December 31, 2023	4,320	-	4,320	2026
December 31, 2022	49	-	49	2025
December 31, 2021	1,808	(1,808)	2024	-
	<b>P6,718</b>	<b>(P1,808)</b>	<b>P4,910</b>	-

The management believes that the Company will not be able to realize the tax benefits from NOLCO and MCIT in the future. The Company provided full valuation allowance on its NOLCO and MCIT, thus, no deferred tax asset was set up.

#### 18. Basic loss per share is computed as follows:

	For the nine months ended Sept. 30, 2024 (Unaudited)	Dec. 31, 2023 (Audited)
Net loss	(P16,510,994)	(P19,568,156)
Weighted average number of shares outstanding	210,660	210,660
Basic loss per share	(P78.38)	(P92.89)

	For the three months ended Sept. 30, 2024 (Unaudited)	Dec. 31, 2023 (Audited)
Net loss	(P5,506,551)	(P8,922,804)
Weighted average number of shares outstanding	210,660	210,660
Basic loss per share	(P26.14)	(P42.36)

There were no common stock equivalents outstanding that would require calculation of diluted loss per share.

#### 19. Changes in Liabilities Arising from Financing Activities

The following table summarizes the changes in liabilities arising from financing activities:

	December 31, 2023	Cash flows	Foreign exchange movement	September 30, 2024
Advances from shareholders	P226,133,559	P171,741,387	P-	P397,874,946
Loans payable	356,640,000			356,640,000
	P582,773,559	P171,741,387	P-	P754,514,946

	December 31, 2022	Cash flows	Foreign exchange movement	September 30, 2023
Advances from Shareholders	P165,624,718	P31,178,276	P-	P196,802,994
Loans payable	356,640,000			356,640,000
	P522,264,718	P31,178,276	P-	P553,442,994

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**20. Events After the End of the Reporting Period**

No events occurred between the statements of financial position date and the date on which these financial statements were approved by the Company's Board of Directors that would require adjustments to or disclosure in the financial statements.

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**21. Reclassification of Accounts**

The following accounts on December 31, 2023 have been reclassified to conform to the September 30, 2024 financial statement presentation:

Reclassified From	Reclassified To	Amount
Other current assets (presented under current assets)	Deferred input VAT (presented under current assets)	P2,842,130
Other current assets (presented under current assets)	Prepayments	252,737

**ASIA-PACIFIC MEDICAL CENTER BACOLOD, INC.****(Formerly Allied Care Experts Medical Center-Bacolod, Inc.)**

## Schedule A- Financial Assets

September 30, 2024

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amounts of Bonds and Notes	Amount Shown in the Statement of Financial Position	Value based on Market Quotations at End of Reporting Period	Income Received and Accrued
<i>Cash and cash equivalents</i>				
Cash in banks	Not applicable	P12,768,268	Not applicable	
Time deposits	Not applicable	116,563	Not applicable	
Cash on hand	Not applicable	15,000	Not applicable	
<b>P12,899,831</b>			<b>P41,706</b>	

**ASIA-PACIFIC MEDICAL CENTER BACOLOD, INC.**

***(Formerly Allied Care Experts Medical Center-Bacolod, Inc.)***

Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties, and  
Principal Stockholders  
September 30, 2024

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Amounts Collected	Amounts written off	Current	Non-Current	Balance at End of Period
Not Applicable							

**ASIA-PACIFIC MEDICAL CENTER BACOLOD, INC.*****(Formerly Allied Care Experts Medical Center-Bacolod, Inc.)***

Schedule C -Amounts Receivable from and Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements  
September 30, 2024

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Amounts Collected	Amounts written off	Current	Non-Current	Balance at End of Period
Not Applicable							

**ASIA-PACIFIC MEDICAL CENTER BACOLOD, INC.*****(Formerly Allied Care Experts Medical Center-Bacolod, Inc.)***

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Schedule D - Long Term

September 30, 2024

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet
Loans Payable	P356,640,000	-	P356,640,000 <i>(payable in 52 quarterly installments for 13 years beginning September 15, 2022 to June 15, 2035 with floating and variable interest rates with floor rate of 5%.</i>

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**ASIA-PACIFIC MEDICAL CENTER BACOLOD, INC.**

***(Formerly Allied Care Experts Medical Center-Bacolod, Inc.)***

Schedule E - Indebtedness to Related Parties (Long-Term Loans from Related Companies)  
September 30, 2024

<u>Name of related party</u>	<u>Balance at Beginning of Period</u>	<u>Balance at End of Period</u>
	Not applicable	

**ASIA-PACIFIC MEDICAL CENTER BACOLOD, INC.*****(Formerly Allied Care Experts Medical Center-Bacolod, Inc.)***

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## Schedule F - Guarantees of Securities and Other Issues

September 30, 2024

Name of Issuing Entity of Securities Guaranteed by the Company for which this Statement is Filed	Title of Issue of each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by Person for which Statement is Filed	Nature of Guarantee
Not applicable				

**ASIA-PACIFIC MEDICAL CENTER BACOLOD, INC.*****(Formerly Allied Care Experts Medical Center-Bacolod, Inc.)***

Schedule G - Capital Stock

September 30, 2024

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding under related Statement of Financial Position caption	Number of Shares Reserved for Options, Warrants, Conversions, and other Rights	Number of Shares Held by		
				Related Parties	Directors, Officers & Employees	Others
Founder	600	600			304	296
Common	239,400	210,060			111,186	98,874
	<b>240,000</b>	<b>210,660</b>			<b>111,490</b>	<b>99,170</b>

**RECONCILIATION OF RETAINED EARNINGS AVAILABLE  
FOR DIVIDEND DECLARATION**

**As of September 30, 2024**

Asia-Pacific Medical Center Bacolod, Inc. *(Formerly Allied Care Experts Medical Center-Bacolod Inc.)* BS  
Aquino Drive, Bacolod City, Negros Occidental

Deficit, beginning	(84,166,606)
Net loss during the period	(16,510,453)
<b>DEFICIT, END</b>	<b>(100,677,059)</b>

**ASIA-PACIFIC MEDICAL CENTER BACOLOD, INC.**  
**(Formerly Allied Care Experts Medical Center-Bacolod Inc.)**

**MAP OF THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS  
ULTIMATE PARENT COMPANY AND CO-SUBSIDIARIES**  
**September 30, 2024**

Not Applicable

**EXPLANATION ON NON-APPLICABILITY OF CONGLOMERATE MAP**

Asia-Pacific Medical Center Bacolod, Inc., Asia Pacific Medical Center- Iloilo, Inc., and Asia Pacific Medical Center - Aklan, Inc. are not affiliate companies nor sister companies because they do not operate under one parent company. They are related only because the Chairman of the three companies, Dr. Ferjenel G. Biron, is one and the same person and they have interlocking directors and shareholders and common officers as follows:

<b>Name of Stockholder</b>	<b>Percentage of Ownership and Position in APMC Bacolod</b>	<b>Percentage of Ownership and Position in APMC Aklan</b>	<b>Percentage of Ownership and Position in APMC Iloilo</b>
Biron, Ferjenel G.	8.22%/ Chairman	4.74 %/Chairman	19.96%/ Chairman
Biron, Bryant Paul Q.	1.61%	1.95%	8.81%
Biron, Brandt Luke Q.	1.61%	7.16%	9.12%
Biron, Braeden John Q.	1.61%	1.95%	8.81%
Comuelo, Jerusha A.	0.76%	1.58%/Independent Director	1.44%/ Independent Director
Lavalle, Amado Jr. M.	2.38%	1.58%	1.55%/ President
Lavilla, Meride D.	10.09%/ Director	3.16%/ Director	2.92%/ Director
Minerva, Ike T.	2.31%	1.58%	1.42%
Ong, Mary Flor G.	0.76%	None	1.44%
Perez, Ma. Grace G.	0.76%	None	1.43%
Regozo, Danilo C.	2.85%/ Executive Vice President	1.58%/ Director	1.56%/ Executive Vice President
Villaflor, Agnes Jean M.	0.76%	1.58%	1.57%/ Director

## SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

Asia-Pacific Medical Center Bacolod, Inc. (Formerly  
Allied Care Experts Medical Center- Bacolod Inc.)  
As of September 30, 2024

Financial KPI	Definition	September 30, 2024	December 31, 2023
Current ratio	Current Assets	<b>0.19:1</b>	0.30:1
	Current Liabilities		
Acid test ratio	Current Assets - Prepayments	<b>0.19:1</b>	0.30:1
	Current Liabilities		
Solvency ratio	Net Income + Depreciation	<b>-0.02:1</b>	-0.04:1
	Total Liabilities		
Debt-to-equity ratio	Total Liabilities	<b>3.62:1</b>	2.41:1
	Total Equity		
Asset-to-equity ratio	Total Assets	<b>4.62:1</b>	3.41:1
	Total Equity		
Interest rate coverage ratio	Operating EBITDA	<b>-0.76:1</b>	0.99:1
	Net Interest		
Return on assets	Net Income	<b>-1.51%</b>	-2.84%
	Average Total Assets		
Return on equity	Net Income	<b>-5.89%</b>	-10.28%
	Average Total Equity		
Net profit margin	Net Income	<b>0%</b>	0%
	Total Revenue		
Operating EBITDA margin	Operating EBITDA	<b>0%</b>	0%
	Net Revenue		

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations for the 1st Quarter ended September 30, 2024**

**Discussion of Financial Condition and Results of Operation**

***Statement of Financial Positions (September 30, 2024 vs. September 30, 2023)***

			Horizontal Analysis		Vertical Analysis	
	Sept. 30, 2024	Sept. 30, 2023	Inc. (Dec)	%	Inc. (Dec)	%
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	12,899,831.00	26,337,629	(13,437,798)	-51%	1%	3%
Advances to a related party	-	-				
Advances to contractors	37,654,670.00	21,442,142	16,212,528	76%	3%	2%
Accounts Receivables-Others		15,000,000	(15,000,000)	-100%	0%	2%
Input VAT	62,225,823.00	38,438,255	23,787,568	62%	5%	4%
Deferred input VAT	6,055,566.00		6,055,566	0	0%	0%
Prepayments	105,982.00	104,350	1,632	2%	0%	0%
<b>Total current assets</b>	<b>118,941,872.00</b>	<b>101,322,376</b>	<b>17,619,496</b>	<b>17%</b>	<b>10%</b>	<b>11%</b>
<b>Noncurrent Assets</b>						
Property, Plant and Equipment(net)	1,127,974,992.00	837,663,141	290,311,851	35%	89%	89%
Security Deposit	45,466.00	45,466	-	0%	0%	0%
<b>Total Noncurrent Assets</b>	<b>1,128,020,458</b>	<b>837,708,607</b>	<b>290,311,851</b>	<b>35%</b>	<b>90%</b>	<b>89%</b>
<b>Total Assets</b>	<b>1,246,962,330</b>	<b>939,030,983</b>	<b>307,931,347</b>	<b>52%</b>	<b>100%</b>	<b>100%</b>
<b>LIABILITIES AND EQUITY</b>						
<b>Current Liabilities</b>						
Trade and other payables	142,018,112	43,216,999	98,801,113	229%	11%	5%
Retention payable	80,605,790	51,770,378	28,835,412	56%	6%	6%
Income tax payable	541	(74)	615	831%	0%	0%
Advances from Shareholders	397,874,946	196,802,994	201,071,952	102%	32%	21%
<b>Total Current Liabilities</b>	<b>620,499,389</b>	<b>291,790,297</b>	<b>328,709,092</b>	<b>113%</b>	<b>50%</b>	<b>31%</b>
<b>Noncurrent Liability</b>						
Loans payable	356,640,000	356,640,000	-	0%	29%	38%
<b>Total Liabilities</b>	<b>977,139,389</b>	<b>648,430,297</b>	<b>328,709,092</b>	<b>51%</b>	<b>78%</b>	<b>69%</b>
<b>Equity</b>						
Share Capital	210,660,000	210,660,000	-	0%	17%	22%
Additional Paid in Capital	159,840,000	158,400,000	1,440,000	1%	13%	17%
Deficit	-100,677,059	(78,459,314)	(22,217,745)	28%	-8%	-8%
<b>Total Equity</b>	<b>269,822,941</b>	<b>290,600,686</b>	<b>(20,777,745)</b>	<b>-7%</b>	<b>22%</b>	<b>31%</b>
<b>Total Liabilities and Equity</b>	<b>1,246,962,330</b>	<b>939,030,983</b>	<b>307,931,347</b>	<b>33%</b>	<b>100%</b>	<b>100%</b>

1. Cash and other cash equivalents has always been directed to the construction of the hospital as payments for obligations and used to cover the day to day operating and administrative expenses. With a lot of expenses and payables while in the construction phase, cash cannot retain its balance but eventually fluctuates, expectation in the increase of cash can only be determined once the hospital becomes operational. The increase in property and equipment was primarily due to additional capital expenditures on the construction of the company's hospital building.
2. The increase in trade and other payables were due to accrual of executive compensation and per diem.
3. The advances from stockholders and loans payable pertains to the additional funds availed from stockholders and other related parties to finance the construction of hospital building.
4. The increase of share capital was due to proceeds from subscription of shares.
5. The increase in deficit was due to net loss incurred by the Company since it has not yet started its commercial operation.
6. The increase of basic/diluted loss per share was due to increase in losses and continuing expenses on construction during the period.

**Results of Operation (September 30, 2024 vs. September 30, 2023)**

	For the period ended		Horizontal Analysis		Vertical Analysis	
	Sept. 30, 2024	Sept. 30, 2023	Inc. (Dec)	%	Inc. (Dec)	%
Revenue	-	-	-	0%	N/A	N/A
Direct Cost	-	-	-	0%	N/A	N/A
Gross Profit	-	-	-	-	N/A	N/A
Other Income	41,706	106,333	(64,627.00)	-61%	N/A	N/A
<b>Gross Income</b>	<b>41,706</b>	<b>106,333</b>	<b>(64,627.00)</b>	<b>-61%</b>	<b>N/A</b>	<b>N/A</b>
Gen and Admin Expenses	(16,552,159)	(19,674,415)	3,122,256.00	-16%	N/A	N/A
<b>Loss from operations</b>	<b>(16,510,453)</b>	<b>(19,568,082)</b>	<b>3,057,629.00</b>	<b>-16%</b>	<b>N/A</b>	<b>N/A</b>
Income tax expense	(541)	(74)	(467.00)	631%	N/A	N/A
<b>Net loss for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>N/A</b>	<b>N/A</b>
Add (deduct) comp income(loss)	(16,510,994)	(19,568,156)	3,057,162.00	-16%	N/A	N/A
<b>Total Comprehensive loss for the period</b>	<b>(16,510,994)</b>	<b>(19,568,156)</b>	<b>3,057,162.00</b>	<b>-16%</b>	<b>N/A</b>	<b>N/A</b>

1. As disclosed in the financial statements, the Company was incorporated on July 4, 2017 and has not yet started its commercial operations.
2. The increase in interest income earned from cash in banks and was due placement in banks.
3. Operating expenses decreased compared to same period last year.
4. The Company's net loss decreased to 16,510,994 in September 30, 2024 from 19,568,156 in September 30, 2023.



## **Discussion of Top Five (5) Key Performance Indicators**

Discussed below are the key performance indicator of the Company:

- I. **Current/Liquidity Ratios**  
At present, cash and other current assets are being utilized for the construction of the hospital as well as for the other administrative expenses of the Company. This is the reason why the current ratio of the company shows a not so attractive result. It is expected to be better when the hospital starts its operations.
- II. **Solvency / Debt to Equity Ratio**  
The Company's long-term debts is fully covered by the company's equities. The ongoing hospital construction has led to an increase in the construction in progress account, representing a significant allocation of the company's resources.
- III. **Return on Equity**  
The hospital is not yet operational; hence, the financial ratios show negative results for all the periods. This shows the company is spending most of its assets in construction.
- IV. **Debt to Total Asset Ratio**  
Since the company has increased its construction in progress. The ongoing hospital construction has led to an increase in the construction in progress account, representing a significant allocation of the company's resources.
- V. **Net Profit Margin**  
The Company is still in the construction phase, with no revenue being generated, resulting in a zero percent net profit margin for the years 2021, 2022, 2023 and 2024.
- VI. **Asset to Equity Ratio**  
The company has more assets than its equity for both years due to the ongoing construction of the hospital. The company is also selling its IPO shares which could mean an improvement for these ratios in the next financial statements.
- VII. **Profitability Ratios**  
Not applicable. The Company incurred losses on its pre-operating activities.

The manner by which the Company calculates the above indicator is as follows:

Financial KPI	September 30, 2024	December 31, 2023
<b>Current ratio</b>		
Current Assets	0.19:1	0.30:1
Current Liabilities		
<b>Acid test ratio</b>		
Current Assets - Prepayments	0.19:1	0.30:1
Current Liabilities		
<b>Solvency ratio</b>		
Net Income + Depreciation	-0.02:1	-0.04:1
Total Liabilities		
<b>Debt-to-equity ratio</b>		
Total Liabilities	3.62:1	2.41:1
Total Equity		
<b>Asset-to-equity ratio</b>		
Total Assets	4.62:1	3.41:1
Total Equity		
<b>Interest rate coverage ratio</b>		
Operating EBITDA	-0.76:1	0.99:1
Net Interest		
<b>Return on assets</b>		
Net Income	-1.51%	-2.84%
Average Total Assets		
<b>Return on equity</b>		
Net Income	-5.89%	-10.28%
Average Total Equity		
<b>Net profit margin</b>		
Net Income	0%	0%
Total Revenue		

## **Discussion and Analysis of Material Events and Uncertainties**

The hospital's liquidity is affected by ongoing construction, impacting immediate financial flexibility. Uncertainties arise from the following:

### **1. Construction Costs**

Fluctuations in construction costs due to factors such as volatility of material prices, labor availability, and regulatory requirements can affect the overall budget and liquidity of the hospital. Implementing stringent cost-control measures, such as renegotiating contracts with suppliers and contractors, will mitigate the impact of cost fluctuations on liquidity. Additionally, the Company had a bidding process to allow the selection of cost-effective yet reliable Contractors.

### **2. Project Timeline**

Delays or unforeseen obstacles in the construction timeline can prolong the period during which funds are tied up, potentially increasing liquidity constraints. Employing project management strategies to minimize delays, such as proactive risk assessment and contingency planning, will ensure timely completion and minimize liquidity strain. The Company also had been engaging a Project Management Team (Bureau Veritas) to assist in overseeing the construction process efficiently.

### **3. Financing Arrangements**

The hospital's financing arrangements for the construction project, including loan terms and interest rates, can impact its current liquidity position and future financial obligations. Exploring alternative financing options or renegotiating loan terms with lenders to optimize liquidity management and minimize financial strain. The Company had applied for an additional loan with DBP to address immediate liquidity needs and support the construction project. In the event that the loan is not approved, the Founders have expressed their willingness to extend advances to ensure the project's continuity and mitigate liquidity constraints.

### **4. Market Conditions**

Economic conditions and market fluctuations can influence the availability of financing options, interest rates, and the overall cost of capital, affecting the hospital's liquidity. Monitoring market conditions closely and adapting finance strategies accordingly, such as locking in favorable interest rates or diversifying financing sources, to mitigate market-related risks. Additionally, the Company has potential partnerships with other APMC Hospitals and collaboration opportunities with other healthcare organizations that can secure additional investors, and funding, and enhance financial resilience.

### **5. Regulatory Environment**

Changes in regulatory requirements or compliance standards during the construction phase could lead to additional costs or delays, impacting the hospital's liquidity and financial planning. Staying abreast of regulatory updates and proactively adjusting construction plans and budgets so as to ensure compliance and mitigate potential regulatory risks to liquidity. The addition of pandemic readiness systems in the hospital as well as BFP requirements are necessary for the safety of the hospital ensuring compliance with the regulations and enhancing overall resilience with unforeseen future challenges.

### **6. Demand Projection**

Uncertainties in future patient demand and healthcare needs may introduce variability in revenue projections, affecting the hospital's ability to manage liquidity effectively during the construction period and beyond.

Conducting thorough market analysis and scenario planning to forecast demand trends accurately, will enable the hospital to adapt its liquidity management strategies proactively to changing demand dynamics. The collaborative network of medical investors also contributes to a mutually supportive environment, ensuring sustainable patient volumes and collective support for the hospital's financial stability.

## **Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation**

The non-approval of the additional loan with DBP poses significant challenges for the hospital's construction project and financial stability. To address this, the hospital will (a) Explore alternative

financing options, such as loans from other institutions or related parties and its Founders; (b) Implement stringent cost-control measures and optimize project management strategies to minimize delays and cost overruns; (c) Engage with stakeholders, including investors and regulatory authorities, to garner support and explore potential solutions; and (d) Continuously monitor financial performance and market conditions, adapting strategies as needed to navigate uncertainties effectively. By taking these proactive measures, the hospital can mitigate the impact and ensure the completion of its construction project.

There has been no off-balance sheet transactions, arrangements, obligations, and other relationships of the company with unconsolidated entities or other Persons created during the reporting period.

Material commitments for capital expenditures, general purpose of such commitment expected sources of funds for such expenditure.

The following are the relevant and related material commitments for capital expenditures:

1. The increased floor area and system upgrades aimed at pandemic readiness directly contribute to capital expenditures. These enhancements are considered necessary to meet regulatory requirements and ensure the hospital's preparedness for public health emergencies, aligning with the hospital's commitment to providing safe and high-quality healthcare services.
2. The aim to achieve the Joint Commission International (JCI) accreditation, a prestigious recognition of the hospital's commitment to excellence in patient care and safety, necessitates upgrades to the hospital's facilities and infrastructure to meet international standards, making investments in facility development critical for achieving this accreditation and enhancing the hospital's reputation.

**The expected sources of funds for capital expenditures are the following:**

1. The release of remaining DBP loan tranches provides a reliable source of funding to cover construction costs and infrastructure upgrades. The loan agreement with DBP was specifically secured to finance the construction project, making the release of remaining tranches crucial for fulfilling capital expenditure commitments and ensuring project completion.
2. The approval of an additional loan from DBP offers an alternative financing option to support capital expenditures and cover any budget shortfalls. Access to additional funding from a trusted financial institution provides flexibility in managing capital expenditures.
3. The Founders' willingness to advance funds represents an internal source of financing to support capital expenditures and project development. Leveraging the Founders' financial support demonstrates their commitment to the hospital's success and underscores their confidence in the project's potential returns, providing additional capital for necessary expenditures.
4. Attracting new investors through the over-the-counter sales being made by employees designated as sales persons can inject fresh capital into the hospital, providing a source of funds for capital expenditures. The infusion of capital from new investors enhances the hospital's financial resources, enabling it to fund additional capital expenditures.

**Significant Elements of Income or Loss (from continuing operations)**

Since the hospital is not yet operational, the significant elements of income would primarily stem from investments made by investors and founders, the release of the next tranches of the loan with the DBP, and the potential approval of the additional loan application to the DBP.

Regarding potential elements of loss, significant expenses would likely arise from construction costs, including any additional expenses incurred due to regulatory compliance requirements. Delays in the construction timeline could prolong the period without revenue generation, leading to a loss of potential income. Additionally, market-related risks could impact financing options and increase borrowing costs, contributing to financial strain during the pre-operational phase.

Nonetheless, the losses are expected to be mitigated if not offset by the tax incentives that the Company will enjoy by virtue of the registration of the Hospital Project with the Board of Investments entitling it with entitled to six (6) years Income Tax Holiday (ITH), followed by five (5) years of Enhanced Deductions (ED) from the actual start of commercial operation, and eleven (11) years Duty Exemption on importations of capital equipment, raw materials, spare parts or accessories from date of registration.

### **Any Known Trends, Events or Uncertainties (Material Impact on Sales)**

1. Extended construction timelines beyond initial projections can delay the hospital's opening, resulting in deferred sales and revenue. Any unforeseen obstacles or delays in the construction process may prolong the period without generating sales.

2. Once the company starts to operate the following factors may have a material impact on sales: Delays in obtaining regulatory approvals necessary to commence operations can significantly impact sales projections. Uncertainties surrounding the timing of regulatory approvals may lead to prolonged periods of inactivity, delaying revenue generation from patient services.

Changes in market demand for healthcare services, influenced by factors such as population growth, demographic shifts, and healthcare trends, can affect sales projections. Uncertainties surrounding future patient volumes may lead to fluctuations in sales forecasts.

The entry of new competitors or changes in the competitive landscape within the healthcare industry can impact sales projections. Increased competition may require adjustments to sales strategies and pricing models to attract patients once the hospital becomes operational.

Economic downturns or recessions can affect consumer spending behavior and healthcare utilization patterns, influencing sales projections for the hospital. Uncertainties surrounding economic conditions may require cautious forecasting and contingency planning.

Changes in government policies, healthcare regulations, or reforms can have a significant impact on sales projections. Policy changes affecting healthcare financing, reimbursement rates, or insurance coverage may influence patient demand and sales expectations.

Public health events, such as pandemics or disease outbreaks, can disrupt healthcare services and patient volumes, affecting sales projections for the hospital. Uncertainties surrounding the timing and severity of public health events may require contingency planning to mitigate potential impacts on sales.

### **Seasonal Aspects that have Material Effect on the FS**

The hospital faced various external factors that significantly impacted its financial statements:

1. Inflationary pressures in fuel, basic necessities, and construction materials affected the project's budget, leading to higher-than-anticipated construction expenses.

2. The hospital experienced an increase in interest rates on the DBP loans during the construction period, resulting in higher borrowing costs and financial strain.

3. Contracts denominated in foreign currencies, particularly US dollars, subjected the hospital to exchange rate fluctuations, contributing to increased project expenses.