

COVER SHEET

for
QUARTERLY 17-Q

SEC Registration Number

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COMPANY NAME

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PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

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Form Type

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Department requiring the report

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Secondary License Type, If Applicable

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| N | / | A |
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COMPANY INFORMATION

Company's Email Address

www.ani.com.ph

Company's Telephone Number

(02) 997-5184

Mobile Number

N/A

No. of Stockholders

35

Annual Meeting (Month / Day)

06/30

Fiscal Year (Month / Day)

12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Mr. Kenneth S. Tan

Email Address

kenneth.tan@ani.com.ph

Telephone Number/s

(02) 997-5184

Mobile Number

N/A

CONTACT PERSON'S ADDRESS

Unit 111, Cedar Mansion 2, #7 St. Jose Maria Escriva Drive, Ortigas Center, Pasig City

NOTE 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17 – Q

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

1. For the quarterly period ended **June 30, 2018**
2. SEC Identification Number **0199701848**
3. BIR Tax Identification Code **200-302-092-000**
4. Name of Issuer as specified in its charter **AGRINURTURE, INC.**
5. **METRO MANILA, PHILIPPINES (NCR)**
Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code: (SEC Use Only)
7. **NO. 54 NATIONAL ROAD, DAMPOL II-A, PULILAN, BULACAN PHILIPPINES3005**
Address of issuer's principal office Postal Code
8. Issuer's telephone number, area code **044-815-6340**
9. Former name, former address and former fiscal year, if changed since last report **N. A.**
10. Securities registered pursuant to Section 8 and 12 of the SRC or Sections 4 and 8 of the RSA

| Title of Each Class | Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding |
|-----------------------|--|
| Common Shares, | 768,274,086 shares (Authorized 1,000,000,000 shares P 1.00 Par value) |

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

Yes [X] No []

The company's common shares are listed in the Philippine Stock Exchange.

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12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period the registrant was required to file such report)

Yes [X] No []

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

Yes [X] No []

AGRINURTURE, INC. AND SUBSIDIARIES
Securities and Exchange Commission Form 17 - Q

Part I - FINANCIAL INFORMATION

Item 1. Financial Statements

The interim consolidated financial statements of AgriNurture, Inc. and subsidiaries (collectively referred to as the "Group") as of and for the period ended June 30, 2018 and with comparative figures as of June 30, 2018 and December 31, 2017 - are filed as part of this Form 17-Q as Exhibit A.

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

The following Management Discussion and Analysis should be read in conjunction with the attached interim consolidated financial statements of AgriNurture, Inc. and subsidiaries as of and for the six months ended June 30, 2018.

Business Overview

AgriNurture, Inc. (the "Company" or ANI), formerly known as Mabuhay 2000 Enterprises, Inc., was founded in February 1997 as an importer, trader and fabricator of post-harvest agricultural machineries. The Company eventually diversified into various agro-commercial businesses specifically focusing on trading of grains and fresh produce in the Philippines and export markets. At present, ANI also supplies other home-grown fruits such as banana, pineapple, mango, processed fruits such as frozen fruits and coconut water to customers worldwide.

The Company operates its agro-commercial businesses through operating divisions and wholly-owned or majority-owned subsidiaries that are organized into business segments.

| REVENUE | | |
|-------------------------------|----------------------|---------------|
| (Philippine Pesos) | June 30, 2018 | June 30, 2017 |
| Philippine Operations | | |
| Export | 58,785,423 | 48,496,682 |
| Local Distribution and Others | 48,012,594 | 459,619,192 |
| Retail & Franchising | 50,758,329 | 49,116,106 |
| Sub-total | 157,556,346 | 557,231,980 |
| Foreign Operations | | |
| Hong Kong / China | 688,756,566 | 39,519,023 |
| Total | 846,312,912 | 596,751,003 |

Results of Operations

Six Months ended June 30, 2018 versus June 30, 2017

Net Sales

ANI Group generated a consolidated sale of goods and services of Php 846.31 million for the six months ended June 30, 2018, 41.82% increase over the same period last year. For the first six months of 2018, Philippine operations contributed 19% while sales from Foreign operations accounted for 81% of consolidated sales. Sale of goods and services by business segment are as follows:

- Due to the stable selling prices of Banana and coco juice in the world market and increased in customers for the second quarter, the Group's export sales resulted to Php 58.79 million, 21% higher compared to the same period in 2017. The group is expected to continue increasing its sales volume of banana in the succeeding quarters, on top of increased volume in shipments for mango and beverage products such as canned coconut water.
- Local distribution sales posted a decrease of 90% to Php 48.01 million for the six months ended June 30, 2018 from Php 459.62 million for the same period in 2017, mainly because of no rice trading operations for the quarter. ANI intends to participate in the next round of rice importation. While there is no rice trading, its distribution channel continues to gain profits from vegetable distribution operation in supermarket outlets during the said quarter.
- Retail and franchising sales registered an increase of 3% amounting to Php 50.76 million for the second quarter of 2018 from Php 49.12 million for same period in 2017, primarily due to improvement of operations and increase in franchise revenues and events.
- Combined Foreign trading operations posted an increase in sales amounting to Php 688.76 million for the second quarter of 2018 from Php 39.52 million for same period in the previous year, due to the consolidation of Fucang's operations. The Group started its consolidation of Fucang's operation during the last quarter of 2017.

Cost of Sales

Cost of sales consists primarily of:

- Cost of purchasing fruits and vegetables and raw materials from growers and other traders and suppliers including freight in charges;
- Cost of construction include materials and supplies, manpower and other overhead cost needed in building properties
- Personnel expenses include salary and wages, employee benefits and retirement costs for employees involved in the production process;
- Repairs/maintenance costs and depreciation costs relating to production equipment, vehicles, facilities and buildings;
- Fuel and oil costs relating to the production and distribution process;

For the six months ended June 30, 2018, ANI Group's cost of sales amounted to Php 590.60 million up by 29% from Php 458.71 million for the same period in 2017, due to increase in purchases of materials relative to the increase in sales during the quarter.

Gross Profit

Consolidated gross profit up by Php 117.67 million or 85% to Php 255.72 million for the six months ended June 30, 2018 from Php 138.05 million for same period last year. The increase was due to the increase in sales in retail and distribution as well as the consolidation of Fucang's operations from sale of commodities and real estate properties.

Operating Expenses

The Group's operating expenses consist of selling expenses and administrative expenses; which include the following major items:

- Salaries, wages and other employee benefits
- Taxes and licenses
- Freight out and handling cost
- Contracted services mainly for sales operations
- Rental
- Depreciation and amortization

Consolidated operating expenses for the second quarter of 2018 amounted to Php 113.72 million up from Php 102.60 million for the same period last year, due mainly to the increase in manpower cost for regular employees, increase depreciation expense, increase in rental expense due to rental escalation and increase in taxes and licenses.

Finance Costs

Finance Costs for the second quarter of 2018 amounted to Php 22.97 million in 2018 while Php 16.17 million for the last year.

Financial Condition

Assets

ANI Group's consolidated total assets as of June 30, 2018 amounted to ₱ 4.37 billion an increase of 10% from ₱ 3.98 billion at December 31, 2017. The following explain the significant movements in the asset accounts:

- The Group's cash balance increased by ₱ 91.83 million from ₱ 211.81 million in 2017 to ₱ 303.64 million in 2018 primarily due to the additional subscription of shares during the quarter.
- Receivables decreased by ₱19.88 million during the quarter from ₱682.77 million in 2017 to ₱662.89 million in 2018 mainly due improved collections.
- Advances to related parties increased by ₱ 47.89 million due to support the operations of various subsidiaries while advances to stockholder decreased by ₱21.45 million from ₱422.23 million in 2017 to ₱400.78 million in 2018 due to liquidation during the period.
- Inventory balance increased from a year end 2017 balance of ₱ 348.19 million to ₱ 472.55 million due to consolidation of Fucang's inventory which includes cost of units for sale and construction materials.
- Prepayments and other current assets increased by ₱62.96 million during the quarter due to increase in deposits to suppliers for projects as advance payment for the Group's construction projects and Input VAT excess carryover for VAT exempt Companies.
- Deposits for investments include deposits made by Fucang to acquire 60% ownership of the subscriptions to Guangzhou Tianchen Real Estate Development Co., Ltd.
- Property, plant and equipment including intangibles increased from ₱1.15 billion in December 31, 2017 to ₱1.22 billion in June 30, 2018 due to additional purchase of construction materials that will be included as part of the cost.

Liabilities

Consolidated liabilities amounted to ₱ 1.68 billion as of June 30, 2018.

Total current liabilities amounted to ₱ 1.30 billion and ₱ 1.89 billion as of June 30, 2018 and December 31, 2017, respectively. The decrease is mainly due to payments of loans and borrowings and trade payables.

Total non-current liabilities are ₱ 386.56 million and ₱ 625.84 million as of June 30, 2018 and December 31, 2017 due to payment of leases in 2017 and reclassifications of deposit for future stock subscriptions amounting to ₱242.84 million to equity account.

SIGNATURES

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

Issuer:

AGRINURTURE, INC.

Signature and Title:



ANTONIO L. TIU

Chairman of the Board and President

Date:

10 August 2018

Signature and Title:



KENNETH S. TAN

Chief Financial Officer

Date:

10 August 2018

AGRI NURTURE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND DECEMBER 31, 2017
(Amounts in Philippine Pesos)

| | Note | 2018 | 2017 |
|--------------------------------------|------|-----------------------|----------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash | 6 | ₱303,637,698 | ₱211,811,366 |
| Trade and other receivables – net | 7 | 662,890,900 | 682,766,747 |
| Advances to related parties | 18 | 510,155,924 | 462,265,980 |
| Advances to a stockholder | 18 | 400,779,834 | 422,226,236 |
| Inventories | 8 | 472,547,750 | 348,189,547 |
| Prepayments and other current assets | 9 | 334,991,513 | 272,029,108 |
| Total Current Assets | | 2,685,003,619 | 2,399,288,984 |
| Noncurrent Assets | | | |
| Deposit for future investment | 10 | 217,278,356 | 194,673,768 |
| Advances to stockholder | 18 | – | (61,277,187) |
| Property and equipment – net | 11 | 1,048,010,821 | 971,028,302 |
| Intangible assets | 12 | 175,477,940 | 180,796,437 |
| Deferred tax assets | 24 | – | – |
| Other noncurrent assets | 13 | 248,705,338 | 230,965,168 |
| Total Noncurrent Assets | | 1,689,472,455 | 1,577,463,675 |
| | | ₱4,374,476,074 | ₱3,976,752,659 |

LIABILITIES AND EQUITY

| | | | |
|----------------------------------|----|-----------------------|----------------|
| Current Liabilities | | | |
| Trade and other payables | 14 | ₱585,542,532 | ₱782,783,395 |
| Short term loans | 15 | 521,354,442 | 704,818,716 |
| Current portion of: | | | |
| Loans payable | 15 | 100,172,369 | 242,492,746 |
| Lease payable | 27 | 14,259,142 | 16,973,821 |
| Advances from related parties | 18 | 41,262,189 | 66,561,222 |
| Income tax payable | | 34,603,124 | 78,817,434 |
| Total Current Liabilities | | ₱1,297,193,798 | ₱1,892,447,334 |

(Forward)

(Carryforward)

| | Note | 2018 | 2017 |
|---------------------------------------|------|------------------------|-----------------|
| Noncurrent Liabilities | | | |
| Deposit for future stock subscription | 22 | ₱- | ₱242,835,098 |
| Noncurrent portion of: | | | |
| Loans payable | 15 | 351,598,838 | 341,619,500 |
| Lease payable | 27 | 27,349,742 | 33,774,420 |
| Deferred tax liability | 24 | 323,297 | 323,297 |
| Retirement liability | 23 | 7,286,313 | 7,286,313 |
| Total Noncurrent Liabilities | | 386,558,190 | 625,838,628 |
| Total Liabilities | | 1,683,751,988 | 2,518,285,962 |
| Equity | | | |
| Capital stock - P1 par value | 16 | 768,274,086 | 668,003,586 |
| Additional paid-in capital | | 3,516,841,760 | 2,504,341,712 |
| Accumulated losses | | (2,175,745,172) | (2,184,825,884) |
| Foreign currency translation reserve | | 80,392,225 | 9,893,147 |
| Net cumulative remeasurement loss | | | |
| on retirement benefits | 23 | 4,435,187 | 4,435,187 |
| Noncontrolling interest | 28 | 496,526,000 | 456,618,949 |
| Total Equity | | 2,690,724,086 | 1,458,466,697 |
| | | ₱4,374,476,074 | ₱3,976,752,659 |

See accompanying Consolidated Notes to Financial Statements.

AGRINURTURE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017
(Amounts in Philippine Pesos)

| | Note | For the Quarter Ended June 30 | | For the Six Months Ended June 30 | |
|--|------|-------------------------------|--------------|----------------------------------|---------------|
| | | 2018 | 2017 | 2018 | 2017 |
| NET REVENUE | 21 | 409,402,224 | 192,434,653 | ₱846,312,912 | ₱596,751,003 |
| COST OF SALES | 19 | 272,896,082 | 123,911,468 | 590,597,816 | 458,705,558 |
| GROSS PROFIT | | 136,506,142 | 68,523,185 | 255,715,096 | 138,045,445 |
| GENERAL AND ADMINISTRATIVE EXPENSES | 20 | (113,210,076) | (58,574,364) | (210,932,767) | (113,720,128) |
| OPERATING PROFIT | | 23,296,066 | 9,948,821 | 44,782,329 | 24,325,317 |
| OTHER INCOME (CHARGES) | | | | | |
| Interest income | 6 | 138,578 | 1,966 | 142,149 | 3,718 |
| Finance costs | 15 | (15,008,158) | (7,664,623) | (22,971,745) | (16,168,382) |
| Other income (expense) - net | 21 | 23,108,039 | 222,582 | 44,097,908 | 1,559,718 |
| | | 8,238,459 | (7,440,075) | 21,268,312 | (14,604,946) |
| PROFIT BEFORE INCOME TAX | | 31,534,525 | 2,508,746 | 66,050,641 | 9,720,371 |
| INCOME TAX EXPENSE | 25 | | | | |
| Current | | 8,191,690 | 700,618 | 17,062,878 | 2,187,042 |
| Deferred | | – | (1,731,036) | – | (2,291,311) |
| | | 8,191,690 | (1,030,418) | 17,062,878 | (104,269) |
| NET PROFIT FROM CONTINUING OPERATIONS | | 23,342,835 | 3,539,164 | 48,987,763 | 9,824,640 |
| NET PROFIT | 29 | ₱23,342,835 | 3,539,164 | ₱48,987,763 | ₱9,824,640 |

(Forward)

(Carryforward)

| Note | For the Quarter Ended June 30 | | For the Six Months Ended June 30 | |
|---|-------------------------------|------------|----------------------------------|-------------|
| | 2018 | 2017 | 2018 | 2017 |
| Net profit (loss) attributable to: | | | | |
| Equity holders of the parent | | | | |
| | P8,062,639 | 3,728,117 | P9,080,712 | P10,029,381 |
| | - | - | - | - |
| | 8,062,639 | 3,728,117 | 9,080,712 | 10,029,381 |
| Non-controlling interests | | | | |
| | 15,280,196 | (188,953) | 39,907,051 | (204,741) |
| | - | - | - | - |
| | 15,280,196 | (188,953) | 39,907,051 | (204,741) |
| | P23,342,835 | P3,539,164 | P48,987,763 | P9,824,640 |

AGRINURTURE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017
(Amounts in Philippine Pesos)

| | Note | 2018 | 2017 |
|--|------|------------------------|---------------------|
| CAPITAL STOCK - P1 par value | | | |
| Authorized - 7,200,000 shares | | | |
| Subscribed and issued - 6,300,000 shares in 2017 and 6,200,000 shares in 2016 | | | |
| Balance at beginning of year | | P668,003,586 | ₱621,683,570 |
| Issuances during the period | | 100,270,500 | - |
| Balance at end of period | 16 | 768,274,086 | 621,683,570 |
| ADDITIONAL PAID-IN CAPITAL | | | |
| Balance at beginning and end of year | | 2,504,341,712 | 2,330,723,527 |
| Additional paid-in capital during the period | | 1,012,500,048 | - |
| Balance at end of period | | 3,516,841,760 | 2,330,723,527 |
| ACCUMULATED LOSSES | | | |
| | 30 | | |
| Balance at beginning of year, <i>as restated</i> | | (2,184,825,884) | (2,263,466,987) |
| Net income during the period | | 9,080,712 | 10,029,382 |
| Balance at end of period | | (2,175,745,172) | (2,253,437,605) |
| NET CUMULATIVE REMEASUREMENT LOSS IN RETIREMENT BENEFITS COSTS | | | |
| Balance at beginning of year | | 4,435,187 | - |
| Actuarial gain | | - | - |
| Balance at end of period | | 4,435,187 | - |
| NET CUMULATIVE REMEASUREMENT TRANSLATION RESERVE | | | |
| Balance at beginning of year | | 9,893,147 | 29,126,072 |
| Exchange differences during the period | | 70,499,078 | 8,722,509 |
| Balance at end of period | | 80,392,225 | 37,848,581 |
| NONCONTROLLING INTEREST | | | |
| | 28 | | |
| Balance at beginning of year | | 456,618,949 | 44,359,569 |
| Share in net income (loss) during the period | | 39,907,051 | (204,741) |
| Balance at end of period | | 496,526,000 | 44,154,828 |
| TOTAL EQUITY | 16 | P2,690,724,086 | P780,972,901 |

See accompanying Consolidated Notes to Financial Statements.

AGRINURTURE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017
(Amounts in Philippine Pesos)

| | Notes | 2018 | 2017 |
|--|-------|--------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Income before income tax on continued operations | P | 66,050,641 | P 9,720,371 |
| Adjustments for: | | | |
| Finance cost | | 22,971,745 | 16,168,382 |
| Depreciation and amortization | | 32,461,462 | 36,453,386 |
| Gain on sale of property, plant and equipment | | - | (6,017) |
| Interest income | | (142,149) | (3,718) |
| Operating income before working capital changes | | 121,341,699 | 62,332,404 |
| Decrease (increase) in: | | | |
| Trade and other receivables | | 19,875,847 | (10,758,737) |
| Inventories | | (124,358,203) | 3,115,774 |
| Prepayments and other current assets | | (62,962,405) | (5,506,244) |
| Decrease in: | | | |
| Trade and other payables | | (197,240,863) | (45,908,108) |
| Net cash generated from operations | | (243,343,925) | 3,275,089 |
| Income taxes paid | | (61,277,187) | (1,311,610) |
| Interest received | | 142,149 | 3,718 |
| Net cash flows provided by (used in) from operating activities | | (304,478,963) | 1,967,197 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Additions to: | | | |
| Property, plant and equipment | | (104,125,484) | (5,370,591) |
| Changes in: | | | |
| Deposit or future investment | | (22,604,588) | - |
| Advances to stockholders | | 21,446,402 | 26,108,527 |
| Advances to related parties | | (47,889,944) | (3,499,259) |
| Other noncurrent assets | | (17,740,170) | (5,399,979) |
| Proceeds from sale of property, plant and equipment | | - | 4,036 |
| Net cash flows provided by (used in) investing activities | | (170,913,784) | 11,842,734 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Deposit for future stock subscription | | (242,835,098) | |
| Proceeds from issuance of shares of stocks | | 1,112,770,548 | |
| Proceeds (Payments) of loans and borrowings | | (315,805,313) | (4,812,289) |
| Changes in: | | | |
| Advances from related parties | | (25,299,033) | (2,346,872) |
| Lease payable | | (9,139,357) | (7,827,053) |
| Interest paid | | (22,971,745) | (16,168,382) |
| Net cash flows provided by (used in) financing activities | | 496,720,002 | (31,154,596) |
| NET INCREASE (DECREASE) IN CASH | | 21,327,254 | (17,344,665) |
| CASH AT BEGINNING OF YEAR | | 211,811,366 | 23,754,845 |
| EFFECT OF EXCHANGE RATE CHANGES IN CASH | | 70,499,078 | 8,722,509 |
| CASH AT END OF YEAR | | 303,637,698 | 15,132,689 |

AGRINURTURE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in Philippine Pesos)

1. Corporate Information

Corporate Information

AgriNurture, Inc. (the Parent Company or ANI) was registered and incorporated with the Philippine Securities and Exchange Commission (SEC) on February 4, 1997 primarily to engage in the manufacturing, producing, growing, buying, selling, distributing, marketing at wholesale only insofar as may be permitted by law, all kinds of goods, commodities, wares and merchandise of every kind and description and to enter into all kinds of contracts for the export, import, purchase, acquisition, sale at wholesale only and other disposition for its own account as principal or in representative capacity as manufacturer's representative, up consignment of all kinds of goods, wares, merchandise or products, whether natural or artificial.

In March 2009, the SEC approved the change in the Parent Company's primary purpose to engage in corporate farming, in all its branches for the planting, growing, cultivating and producing of crops, plants and fruit bearing trees, of all kinds and in connection to engage in agri-tourism and other pleasurable pursuits for the enjoyments and appreciation of mother nature and ecology and to engage in the establishment, operation and maintenance of equipment, structures and facilities for the preservation, conservation and storage of foods, grains and supplies, like cold storage and refrigeration plants.

The Parent Company's secondary purpose include, among others, to purchase, acquire, lease, sell and convey real properties such as lands, buildings, factories and warehouses and machines, equipment and other personal properties as may be necessary or incidental to the conduct of the corporate business, and to pay in cash, shares of capital stock, debentures and other evidences of indebtedness, or other securities, as may be deemed expedient for any business or property acquired by the Parent Company.

The Parent Company and its subsidiaries (collectively referred to as the Group) are involved in various agro-commercial businesses such as export trading and distribution of fruits and vegetables, and retail and franchising.

The financial statements have been prepared on a going concern basis, which assumes that the Group will be able to continue increasing revenues and improving operations despite heavy losses from operations in the past years. The Group's management assessed that the going concern assumption remains to be appropriate. The Group shall continue to expand its core business and increase the distribution (fruits and vegetables, rice) and export sales channels. Its retail arm is expanding the franchise network with plans to cover not only the Philippines on a national basis but overseas as well. The Group has started an active campaign to gain new and recover clients through marketing and selling activities in the Philippines and overseas. Part of these activities includes looking for more opportunities in the greater Middle East, China and Asian market. Also, with the addition of Zhongshan Fucang Trading Co., to the Group, it will continuously deliver exceptional quality goods and services and improve its present business activities through commodity trading, real estate development, and set up of new plat forms.

The Group's registered principal office address is at No. 54 National Road, Dampol II-A, Pulilan, Bulacan. The Group's Manila address is at Unit 111 Cedar Mansion II, #7 St. Jose Maria Escriva Drive, Ortigas Center, Pasig City.

The consolidated financial statements as at and for the period ended June 30, 2018 with comparative figures as of December 31, 2017 were authorized for issuance by the Audit Committee on August 10, 2018 pursuant to delegated authority from the Board.

2. Basis of Preparation

The principal accounting policies adopted in preparing the financial statements of the Group are as follows:

Basis of Preparation of Financial Statements

The financial statements of the Group have been prepared using the historical cost basis. These financial statements are presented in Philippine Peso, which is the Group's functional and reporting currency under Philippine Financial Reporting Standards (PFRS). All values are rounded to the nearest peso, except when otherwise indicated.

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

Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with PFRS. PFRS includes statements named PFRS and Philippine Accounting Standards (PAS), and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by Securities and Exchange Commission (SEC).

Basis of Consolidation

The consolidated financial statements include the Parent Company and the following subsidiaries (collectively referred to as the Group):

| | Country of Incorporation | Nature of Business | Effective Ownership | |
|---|--------------------------|--|---------------------|------|
| | | | 2018 | 2017 |
| First Class Agriculture Corporation (FCAC) | Philippines | Trading (Agricultural goods) | 100% | 100% |
| M2000 IMEX Company, Inc. (IMEX) | Philippines | Manufacturing and export | 100% | 100% |
| Best Choice Harvest Agricultural Corp. (BCHAC) | Philippines | Farm management | 100% | 100% |
| Fresh and Green Harvest Agricultural Company, Inc. (FGH*) | Philippines | Trading (Agricultural goods) | 100% | 100% |
| Lucky Fruit & Vegetable Products, Inc. (LFVPI)* | Philippines | Trading (Agricultural goods) | 100% | 100% |
| Fruitilicious Company, Inc. (FI) | Philippines | Manufacturing/processing /trading frozen agricultural products | 100% | 100% |
| Farmville Farming Co., Inc. (FFCI) | Philippines | Trading (Agricultural goods) | 51% | 51% |
| Fresh and Green Palawan Agriventures, Inc. (FGP)* | Philippines | Farm management | 51% | 51% |
| The Big Chill, Inc. (TBC) | Philippines | Food and beverage retailing and franchising | 80% | 80% |

| | | | | |
|---|------------------------|------------------------------|------|------|
| Heppy Corporation (HC)* | Philippines | Food and beverage retailing | 80% | 80% |
| Goods and Nutrition for All, Inc. (GANA)* | Philippines | Retail and wholesale | 100% | 100% |
| Agrinurture HK Holdings Ltd. (ANI HK) | Hong Kong | Holding Company | 100% | 100% |
| Agrinurture Int'l Ltd. (ANI IL) * | Hong Kong | Trading and retail | 100% | 100% |
| Joyful Fairy (Fruits) Limited (JFF) * | British Virgin Islands | Trading (Agricultural goods) | 51% | 51% |
| Zongshan Fucang Trade Co. Ltd. (Fucang) | China | Trading and real estate | 51% | 51% |

* Direct and indirect ownership

Subsidiaries

Subsidiaries are entities over which the Group has control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting year as the Group, using uniform accounting policies for like transactions and other events in similar circumstances.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts;
- Derecognizes the carrying amount of any non-controlling interest including any components of other comprehensive income attributable to them;
- Derecognizes the cumulative translation differences, recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained in the subsidiary;
- Recognizes any surplus or deficit in profit or loss;
- Accounts for all amounts recognized in other comprehensive income in relation to the subsidiary on the same basis as would be required if the parent had directly disposed of the related assets and liabilities; and
- Recognizes any resulting difference as gain or loss in profit or loss attributable to the parent.

Noncontrolling interest

Noncontrolling interest represents interest in a subsidiary that is not owned, directly or indirectly, by the Group. Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Group and to the non-controlling interest. Total comprehensive income is attributed to the equity holders of the Group and to the non-controlling interests even if this results in the noncontrolling interest having a deficit balance.

Noncontrolling interest represents the portion of profit or loss and the net assets not held by the Group. Transactions with non-controlling interest are accounted for using the entity concept method, whereby the difference between the consideration and the book value of the share of the net assets acquired is recognized as an equity transaction.

3. Changes in Accounting Policies

Changes in Accounting Policies

The accounting policies adopted by the Group are consistent with those of the previous financial years except for the following amended and improved PFRS and PAS which became effective in 2017:

- PAS 7, "*Cash Flow Statements*": *Disclosure Initiative*
The amendments require the entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The specific disclosure that may be necessary in order to satisfy the above requirement includes:
 - changes in liabilities arising from financing activities caused by changes in financing cash flows, foreign exchange rates or fair values, or obtaining or losing control of subsidiaries or other businesses; and
 - a reconciliation of the opening and closing balances of liabilities arising from financing activities in the Statements of financial position including those changes identified immediately above.

The amendments affect disclosures only and have no significant impact on the Group's financial statements.

- PAS 12, "*Income Taxes*": *Recognition of Deferred Tax Assets for Unrealized Losses*
The amendments in recognition of deferred tax assets for unrealized losses clarify the requirements on recognition of deferred tax assets for unrealized losses related to debt instruments measured at fair value.

These amendments are effective for annual periods beginning on or after January 1, 2017, with earlier application permitted. As transition relief, an entity may recognize the change in the opening equity of the earliest comparative period in opening retained earnings on initial application without allocating the change between opening retained earnings and other components of equity.

The amendments have no significant impact on the Group's financial statements.

Annual Improvements to PFRS (2014-2016 Cycle)

The Annual Improvements to PFRSs (2014-2016 cycle) contain non-urgent but necessary amendments to the following standards:

- Amendments to PFRS 1, *Deletion of Short-term Exemptions for First-time Adopters* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)

These amendments are not applicable to the Group as it is not a first-time adopter.

- PFRS 12, *Disclosure of Interest in Other Entities: Clarification of the Scope of the Standard*
The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

This improvement has no significant impact on the Group's financial statements as this affects disclosures only.

New Accounting Standards, Amendments to Existing Standards Annual Improvements and Interpretations Effective Subsequent to December 31, 2017

The standards, amendments, annual improvements and interpretations which have issued but are not yet effective are discussed below and in the subsequent pages. The Group will adopt these standards, amendments and annual improvements and interpretations when these become effective and applicable to the Group. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards, annual improvements and interpretations to have a significant impact on its financial statements.

Effective in 2018

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

These amendments are currently not applicable to the Group as it has no share-based payment transactions.

- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

The amendments are currently not applicable to the Group since it has no activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 9, *Financial Instruments: Classification and Measurement*

PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at FVPL. For liabilities designated as at FVPL using the FVO, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI.

The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change relating to the entity's own credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward to PFRS 9, including the embedded derivative bifurcation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets but will potentially have no impact on the classification and measurement of financial liabilities.

On hedge accounting, PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items, but also for nonfinancial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting. The Company is currently assessing the impact of this new standard to its financial statements.

This is not expected to have a significant impact on the Group's financial statements.

- PFRS 15, *Revenue from Contracts with Customers*
PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018.

The Group is currently assessing the impact of PFRS 15 and plans to adopt the new standard on the required effective date.

- PFRS 15, *Clarifications to PFRS 15, Revenue from Contracts with Customers*
These amendments, which are effective from January 1, 2018, clarify how companies:
 - identify a performance obligation, the promise to transfer a good or a service to a customer, in a contract;
 - determine whether a company is a principal (the provider of a good or service) or an agent responsible for arranging for the good or service to be provided;
 - determine whether the revenue from granting a license should be recognized at a point in time or over time.

The Group is currently assessing the impact of PFRS 15 and plans to adopt the new standard on the required effective date.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*
The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to

meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

These amendments are currently not applicable to the Group as it has no investment property.

- *Philippine Interpretation IFRIC 22, Foreign Currency Transactions and Advance Considerations*
The interpretation addresses foreign currency transactions or parts of transactions where:
 - there is consideration that is denominated or priced in a foreign currency;
 - the entity recognizes a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
 - the prepayment asset or deferred income liability is non-monetary.

IFRIC 22 is effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted.

This is not expected to have significant impact on the Group's financial statements.

Annual Improvements to PFRS and PAS (2014 - 2016 Cycles)

Amendment to PAS 28, Measuring an Associate of Joint Venture at Fair Value

The amendment clarified that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

This amendment is not expected to have significant impact on the Group's financial statements.

Effective in 2019

- *PFRS 16, Leases*
On January 13, 2016, the IASB issued its new standard, PFRS 16, Leases, which replaces PAS 17, the current leases standard, and the related Interpretations. Under the new standard (renamed as PFRS 16), lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their Statements of financial position, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements. The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is not permitted until the FRSC has adopted the new revenue recognition standard. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

The Group plans to adopt the new standard on the required effective date. It is currently assessing the impact of the new standard and expects it to significantly impact its lease arrangements wherein the Group is a lessee as it will already recognize the related assets and liabilities in its statements of financial position.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
The amendments to PAS 28 clarify that an entity applies PFRS 9, Financial Instruments including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture.

The amendments are effective for periods beginning on or after January 1, 2019, with early application permitted. The amendments are to be applied retrospectively but they provide transition requirements similar to those in PFRS 9 for entities that apply the amendments after they first apply PFRS 9. They also include relief from restating prior periods for entities electing, in accordance with PFRS 4 Insurance Contracts, to apply the temporary exemption from PFRS 9. Full retrospective application is permitted if that is possible without the use of hindsight.

The amendments were approved by the FRSC on November 8, 2017 but are still subject to the approval by the Board of Accountancy.

Deferred

- Philippine Interpretation IFRIC 15, *"Agreements for the Construction of Real Estate"*
This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The Philippine SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Management will continuously assess the impact of this interpretation. Currently, management believes that the adoption of the interpretation will have no a significant impact on the Group's financial statements.
- Amendments to PFRS 10, *"Consolidated Financial Statements"* and PAS 28, *"Investments in Associates and Joint Ventures": Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments are currently not expected to have significant impact on the Group's financial statements.

On January 13, 2016, the FRSC postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed in broader view 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.

New and Amended Standards adopted by the Philippine Financial Reporting Standards Council (FRSC) but not yet been approved by the Board of Accountancy (BOA)

New and amended standards not yet effective in 2017 issued by the FRSC but are still subject to approval by the Board of Accountancy are listed below:

Effective beginning on or after January 1, 2019

- Amendments to PFRs 9, *Prepayments Features with Negative Compensation*
- Amendments to PAS 19, *Plan Amendment, Curtailment or Settlement*
- Amendments to PAS 28, *Long – term Interests in Associates and Joint Ventures*

- *Annual improvements to PFRSs 2015-2017 cycle*
 - Amendments to PFRS 3 and PFRS 11, *Previously Held Interest in a Joint Operation*
 - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
- Philippine Interpretation IFRIC 23, *Uncertainty over Income Tax Treatments*
- PFRS 17, *Insurance Contracts*

The Group will continue to assess the relevance and impact of the above standards, amendments to standards and interpretations. The revised disclosures on the financial statements required by the above standards and interpretations will be included in the Group's financial statements when these are adopted.

4. Summary of Significant Accounting and Financial Reporting Policies

The principal accounting policies adopted in preparing the financial statements of the Group are summarized below and in the succeeding pages. The policies have been consistently applied to all years presented unless otherwise stated:

Current versus Noncurrent Classification

The Group presents assets and liabilities in the Group statements of financial position based on whether it is current and noncurrent.

An asset is current when it is:

- 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 a cash equivalent unless the asset is 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;
- Held primarily for the purpose of trading;
- Due to be settled within twelve months after the reporting period; or
- Not subject to 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 tax assets and liabilities 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 Group.

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

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

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

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

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

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

Cash

Cash includes cash on hand and in banks and other cash equivalents are stated at its face value.

Financial Assets and Liabilities

Date of recognition

The Group recognizes a financial asset or liability in the statements of financial position when it becomes a party to the contractual provisions of the instrument. All the regular way purchases and sales of financial assets are recognized on the trade date, i.e., the date the Group commits to purchase or sell the assets. Regular way purchases or sales are purchases or sales of financial assets that require delivery within the period generally established by regulation or convention in the market place.

Initial recognition

Financial assets and financial liabilities are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The fair value of the consideration given or received is determined by preference to the transaction price or other market prices. If such market prices are not reliably determinable, the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rate of interest for similar instruments with similar maturities. The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction costs.

Determination of fair value

Fair value is determined by preference to the transaction price or other market prices. If such market prices are not reliably determinable, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value model where the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rates of interest for similar instruments with similar maturities. Other valuation techniques include comparing to similar instruments for which market observable prices exist; recent arm's length market transaction; option pricing model and other relevant valuation models.

Financial Assets

The Group determines the classification at initial recognition and, where allowance is appropriate, re-evaluates this designation every reporting date. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Subsequent to initial recognition, the Group classifies its financial assets in the following categories:

- *Financial asset at fair value through profit or loss (FVPL)*
A financial asset is classified in this category if acquired principally for the purpose of selling or repurchasing in the near term or upon initial recognition, it is designated by the management as at FVPL. Derivatives are also categorized as held at fair value through profit or loss, except those derivatives designated as effective hedging instruments. Assets classified in this category are carried at fair value in the consolidated statements of financial position. Changes in the fair value of such assets are accounted for in consolidated statements of income. Financial instruments held at fair value through profit or loss are classified as current if they are expected to be realized within 12 months from the end of financial reporting period.

As at June 30, 2018 and December 31, 2017, the Group has no financial asset at FVPL.

- *Loans and receivables*
Loans and receivables are non-derivative financial assets with fixed or determinable payments and are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. Such assets are carried initially at cost and at amortized cost subsequent to initial recognition in the statements of financial position. Amortization is determined using the effective interest method. Loans and receivables are included in current assets if maturity is within 12 months from the end of financial reporting period. Otherwise, these are classified as noncurrent assets.

This category includes the Group's cash, trade and other receivables, due from related parties and deposits (see Notes 6, 7 and 18).

- *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities wherein the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are carried at cost or amortized cost in the consolidated statements of financial position. Amortization is determined by using the effective interest method. Assets under this category are classified as current assets if maturity is within 12 months from the end of financial reporting period and as non-current assets if maturity is more than a year from the end of financial reporting period.

As at June 30, 2018 and December 31, 2017, the Group has no held-to-maturity investments.

- *Available-for-sale financial assets*

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognized as separate component of equity until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the consolidated statements of income.

The fair value of investments that are actively traded in organized financial market is determined by reference to quoted market bid prices at the close of business on the end of financial reporting period. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include reference to recent arm's length market transaction, reference to the current market value of another instrument which is substantially the same, discounted cash flows analysis and option pricing models.

As at June 30, 2018 and December 31, 2017, the Group has no available-for-sale financial assets.

Financial Liabilities

- *Financial liabilities at FVPL*

Financial liabilities are classified in this category if these result from trading activities or derivatives transaction that are not accounted for as accounting hedges, or when the Group elects to designate a financial liability under this category.

As at June 30, 2018 and December 31, 2017, the Group has no financial liabilities at FVPL.

- *Other financial liabilities*

Other financial liabilities pertain to liabilities that are not held for trading or not designated as at FVPL upon inception of the liability. These include liabilities arising from operations (e.g., payables excluding statutory payables, accruals) or borrowings (e.g., long-term debt).

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

As at June 30, 2018 and December 31, 2017, this category includes the Group's trade and other payables, loans payable, due to related parties and lease payable (see Notes 14, 15, 18 and 27).

Classification of Financial Instrument between Debt and Equity

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability is reported as expenses or income.

Distribution to holders of financial instruments classified as equity is charged directly to equity, net of any related income tax benefits. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

A financial instrument is classified as debt if it provides for a contractual obligation to: (a) deliver cash or another financial asset to another entity; or (b) exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or (c) satisfy the obligation other than by exchange of a fixed amount of cash or other financial asset for a fixed number of own equity shares.

If the Group 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.

Impairment of Financial Assets

The Group assesses at each end of financial reporting period whether a financial asset or group of financial assets is impaired.

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

- *Assets carried at amortized cost.* If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in the Group's as part of profit or loss in the Group statements of comprehensive income.

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

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

- *Assets carried at cost.* If there is objective evidence that an impairment loss has been incurred in an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.
- *Available-for-sale financial assets.* If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the statements of comprehensive income, is transferred from statements of changes in equity to the statements of comprehensive income. Reversals in respect of equity instruments classified as AFS financial assets are not recognized in the statements of comprehensive income. For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as AFS financial assets, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost.

Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment is removed from statements of changes in equity and recognized in the statements of comprehensive income. Impairment losses on equity investments are not reversed through the statements of comprehensive income; increases in their fair value after impairment are recognized directly in statements of changes in equity.

Objective evidence that financial asset or group of assets is impaired includes observable data that come to the attention of the Group such as but not limited to:

- Significant financial difficulty of the issuer or obligor
- A breach of contract, such as default or delinquency in interest or principal payments.

Derecognition of Financial Assets and Liabilities

Financial Assets

A financial asset is derecognized when (1) the rights to receive cash flows from the financial instruments expire, (2) the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement, or (3) the Group has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group’s continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group’s continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Where the 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 consolidated statements of income.

Offsetting Financial Instruments

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

Advances to Officers and Employees

Advances to employees for business expenses that are yet to be received such as purchases of goods and services subject to liquidation are recognized at the actual cash amount advanced to employees, less any impairment. These are subsequently applied to the related assets, costs or expenses incurred.

Inventories

Inventories are initially recorded at cost. Subsequent to initial recognition, inventories are stated at lower of cost or net realizable value (NRV). Costs incurred in bringing each product to its present location and condition is accounted for as follows:

| | |
|---|---|
| Packaging materials and other supplies- | at purchase cost on a first-in, first-out (FIFO) method |
| Finished goods | - at manufacturing or purchase cost on a FIFO method |
| Property for sale | - at construction cost |

NRV of finished goods is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs to sell. For packaging materials and other supplies, NRV is the current replacement cost. Inventories are classified as current when they are expected to be realized within the normal operating cycle.

Provision for inventory loss is established for estimated losses on inventories which are determined based on specific identification of slow-moving, damaged and obsolete inventories and charged to operations.

Prepayments and Other Current Assets

- *Prepayments* are costs and expenses which are paid in advance of actually incurring them and regularly recurring in the normal course of the business. Prepaid expenses are initially recorded at actual amount paid for expenses and are amortized as the benefits of the payments are received by the Group and are charged to expense in the applicable period of expiration.
- *Input value added tax (VAT)* represents VAT imposed on the Group by its suppliers for the acquisition of goods and services as required by the Philippine taxation laws and regulations. Input VAT is presented as current asset and will be used to offset against the Company's current output VAT liabilities, if any. Input VAT is initially recognized at actual amount paid for and subsequently stated at its recoverable amount (cost less impairment).
- *Creditable withholding tax* is recognized for income taxes withheld by customers. The balance at the end of each of reporting period represents the unutilized amount after deducting any income tax payable. Creditable withholding tax is initially recognized at actual amount withheld by the customers and subsequently stated at such amount less any application against income tax payable and impairment (net recoverable amount).
- *Deposits to suppliers* represent amount paid in advance for goods or services that are yet to be delivered and from which future economic benefits are expected to flow to the Group within the normal operating cycle or within twelve (12) months from the financial reporting date. These are initially recorded at actual cash advanced and are subsequently applied against subsequent asset purchases, costs or expenses incurred.
- *Creditable withholding taxes* which are claimed against income tax due represents excess of the tax payable and are carried over in the succeeding period for the same purpose

Prepayments and other assets that are expected to be realized for no more than 12 months after the reporting period are classified as current asset. Otherwise, these are classified as other noncurrent assets.

Property and Equipment

Property and equipment are initially recorded at cost. Subsequent to initial recognition, property and equipment are carried at cost less accumulated depreciation, amortization and any allowance for impairment in value except for land. Land is stated at cost less any impairment in value.

Initial cost of property and equipment comprises its construction cost or purchase price and any directly attributable cost of bringing the assets to its working condition and location for its intended use. Expenses incurred and paid after the property and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to income when the costs are incurred. In situation where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment

beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of an item shall be depreciated separately.

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

| <u>Category</u> | <u>Number of Years</u> |
|---------------------------------------|------------------------|
| Building | 15 |
| Store and warehouse equipment | 3 to 5 |
| Delivery and transportation equipment | 3 to 12 |
| Machinery and equipment | 3 to 12 |
| Office furniture and fixtures | 3 to 12 |
| Leasehold improvement | 5 |

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

Leasehold improvements are amortized over the term of the lease or estimated useful lives of the improvements, whichever is shorter.

Property and equipment is written-down to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

Depreciation of property and equipment begins when it becomes available for use and after the risks and rewards are transferred to the Group i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

When the assets are retired or otherwise disposed of, both the cost and the related accumulated depreciation and any impairment in value, are removed from the accounts and any resulting gain or loss is recognized in the Group statements of comprehensive income.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is charged to Group statements of comprehensive income.

The estimated recoverable reserves, useful lives and depreciation methods are reviewed periodically to ensure the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

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 the Group statements of comprehensive income in the year the asset is derecognized. Transfers to or from property and equipment are measured at carrying value of the assets transferred.

Construction in progress included in property and equipment, is stated at cost. This includes cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction in progress are capitalized during the construction period. Construction in progress is not depreciated until such time as the relevant assets are completed and put into operational use.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statements of income as the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of income when the asset is derecognized.

Computer software

Computer software acquired separately are measured on initial recognition at cost. The initial cost of computer software consists of its purchase price, including import duties, taxes and any directly attributable cost of bringing the assets to its working condition and location for intended use. Subsequently, computer software are carried at cost less accumulated amortization and any accumulated impairment loss.

Acquired computer software is capitalized on the basis of costs incurred to acquire and bring to use the specific software. Computer software is amortized on a straight-line basis over its estimated useful life of five (5) years. Costs associated with the development or maintenance of software cost programs are recognized as expense when incurred in the Group's statement of income. Software cost is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset is included in the Group's statements of income in the year of derecognition.

Goodwill

Goodwill represents the excess of the purchase consideration of an acquisition over the fair value of the Group's share of the net identifiable assets acquired at the date of acquisition. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that might be impaired, and is carried at cost less accumulated impairment losses, if any. Any impairment losses recognized for goodwill are not subsequently reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. When the recoverable amount of cash-generating units is less than the carrying amount, an impairment loss is recognized. The Group performs its impairment testing at the reporting date using a value-in-use, discounted cash flow methodology.

Trademarks

Trademarks acquired separately are initially recognized at cost. Following initial recognition, trademarks are carried at cost less accumulated amortization and any impairment losses. The Group assesses for impairment whenever there is an indication that these assets may be impaired. The Group has assessed that certain trademark acquired in a business combination in the past has indefinite useful lives, thus are not amortized, but tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. The remaining trademark at current year has finite useful life and is amortized over straight line basis over its estimated useful life of twenty (20) years. The amortization period and the amortization method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense is recognized in the consolidated statement of income under "Depreciation and amortization" account in the expense category consistent with the function of the intangible asset.

Franchise

The Group recognizes franchise as part of its intangible assets when the franchise produces revenue to the Group and the cost is measurable. At initial recognition, franchise is valued at cost which is the amount incurred in acquiring the franchise. Franchise whose life has been determined to be finite is amortized over the years identified. If the life of the franchise is determined to be indefinite, such franchise is not amortized but tested for impairment. Franchise is derecognized upon sale or retirement. The difference between the carrying value and the proceeds shall be recognized in the profit or loss. Franchise is amortized on a straight-line basis over its estimated useful life of ten (10) years.

Other Noncurrent Assets

Other noncurrent assets include long-term deposit and advances for land acquisition. Long-term deposit and others are stated at cost and are classified as noncurrent assets since the Group expects to utilize these beyond twelve (12) months from the end of the reporting period.

Business Combinations and Goodwill

Business combinations, except for business combination between entities under common control, are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any NCI in the acquiree. For each business combination, the acquirer measures the NCI in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition

date and any gain or loss on remeasurement is recognized in the consolidated statement of income. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with PAS 39 either in the consolidated statement of income, or in the consolidated statement of comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for NCI over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in the consolidated statement of income. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGUs) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

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

Impairment is determined for goodwill by assessing the recoverable amount of the CGU or group of CGUs to which the goodwill relates. Where the recoverable amount of the CGU or group of CGUs is less than the carrying amount of the CGU or group of CGUs to which goodwill has been allocated, an impairment loss is recognized in the consolidated statement of income. Impairment losses relating to goodwill cannot be reversed in future periods. The Group performs its impairment test of goodwill annually every December 31.

Impairment of Non-financial Assets

The Group assesses the inventories for impairment by comparing value of inventories with its NRV. If inventory is impaired, its carrying value is reduced to NRV and an impairment loss is recognized in the consolidated statements of comprehensive income.

The carrying values of prepaid expenses and other current assets, deposit for future investment, property and equipment, and intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount and impairment losses are recognized in the profit or loss. The recoverable amount of non-financial assets is the greater of net selling price (fair value less cost to sell) and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is charged to operations in the period in which it arises unless the asset is carried at a revalued amount in which case the impairment is charged to the revaluation increment of the said asset.

An assessment is made at each end of financial reporting period to determine whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the profit and loss unless the asset is carried at revalued amount, in which case the reversal is treated as revaluation increase. After such reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on systematic basis over its remaining useful life.

Deposits for Future Stock Subscriptions

Deposit for future stock subscriptions which are received in view of call for future subscriptions are stated at actual amount of cash received.

These are classified as part of equity if all of the following are present as of end of the reporting period:

- a. The unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract;
- b. There is BOD's approval on the proposed increase in authorized capital stock (for which a deposit was received by the Group);
- c. There is a stockholders' approval of said proposed increase; and
- d. The application for the approval of the proposed increase has been filed with the SEC.

Customers' Deposits

Customers' deposits are noninterest-bearing cash reservation fees received from the Group's customers for sales that do not meet the revenue recognition criteria (i.e., transfer of risk and rewards to customers through actual delivery of merchandise or services) as at reporting date. Customers' deposits will be applied against future rendition of services which are generally completed within the next twelve months or will be returned to customers in case of cancellation of reservation.

Value Added Tax (VAT)

Revenues, expenses and assets are recognized, net of the amount of VAT, except when VAT incurred on purchase of assets or services is not recoverable from the taxation authority, in which case VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of "Prepayments and other current assets" or "Trade and other payables" in the statements of financial position.

Interest-bearing Loans and Borrowings

All loans and borrowings are initially recognized at fair value of the consideration received, less directly attributable transaction costs, and have not been designated as at FVPL. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Portion of interest-bearing loans and borrowings with maturity of twelve (12) months or less after the financial reporting date is classified as current and the remaining is classified as noncurrent. Gains or losses are recognized in the statement of comprehensive income when the liabilities are derecognized as well as through the amortization process.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Group and its related parties, regardless whether a price is charged. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual; and (d) other related parties such as directors, officers, and stockholders.

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

Dividends

Dividend distribution to the Group's stockholders is recognized as a liability in the consolidated financial statements in the period in which the dividends are approved or declared by the Group's BOD. Dividends are recognized as a liability and deducted from equity when they are approved by the stockholders of the Group. Dividends for the year that are approved after the reporting period are dealt with as an event after the reporting period.

Equity

Capital stock pertains to ordinary stock which are classified as equity. The proceeds from issuance of the ordinary stock are presented in equity as capital stock to the extent of the par value of issued shares.

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

Retained earnings (Accumulated losses) include all current and prior period net income as disclosed in the statements of comprehensive income, dividend distributions, effects of changes in accounting policy and other capital adjustments.

Other comprehensive income (loss) (OCIL) comprises items of income and expense (including items previously presented under the statements of changes in equity) that are not recognized in the profit or loss in the Group's statements of comprehensive income for the year in accordance with PFRS.

Foreign Currency Transactions

Transactions in foreign currencies are initially recorded using the functional currency exchange rates prevailing at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are restated using the closing functional currency exchange rate at the end of financial reporting date. All differences are taken to the statements of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transaction.

Foreign Currency Translation of Foreign Operations

Each subsidiary in the Group determines its own functional currency and items included in the consolidated financial statement of each subsidiary are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate on the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange at consolidated statement of financial position date. All exchange differences are recognized in consolidated statements of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

For purposes of consolidation, the financial statements of ANI HK, ANI IL, and JFF which are expressed in Hong Kong dollar (HKD) amounts and financial statements of Fucang and ANI China which are expressed in Renminbi (RMB) amounts, have been translated to Peso amounts as follows:

- a. assets and liabilities for each statement of financial position presented (i.e., including comparatives) are translated at the closing rate at the date of the consolidated statement of financial position;
- b. income and expenses for each statement of income (i.e., including comparatives) are translated at exchange rates at the average monthly prevailing rates for the year; and
- c. all resulting exchange differences are taken in the consolidated statement of other comprehensive income.

Foreign Currency Translation

The consolidated financial statements are presented in Philippine Pesos (₱), which is the Group's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

The functional and presentation currency of the entities in the Group (except for ANI HK, ANI IL, JFF, Fucang and ANI China) is the Philippine peso.

Transactions in foreign currencies are initially recorded by entities under the Group at the respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at functional currency closing rate of exchange at the end of reporting period. All differences arising on settlement or translation of monetary items are recognized in the consolidated statement of income except for foreign exchange differences that qualify as capitalizable borrowing cost for qualifying assets. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transaction. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Cumulative Translation Adjustments

This arises from exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation. In the consolidated financial statements, such exchange differences shall be recognized initially in OCI. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in OCI and accumulated in the separate component of equity, shall be reclassified from equity to profit or loss when the gain or loss on disposal is recognized.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to credit risks. The following specific recognition criteria must also be met before revenue is recognized:

- *Sale of Goods*

Revenue from the sale of goods in the ordinary course of business is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue from sale of goods is recognized when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains the continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

- *Sale of property*

Sale of property is recognized in full provided the profit is determinable, and the earning process is virtually complete. Specifically, revenue recognition is applied to sale if construction development is almost complete, sufficient cumulative down payment has been received, and that collectability of sales price is reasonably assured.

Pending recognition of sale when conditions for recording a sale are not met, cash received from buyers are presented under "Customer's Deposit" in the liability section of the consolidated statements of financial position. Any excess of collections over the recognized receivables are also included in the said account.

- *Interest Income*

Interest income is recognized using the effective interest method on a time proportion basis that reflects the effective yield on the assets.

- *Rental Income*

Rental income is recognized based on a straight-line basis over the term of the lease agreement. Contingent rent is recognized in the period in which the contingent event occurs.

- *Other Income*

Other income is recognized when the related income is earned on an accrual basis in accordance with the relevant structure of transaction or agreements.

- *Realized Gains and Losses on Sale of Property and Equipment*
Realized gains and losses are recognized when the sale transaction occurs.
- *Service Income*
Service income is recognized to the extent of actual services delivered during the period.

Cost and Expense Recognition

Cost and expenses are recognized in the consolidated statements of comprehensive income when decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. Except for borrowing costs attributable to qualifying assets, all finance costs are recognized in the consolidated statements of comprehensive income.

Costs of Sales

Costs of sales consist of costs directly associated with the Group's operations. These are generally recognized when the cost is incurred.

General, administrative and selling expenses

General and administrative expenses consist of costs associated with the direction and general administration of day-to-day operation of the Group. These are generally recognized when the expense is incurred.

Other income (charges)

Other income (charges) include other income and expenses which are incidental to the Group's business operations and are not recognized in the Group's consolidated statements of comprehensive income.

Discontinued Operations

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and (a) represents a separate major line of business or geographical area of operations, (b) is a part of a single coordinated plan to dispose of a major line of business of geographical area of operations or (c) is a subsidiary acquired exclusively with a view to resale.

The related results of operations and cash flows of the disposal group that qualify as discontinued operations are separated from the results of those that would be recovered principally through continuing use, and the prior years' consolidated statement of income and consolidated statement of cash flows are re-presented. Results of operations and cash flows of the disposal group that qualify as discontinued operations are presented in statement of income and statement of cash flows as items associated with discontinued operations.

Employee benefits

- *Short-term benefits*
Short-term employee benefits are recognized as expense in the period when the economic benefits are given. Unpaid benefits at the end of the financial reporting period are recognized as accrued expense while benefits paid in advance are recognized as prepayment to the extent that it will lead to a reduction in future payments. Short-term benefits given by the Group to its employees include salaries and wages, social security contributions, short-term compensated absences, bonuses and non-monetary benefits.

- *Retirement benefits*

Retirement benefits liability, as presented in the statements of financial position, is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for the effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plan is actuarially determined using the projected unit credit method. The retirement benefit costs comprise of the service cost, net interest on the net defined benefit liability or asset and remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

The Group's right to be reimbursed of sum or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is initially certain.

- *Employee Leave Entitlement*

Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

Termination Benefits

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Leases

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

Leases are classified as finance leases whenever the term of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rental expenses under operating leases are recognized as expense in the statements of comprehensive income on a straight-line basis over the term of the lease.

A reassessment is made after inception of the lease only if one of the following applies:

- (a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
- (b) a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
- (c) there is a change in the determination of whether fulfillment is dependent on a specified asset; or
- (d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Finance lease

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incident to ownership. All other leases are classified as operating leases. Classification is made at the inception of the lease. Situations that would normally lead to a lease being classified as a finance lease include the following:

- (a) the lease transfers ownership of the asset to the lessee by the end of the lease term ;
- (b) the lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than fair value at the date the option becomes exercisable that, at the inception of the lease, it is reasonably certain that the option will be exercised;
- (c) the lease term is for the major part of the economic life of the asset, even if title is not transferred;
- (d) at the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset;
- (e) the lease assets are of a specialized nature such that only the lessee can use them without major modifications being made;
- (f) if the lessee is entitled to cancel the lease, the lessor's losses associated with the cancellation are borne by the lessee;
- (g) if there is a secondary rental period at below market rates; and
- (h) if the residual value risk is borne by the lessee.

Finance Lease Commitments – Group as a Lessee

The Group has entered into commercial leases of transportation and warehousing equipment. The Group has determined that it acquires all the significant risks and rewards of ownership on these equipment and therefore accounts for these under finance lease.

Operating Lease – Group as a Lessee

Lease of assets under which the lessor effectively retains all risks and reward of ownership are classified as operating lease. Operating lease payments are recognized as expense in profit or loss as these accrue on a monthly basis in accordance with the substance of contractual agreement. Associated costs such as repairs and maintenance and business taxes are expensed when incurred.

Operating Lease – Group as a Lessor

Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

Basic/Diluted Earnings Per Share

Basic Earnings Per Share (EPS)

Basic EPS amounts are calculated by dividing the net income attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the year.

Diluted EPS

Diluted EPS amounts are calculated by dividing the net income attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding, adjusted for any stock dividends declared during the year plus weighted average number of ordinary shares that would be issued on the conversion of all the dilutive ordinary shares into ordinary shares, excluding treasury shares.

Borrowing Costs

Borrowing costs are generally expensed as incurred. Borrowing costs incurred during the construction period on loans and advances used to finance construction and property development are capitalized as part of Construction in progress included under "Property and equipment" account in the statements of financial position.

Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use are complete. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Capitalized borrowing cost is based on applicable weighted average borrowing rate.

All other borrowing costs are charged to operation in the period in which they are incurred.

Income Tax

Income tax expense consists of current and deferred income tax.

Current income tax

The tax currently due is based on taxable income for the year. Taxable income differs from income as reported in the consolidated statements of comprehensive income because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current income tax is calculated using tax rates that have been enacted or substantively enacted at the end of financial reporting period.

Deferred income tax

Deferred tax is provided, using the liability method, on all temporary differences at the end of financial reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets and liabilities are measured using the tax rate that is expected to apply to the period when the asset is realized or the liability is settled.

The carrying amount of deferred tax assets is reviewed at end of each financial reporting period and reduced to the extent that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities.

Income tax relating to items recognized directly in equity is recognized in equity and in other comprehensive income in the statements of comprehensive income.

Segment Reporting

For management purposes, the Group is organized into operating segments according to the nature of the sales and the services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 27 to the consolidated financial statements.

Provisions

Provisions are recognized only when the following conditions are met: a) there exists a present obligation (legal or constructive) as a result of past event; b) it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and c) reliable estimate can be made of the amount of the obligation. Provisions are reviewed at end of each financial reporting period and adjusted to reflect the current best estimate.

Contingencies

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

Events after the Reporting Period

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

Restatements of Account Balances

When a new or change in accounting policy is applied retrospectively in accordance with the transitional provision, guidance or requirement of such new or amended accounting policy, the Group adjusts the opening balance of each affected component of equity for the earliest prior period presented and the other comparative amounts disclosed for each prior period presented as if the new or amended accounting policy had always been applied.

When an error is discovered in subsequent period, the prior periods errors are corrected retrospectively in the first set of financial statements authorized for issue after their discovery by restating the comparative amounts of prior periods which the error occurred; or if the error occurred before the earliest period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.

Restatements of Account Balances

When a new or change in accounting policy is applied retrospectively in accordance with the transitional provision, guidance or requirement of such new or amended accounting policy, the Group adjusts the opening balance of each affected component of equity for the earliest prior period presented and the other comparative amounts disclosed for each prior period presented as if the new or amended accounting policy had always been applied.

When an error is discovered in subsequent period, the prior periods errors are corrected retrospectively in the first set of financial statements authorized for issue after their discovery by restating the comparative amounts of prior periods which the error occurred; or if the error occurred before the earliest period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.

5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Group's consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates. The effect of any changes in estimates will be recorded in the Group's consolidated financial statements when determinable.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

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

- *Assessing Going Concern*

The management has made an assessment at the Group's ability to continue as a going concern and as is satisfied that the Group has the resources to continue the business for the foreseeable future. In 2018, the Group generated net income of ₱48.99 million which reduced the accumulated losses by the same amount. Moreover, all loans were already converted to term loans in order to increase the flexibility of the Group's capital and minimize the immediate impact on operational cash flows. As at June 30, 2018 and December 31, 2017, the Group's current assets already exceeded its current liabilities by ₱1.39 billion. Therefore, the consolidated financial statements continue to be prepared on a going concern basis.
- *Determination of Control.*

The Group determines control when it is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the equity. The Group controls an entity if and only if the Group has all of the following:

 - Power over the entity;
 - Exposure, or rights, to variable returns from its involvement with the entity; and
 - The ability to use its power over the entity to affect the amount of the Group's returns.

The Group regularly reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. The Group determined that it exercises control on all of its subsidiaries as it has all the elements of control listed above.

- *Determination of Functional Currency*
Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency of the Group has been determined to be the Philippine Peso. The Philippine Peso is the currency of the primary economic environment in which the Group operates. It is the currency that mainly influences the sale of real properties, services, and investments and the costs of providing the services and of the sold investments.
- *Assessment of Classification of Financial Instruments*
The Group classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position.
- *Measurement of Advance Rental*
The fair value of advance rental and security deposits (Note 9) is not readily determinable nor reliably measured because the actual timing of receipt is linked to the cessation of the service of the utility or service entities to the Group which cannot be reasonably predicted. Accordingly, the refundable deposits are carried at cost less any impairment.
- *Determination of Fair Value of Financial Instruments*
PFRS requires that certain financial assets and liabilities be carried at fair value, which requires the use of extensive accounting estimates and judgments. While significant components of fair value measurement are determined using verifiable objective evidence (i.e. interest rates, volatility rates), the timing and amount of changes in fair value would differ with the valuation methodology used. Any change in the fair value of these financial assets and liabilities would directly affect income and equity.

The summary of the carrying values and fair values of the Group's financial instruments as at June 30, 2018 and December 31, 2017 is shown in Note 25.

- *Determination of Operating Lease Commitments*
Management assesses at the inception of the lease whether the arrangement is finance or operating lease based on who bears substantially all the risks and benefits incidental to ownership of the leased item. The Group as a lessee has entered into a lease contract for its office spaces where it has determined that the risks and rewards related to the properties are retained by the lessor. As such, the agreement is accounted for as operating lease. The Group's transportation and warehousing equipment are accounted in the books as finance leases as it determined that the risks and rewards related to the properties will be transferred to lessee at the expiration of term.

Estimates and Assumptions

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

- *Estimating Allowance for Impairment Losses on Financial Assets*

The Group maintains an allowance for impairment losses on trade and other receivables, due from related parties and deposits at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management based on the factors that affect the collectibility of the accounts. These factors include, but are not limited to, the Group's relationship with its customer, customer's current credit status and other known market factors. The Group reviews the age and status of receivables and identifies accounts that are to be provided with allowance either individually or collectively. When the Group determines that a specific account or group of accounts continue to be impaired or can no longer be recovered based on its regular review and assessment and after exhausting all actions and means to recover, these specifically identified accounts are written-off.

The amount and timing of recorded expenses for any period would differ if the Group made different judgment or utilized different estimates.

The Group reviews the age and status of financial assets and identifies accounts that are to be provided with allowances on a continuous basis. The Group provides full allowance for financial assets that it deems uncollectible. The amount and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates.

Allowance for impairment losses on trade and other receivables as at June 30, 2018 and December 31, 2017 amounted to ₱65.6 million. The carrying values of trade and other receivables, due from related parties, and deposits are shown in Notes 7 and 18.

- *Estimation of Net Realizable Value of Inventories*

The Group determines the net realizable value of inventories annually in accordance with the accounting policy stated herein. In determining the net realizable value, the Group considers the current selling price of the product and the estimated cost to sell.

The carrying value of inventories as at June 30, 2018, and December 31, 2017 amounted to ₱472.55 million and ₱348.19 million, respectively (see Note 8).

- *Estimation of Allowance for Inventory Obsolescence*

Provision is established based on specific identification of slow-moving, damaged and obsolete inventories and charged to operations. In case there is write-off or disposal of slow-moving items during the year, a reduction in the allowance for obsolescence is made. Any increase in allowance for obsolescence would increase operating expenses and decrease inventory. An item that is determined to have zero recoverable value is written-off to expense.

No allowance for inventory obsolescence is provided as at June 30, 2018 and December 31, 2017.

- *Estimation on Useful Lives of Property and Equipment*

Useful lives of property and equipment are estimated based on the period over which these assets are expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset.

- *Estimation on Useful Lives of Intangible Assets*

The Group estimates the useful lives of its computer software, franchise and certain trademark based on the period over which the assets are expected to be available for use. The Group reviews only when there is an indicator of change in the estimated residual values and useful lives of intangible assets based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future results of operations could be materially affected by changes in the Group's estimates brought about by changes in the factors mentioned. A reduction in the estimated residual values and useful lives of intangible assets would increase the recorded amortization expense and decrease intangible assets.

It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. Any reduction in the estimated useful lives of property and equipment would increase the Group's recorded operating expenses and decrease on the related asset accounts.

Based on management's assessment, there were no changes in the useful lives of the Group's property and equipment and computer software.

The aggregate net book values of depreciable property and equipment and intangible assets as at June 30, 2018 and December 31, 2017 are shown in Notes 11 and 12.

- *Estimating Impairment Losses on Property and Equipment*

The Group assesses impairment on property and equipment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

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

These assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss would be recognized whenever evidence exists that the carrying value is not recoverable. For purposes of assessing impairment, assets are grouped at the lowest levels for which they are separately identifiable cash flows.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that can materially affect the consolidated financial statements.

An impairment loss is recognized and charged to earnings if the discounted expected future cash flows are less than the carrying amount. Fair value is estimated by discounting the expected future cash flows using a discount factor that reflects the market rate for a term consistent with the period of expected cash flows.

No impairment loss on property and equipment were recognized in 2018 and 2017.

- *Estimation of Impairment of Goodwill and Certain Trademarks*

The Group reviews the carrying values of goodwill and certain trademarks for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for other intangible assets by assessing the recoverable amount of the CGU or group of CGUs to which the trademarks relate. Assessments require the use of estimates and assumptions such as market evaluation and trends, discount rates, future capital requirements and operating performance. If the recoverable amount of the unit exceeds the carrying amount of the CGU, the CGU and the goodwill and trademarks allocated to that CGU shall be regarded as not impaired. Where the recoverable amount of the CGU or group of CGUs is less than the carrying amount of the CGU or group of CGUs to which goodwill and trademarks has been allocated, an impairment loss is recognized.

No impairment of goodwill and trademark is recognized in the consolidated statements of comprehensive income in 2018 and 2017 (see Note 12).

- *Impairment of Other Nonfinancial Assets*

Impairment review is performed on prepaid expenses and other current assets when certain impairment indicators are present. Determining the value of the assets requires estimation of future cash flows expected to be generated from the continued use and ultimate disposition of such assets and requires the Group to make estimates and assumptions that can materially affect the Group's financial statements. Future events could cause the Group to conclude that the assets are impaired. Any resulting impairment loss could have a material adverse impact on the Group's financial condition and results of operations. Any increase in allowance for impairment would increase the Group's operating expense and decrease the related asset.

The preparation of estimated future cash flows involves significant judgment and estimations. While the Group believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Group's assessment of recoverable values and may lead to future additional impairment charges.

No allowance for impairment is provided as at June 30, 2018 and December 31, 2017, as management has not identified any indicators of impairment.

- *Estimating on Retirement Liability*

The determination of the Group's obligation and cost for pension and other retirement benefits is dependent on management's selection of certain assumptions used by actuaries in calculating such amounts.

The assumptions for pension costs and other retirement benefits are described in Note 23, and include among others, discount and salary increase rates. In accordance with PFRS, actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the Group's recognized expense and recorded obligation in such future periods. While management believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in management assumptions may materially affect the Group's pension and other retirement obligations.

The Group also estimates other employee benefits obligation and expense, including the cost of paid leaves based on historical leave availments of employees, subject to the Group's policy. These estimates may vary depending on the future changes in salaries and actual experiences during the year.

Retirement liability amounted to ₱7.29 million as at June 30, 2018 and December 31, 2017, respectively (see Note 23).

- *Deferred Tax Assets and Deferred Tax Liabilities*
Deferred income tax assets are recognized for all deductible differences to the extent that it is probable that sufficient taxable profit will be available against which the deductible temporary differences can be utilized. Significant management judgment is required to determine the amount of deferred income tax asset that can be recognized, based upon the likely timing and level of future taxable profit together with future tax planning strategies. Deferred tax liability is also reviewed at end of financial reporting period to determine if this will eventually result to actual liability. Any changes in estimate would increase or decrease the amount recognized as deferred tax assets or liabilities and amount recognized in profit or loss.

The Group's unrecognized deferred income tax assets amounted to ₱141.3 million as at June 30, 2018 and December 31, 2017, respectively. This has not been recognized since management believes that the carryforward benefit would not be realized prior to their expiration (see Note 24).

- *Contingencies*
The Group has no contingent liabilities which are either pending decision by the courts or being contested, the outcome of which is not presently determinable. In the opinion of management and its legal counsel, the eventual liability under these claims, if any, will not have material or adverse effect on the financial statements. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed on the grounds that it can be expected to prejudice the outcome or the Group's position with respect to these matters.

The Group did not recognize any provision in 2018 and 2017.

6. Cash

This account consists of:

| | 2018 | 2017 |
|-----------------|---------------------|--------------|
| Cash on hand | ₱1,647,078 | ₱1,579,283 |
| Cash in banks | 201,990,620 | 210,232,083 |
| Cash equivalent | 100,000,000 | |
| | ₱303,637,698 | ₱211,811,366 |

Cash in banks earn interest at the prevailing bank deposit rates of less than 0.3% to 1.0% annually. Interest income earned from cash in banks, net of final taxes withheld, amounted to ₱9,698 in 2018 and ₱3,718 in 2017. Cash in banks include foreign denominated currency such as USD, HKD and RMB. These cash in banks were restated at June 30, 2018 and December 31, 2017 closing rates.

The Group's cash equivalent represents 32 to 60 days' time deposits in a local banks amounting to ₱100 million which earns an interest at prevailing bank rate of less than 2% to 3.5%. Interest income earned from time deposits, net of withholding tax amounted to ₱132,451 for the period June 30, 2018.

7. Trade and Other Receivables - net

This account consists of:

| | 2018 | 2017 |
|--|---------------------|--------------|
| Trade | ₱530,002,446 | ₱643,446,841 |
| Others | 198,450,090 | 104,881,542 |
| | 728,452,536 | 748,328,383 |
| Less allowance for impairment losses—trade | 65,561,636 | 65,561,636 |
| | ₱662,890,900 | ₱682,766,747 |

Trade receivables are non-interest bearing and are generally due and demandable and others are collectible in one month to one year. These are generally settled through cash payment or application of customer's deposit.

Other receivables include noninterest bearing receivables from sales of scraps and rejected products by supermarkets, which are sold to the wet market at a lower price. This is generally collectible on fifteen (15)-day to thirty (30)-day terms.

Other receivables also include nontrade receivables from third parties which are noninterest-bearing and are generally collectible upon demand.

Movements in allowance for impairment losses pertaining to trade receivables follows:

| | Note | 2018 | 2017 |
|--|------|--------------------|--------------|
| Balance at beginning of year | | ₱65,561,636 | ₱75,658,457 |
| Provision for impairment during the year | 21 | | 4,091,230 |
| Write offs during the year | | | (14,188,051) |
| Balance at end of year | | ₱65,561,636 | ₱65,561,636 |

8. Inventories

This account consists of:

| | 2018 | 2017 |
|--|---------------------|--------------|
| At cost: | | |
| Property for sale | ₱422,877,973 | ₱286,758,308 |
| Vegetables and fruits | 34,275,168 | 45,917,508 |
| Packaging materials and other supplies | 15,394,609 | 15,513,731 |
| | ₱472,547,750 | ₱348,189,547 |

Property for sale represents development costs and construction materials for residential and commercial units in the Shengmei Century Plaza Development Project located in Jiawang District, Xuzhou, China.

The cost of inventories recognized as part of "Cost of Sales" in the statements of comprehensive income amounted to ₱714.96 million in 2018 and ₱455.59 million in 2017 (see Note 19).

The carrying amounts of the total inventories as of June 30, 2018 and December 31, 2017 are lower than their NRVs. There were no purchase commitments, accrued net losses and provisions for impairment losses on inventories in 2018 and 2017.

9. Prepayments and Other Current Assets

This account consists of:

| | 2018 | 2017 |
|-------------------------------------|---------------------|--------------|
| Deposit to suppliers | ₱226,702,752 | ₱179,202,753 |
| Input VAT | 92,135,558 | 89,497,550 |
| Prepaid expense | 14,833,735 | 2,463,370 |
| Creditable withholding taxes (CWTs) | 1,319,468 | 865,435 |
| | ₱334,991,513 | ₱272,029,108 |

Deposit to suppliers includes deposits for project which pertains to advance payment for the Group's several construction projects.

Prepaid expense includes insurance, rental and IT services. Prepaid insurance refers to insurances of vehicles and equipment which are paid in advance and which will be amortized within twelve (12) months after the end of the financial reporting date.

10. Deposit for Future Investment

Parent Company entered into a purchase agreement with a third party in September 2016 involving the purchase of 49% equity interest in Zongshan Fucang Trade Co. Ltd. (Fucang), a company registered in China. Fucang is engaged in agricultural commodity trading and with investments in real estate development. In 2016, ANI made a deposit for the acquisition of 49% equity investment in Fucang amounting to RMB42.63 million or ₱308.2 million, subject to the fulfilment of conditions precedent as set forth in the agreement of the parties. In 2017, the Parent Company purchased an additional 2% of the total registered capital of Fucang amounting to RMB4.09 million or ₱30.6 million which resulted to an increase in equity interest in Fucang. As at December 31, 2017, the deposit for future investment totaling ₱338.8 million is reclassified to investment in subsidiary in the Parent Company statements of financial position.

Fucang made a deposit to acquire 60% ownership of the subscriptions to Guangzhou Tianchen Real Estate Development Co., Ltd, a real estate in China amounting to ₱217,278,356 and in ₱194,673,768 as of June 30, 2018 and December 31, 2017, respectively.

11. Property and Equipment

Rollforward analysis of the Group's property and equipment as at June 30, 2018 and December 31, 2017 follows:

| | June 30, 2018 | | | | | | | | | |
|-------------------------------|---------------|--------------|-------------------------------|---------------------------------------|-------------------------|--------------------------------|-----------------------|--------------|----------------|--|
| | Land | Building | Store and warehouse equipment | Delivery and transportation equipment | Machinery and equipment | Office, furniture and fixtures | Leasehold improvement | CIP | Total | |
| Cost: | | | | | | | | | | |
| Balance at beginning of year | ₱149,152,330 | ₱117,141,942 | ₱228,779,120 | ₱33,322,258 | ₱491,546,076 | ₱37,312,965 | ₱104,547,474 | ₱303,969,386 | ₱1,465,771,551 | |
| Additions | | - | 12,564,932 | 750,060 | 81,907 | 51,769 | - | 90,676,816 | 104,125,484 | |
| Balances at end of year | ₱149,152,330 | ₱117,141,942 | 241,344,052 | 34,072,318 | 491,627,983 | 37,364,734 | ₱104,547,474 | ₱394,646,202 | 1,569,897,035 | |
| Accumulated depreciation: | | | | | | | | | | |
| Balances at beginning of year | | 41,407,247 | 74,906,298 | 25,280,292 | 225,623,656 | 32,293,022 | 95,232,734 | | 494,743,249 | |
| Depreciation and amortization | | 2,514,296 | 1,054,391 | 842,222 | 20,747,506 | 614,848 | 1,369,702 | | 27,142,965 | |
| Balances at end of year | | 43,921,543 | 75,960,689 | 26,122,514 | 246,371,162 | 32,907,870 | 96,602,436 | | 521,886,214 | |
| Net book values | ₱149,152,330 | ₱73,220,399 | ₱165,383,363 | ₱7,949,804 | ₱245,256,821 | ₱4,456,864 | ₱7,945,038 | ₱394,646,202 | ₱1,048,010,821 | |

December 31, 2017

| | Land | Building | Store and warehouse equipment | Delivery and transportation equipment | Machinery and equipment | Office, furniture and fixtures | Leasehold improvement | CIP | Total |
|----------------------------------|--------------|--------------|-------------------------------|---------------------------------------|-------------------------|--------------------------------|-----------------------|--------------|----------------|
| Cost: | | | | | | | | | |
| Balance at beginning of year | ₱149,152,330 | ₱117,141,942 | ₱112,702,809 | ₱33,491,893 | ₱491,166,249 | ₱38,651,725 | ₱103,112,141 | ₱- | ₱1,045,419,089 |
| Additions | - | - | 2,901,597 | - | 401,243 | - | 3,598,440 | - | 6,901,280 |
| Disposals | - | - | - | (169,635) | (21,416) | (1,338,760) | (2,163,107) | - | (3,692,918) |
| Increase due to consolidation | - | - | 113,174,714 | - | - | - | - | - | 303,969,386 |
| Balances at end of year | 149,152,330 | 117,141,942 | 228,779,120 | 33,322,258 | 491,546,076 | 37,312,965 | 104,547,474 | 303,969,386 | 1,465,771,551 |
| Accumulated depreciation: | | | | | | | | | |
| Balances at beginning of year | - | 36,627,486 | 69,556,445 | 23,617,329 | 184,429,987 | 30,287,847 | 91,857,647 | - | 436,376,741 |
| Depreciation and amortization | - | 4,779,761 | 6,820,966 | 1,695,581 | 41,204,923 | 3,343,935 | 5,307,171 | - | 63,152,337 |
| Disposals | - | - | - | (32,618) | (11,254) | (1,338,760) | (1,932,084) | - | (3,314,716) |
| Increase due to consolidation | - | - | (1,471,113) | - | - | - | - | - | (1,471,113) |
| Balances at end of year | - | 41,407,247 | 74,906,298 | 25,280,292 | 225,623,656 | 32,293,022 | 95,232,734 | - | 494,743,249 |
| Net book values | ₱149,152,330 | ₱75,734,695 | ₱153,872,822 | ₱8,041,966 | ₱265,922,420 | ₱5,019,943 | ₱9,314,740 | ₱303,969,386 | ₱971,028,302 |

Fully depreciated property and equipment are retained in the accounts until they are no longer in use. The cost of fully depreciated property and equipment still being used in operations amounted to ₱43.2 million as at June 30, 2018 and December 31, 2017, respectively. Certain assets are covered by insurance such as delivery and transportation equipment and buildings.

Land and building located in Pulilan, Bulacan with carrying value of ₱179.8 million as at June 30, 2018 and December 31, 2017, respectively, serve as collateral for loans payable (see Note 15).

The Group has no contractual commitment to acquire or construct property, plant and equipment.

The Group's management had reviewed the carrying values of property and equipment as of June 30, 2018 and December 31, 2017 for any impairment. Based on the evaluation, there are no indications that the property and equipment might be impaired.

12. Intangible Assets

This account consists of the following, net of any accumulated amortization:

| | 2018 | 2017 |
|-------------------|---------------------|---------------------|
| Trademark | ₱162,500,000 | ₱167,500,000 |
| Goodwill | 10,254,545 | 10,254,545 |
| Franchise | 2,488,681 | 2,714,925 |
| Computer software | 234,714 | 326,967 |
| | ₱175,477,940 | ₱180,796,437 |

Trademark

The trademark includes that related to the acquisition of TBC, Inc. in 2011. During the acquisition of TBC, net assets acquired includes trademark for the use of "The Big Chill" brand, amounting to ₱200 million which was included in the purchase price. The net carrying value of the Group's trademark account amounted to ₱162.50 million and ₱167.50 million as at June 30, 2018 and December 31, 2017 respectively, net of accumulated amortization amounting to ₱37.50 million and ₱32.5 million as at June 30, 2018 and December 31, 2017, respectively.

Goodwill

The goodwill of the Group is attributable to the business acquisitions made in current year to expand the Group's operations. The net carrying value of the goodwill as at June 30, 2018 and December 31, 2017 amounted to ₱10,254,545. No provision for impairment losses on goodwill is recognized in 2018 and 2017.

Franchise

On January 7, 2011, the Group entered into a Master Licensing Agreement with Tully's Coffee International Pte. Ltd. for the operation of coffee shops and sale of coffee products under the brand "Tully's". The term of the license is for a period of ten years but maybe extended for another 10 years. Under the agreement, the Group paid \$200,000 equivalent to ₱9.05 million as a sign-up fee.

The net book values of the franchise account amounted to ₱2.49 million and ₱2.7 million, net of accumulated amortization of ₱6.5 million and ₱6.3 million, respectively, as at June 30, 2018 and December 31, 2017, respectively.

Computer software

Rollforward analysis of computer software is as follows:

| | Note | 2018 | 2017 |
|--------------------------------------|------|-------------------|------------|
| Cost: | | | |
| Balance at beginning and end of year | | ₱7,535,160 | ₱7,535,160 |
| Accumulated amortization: | | | |
| Balance at beginning of year | | 7,208,193 | 6,772,064 |
| Amortization | 18 | 92,253 | 436,129 |
| Balance at end of year | | 7,300,446 | 7,208,193 |
| Net book values | | ₱234,714 | ₱326,967 |

The carrying value of computer software is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. No impairment loss is recognized as at June 30, 2018 and December 31, 2017.

13. Other Noncurrent Assets

| | 2018 | 2017 |
|-------------------------------|---------------------|--------------|
| Advances and deposits | ₱152,914,982 | ₱152,914,982 |
| Advances for land acquisition | 64,719,121 | 64,719,121 |
| Rental deposits and others | 31,071,235 | 13,331,065 |
| | ₱248,705,338 | ₱230,965,168 |

Other noncurrent assets are noninterest – bearing and will be realized twelve months after the reporting period.

Advances and deposits includes advances for future business prospects of the Group. It also includes advances payment to Tetra Pak for future acquisition of equipment necessary for pre–processing, sterilization, aseptic storage and clean in place station for coconut water.

Advances for land acquisitions are payments made for future delivery of land acquired.

Rental deposits and others include rental deposits made by the Group on the leased properties amounting to about ₱15.0 million which can be applied as rental payments at the end of the leased term (see Note 27).

14. Trade and Other Payables

| | 2018 | 2017 |
|---------------------|---------------------|--------------|
| Trade payables | ₱375,944,204 | ₱623,272,377 |
| Customers' deposits | 186,244,393 | 130,700,613 |
| Government payables | 15,460,306 | 19,847,916 |
| Accrued expenses | 7,893,629 | 8,962,489 |
| | ₱585,542,532 | ₱782,783,395 |

Trade payables are non-interest bearing and are generally settled within one month to one year.

Customers' deposit pertains to advanced payments of customers for unit and goods to be purchased.

Accrued expenses are obligations on the basis of normal credit terms and do not bear interest. These pertain to accruals made for interest, utilities and other various accruals. Accruals are made based on the prior month's billings and/or contracts and are normally settled within twelve (12) months from the end of the reporting period. Accrued expenses include accrual of association dues, security services, interest expense, salaries and wages and professional fees incurred in 2018 and 2017, respectively.

Government payables consist of government payables, such as expanded withholding taxes, withholding taxes on compensation and other nontrade payables which are paid within twelve (12) months from the end of the reporting period. All nontrade payables are noninterest-bearing.

15. Loans Payable and Redeemable Convertible Loan

| | 2018 | 2017 |
|---|---------------------|---------------|
| <i>Foreign Currency</i> | | |
| Bank 1 | ₱72,363,171 | ₱100,985,705 |
| Bank 2 | 89,511,059 | 99,857,041 |
| Bank 8 | | 191,032,500 |
| Bank 9 | 121,185,000 | 114,619,500 |
| <i>Peso Currency</i> | | |
| Bank 3 | 335,600,000 | 345,600,000 |
| Bank 4 | 234,500,000 | 236,000,000 |
| Bank 5 | 26,795,838 | 71,800,000 |
| Bank 6 | 22,150,000 | 33,753,210 |
| Bank 7 | 30,771,657 | 32,650,000 |
| Others | 40,248,924 | 62,633,006 |
| | 973,125,649 | 1,288,930,962 |
| Less | | |
| Short term loans | 521,354,442 | 704,818,716 |
| Long term portion of loans payable | 351,598,838 | 341,619,500 |
| Current portion of long term loans payable | ₱100,172,369 | ₱242,492,746 |

The rollforward analysis of loans payable follows:

| | 2018 | 2017 |
|-----------------------------------|-----------------------|----------------|
| Balance at beginning of year | ₱1,288,930,962 | ₱977,025,572 |
| Payments made during the year | (325,784,651) | (141,735,368) |
| Loans obtained during the year | 9,979,338 | 19,480,758 |
| Increase due to consolidation | | 358,060,000 |
| Assumed from a subsidiary | | 45,205,555 |
| Interest transferred to principal | | 30,894,445 |
| Balance at end of year | ₱973,125,649 | ₱1,288,930,962 |

Foreign Currency Loans

Bank 1

The Group acquired a USD loan from Bank 1, bearing an interest rate of 3.5% per annum, with the interest payable on a monthly basis. In 2015, an agreement was entered by the Group with the bank renegotiating the terms of the loan. Principal payments of US\$55,000 plus interests are due monthly for thirty five (35) months starting August 1, 2015 with the remaining balance payable by the end of the 35th month.

Bank 2

The Group has a current loan facility from Bank 2 in which it availed a USD loan, bearing an interest rate of 5.8% to 6.3% per annum, with the interest payable on a monthly basis. The loan is secured with a Surety Agreement in the amount of ₱150.0 million by a major stockholder in case of default by the Group.

Bank 8

The Group has an outstanding loan with Bank 8, denominated in RMB. Short term credit facilities are due within 360 days with an interest rate of 5%.

Bank 9

Bank 9 has provided a 5 year long term loan to the Group, denominated in RMB with an interest rate of 8%. The loan is guaranteed by a real estate mortgage on the property and equipment currently under construction as part of the Shengmei Century Plaza Development Project. Book value of the construction in projected amounted to ₱305.0 million. Additional guarantee to the loan is provided by Shenzhen Zhonghui Investment Management Co, Ltd., and affiliated company.

Peso Currency Loans

Bank 3

The Group availed various short-term loans from Bank 3, bearing an interest rate of 3% to 4% per annum, with the interest payable on a monthly basis. The loan is to be repriced every thirty (30) to one hundred eight (180) days upon mutual agreement of both parties.

Bank 4

The Group has various short-term loans from Bank 4, which pertains to its Short-term Loan Line (STLL), Export Packing Credit Line (EPCL), Trust Receipt Lines (TR Lines) and other bank loans that are currently maturing as at the end of the reporting period. The loans bear interest rate of 6% per annum, with the interest payable on a monthly basis. In 2018, the loan was renegotiated and the repayment terms were changed to 5 years.

The loans are secured by an existing real estate mortgage over its land and building located in Pulilan, Bulacan. The aggregate amount of net book values of the land and building mortgage amounted to ₱179.8 million as at June 30, 2018 and December 31, 2017, respectively (see Note 11).

In December 31, 2017, the Group renegotiated its agreement with Bank 4 which resulted to a gain amounting to ₱8,826,671.

Bank 5

The Group has an existing credit facility from Bank 5 composed of STLL, ECPL, and TR Lines, bearing interest rate of 5.0% per annum, with interest payable on a monthly basis and subject to a monthly repricing based on prevailing rate as determined by the lender. The loans have terms ranging from ninety (90) to one hundred eight (180) days.

Bank 6

The Group has a current loan facility from Bank 6 with loans bearing interest rate of 8.5% per annum, with interest payable on a monthly basis. The loan has a term of thirty-two (32) months, and is payable via twenty-four (24) monthly amortization of principal and interest, payable from January 2016 to December 2017, inclusive of a grace period of eight (8) months on the payment of the principal from May 2015 to December 2015.

Bank 7

The Group has a current loan facility from Bank 7 with loans bearing interest rate of 8.5% per annum, with interest payable on a monthly basis. The loan has terms ranging from thirty (30) to ninety (90) days and is under a Joint Surety Security (JSS) with a major stockholder and a corporate guaranty from the Group. Upon maturity of the loans in January 2016, a renewal agreement was entered into by the Group to avail medium term loan with the same interest rate with monthly repayment of principal until December 2018.

Redeemable and Convertible Loan

The Group has entered into a note subscription agreement, dated December 19, 2013 by and between Black River Capital Partners Food Fund Holdings (Singapore) Pte. Ltd. The Group issued a promissory note attached to the agreement amounting to ₱335,000,000.

Under the same agreement, Black River has the option which may be exercised at any time, and from time to time, after December 19, 2015, to convert the note in part or in full, into either:

- a. Common shares of the Group at the applicable conversion price depending on the net income of the Group.
- b. Equity shares in New Holding Company equivalent to the Shares, by issuing to the Group a notice of conversion.

In, addition, the Fund shall have the option to require the Group to redeem the note, in part or in full for the redemption price (sum of the principal plus the interest accrued on the note from the issue date until and including the date of the exercise of the Redemption Option), by issuing to the Group a notice of exercise of the Redemption Option ninety (90) days prior to the proposed date of redemption. On March 1, 2014, the Group issued additional note subscription agreement amounting to ₱49,000,000 with the same party, terms and conditions.

On February 3, 2015, part of the redeemable and convertible note amounting to ₱150,000,000 was used to settle the sale of interest over Tagum Resources Agri-Industries, Inc. to the Fund.

In May 2015, the Fund and a major stockholder of the Group entered into a purchase agreement for the sale of the remaining balance of the convertible loan to the stockholder. In 2016, the Group and the major stockholder entered into an arrangement to reduce the advances to the stockholder through the convertible loan held by the latter (see Note 18).

Interest expense incurred on the above loans amounted to ₱22.97 million in 2018 and ₱16.17 million in 2017.

Maturity profile of the Group's loans payable follows:

| Maturity Profile | 2018 | 2017 |
|---|---------------------|----------------|
| Due within one year | ₱631,506,149 | ₱947,311,462 |
| Due in one year but not more than 5 years | 341,619,500 | 341,619,500 |
| Total | ₱973,125,649 | ₱1,288,930,962 |

16. Equity

The Group has an authorized capital stock of ₱1,000,000,000 divided by into 1000,000,000 common shares with a par value of ₱1 per common share, of which 668,003,586 common shares are currently issued and outstanding.

The movement in the Parent Company's authorized number of shares is shown below:

| | 2018 | 2017 |
|---------------------------------|----------------------|---------------|
| Balance at beginning of year | 1,000,000,000 | 1,000,000,000 |
| Increase during the period | – | – |
| Balance at end of period | 1,000,000,000 | 1,000,000,000 |

The movement in the Group's common capital stock is shown below:

| | 2018 | 2017 |
|---------------------------------|---------------------|--------------|
| Balance at beginning of year | ₱668,003,586 | ₱621,683,570 |
| Subscriptions during the period | 100,270,500 | 46,320,016 |
| Balance at end of period | ₱768,274,086 | ₱668,003,586 |

The movement in the Group's additional paid-in capital is shown below:

| | 2018 | 2017 |
|--|-----------------------|----------------|
| Balance at beginning of year | ₱2,504,341,713 | ₱2,330,723,527 |
| Additions during the year (net of subscription receivable of ₱201,011,271) | 1,012,500,047 | 173,618,185 |
| Balance at end of year | ₱3,516,841,760 | ₱2,504,341,712 |

** The subscription receivable will be credited to additional paid – in capital upon collection.*

In October 10, 2017, the Parent Company issued 22,780,028 common shares or ₱242,835,098 to Goonies Co., Ltd., a corporation organized in Japan, as approved by the Board increasing the total issued and outstanding to 690,783,614 common shares. Full payment of the consideration was made.

In February 9, 2018, the Parent Company issued 18,620,670 common shares or ₱215,999,772 to PPAR Management and Holdings Corporation as approved by the Board on 26 January 2018 increasing the total issued and outstanding to 709,404,284 common shares. An Initial payment of Fifty Four Million Pesos (₱54,000,000) was made upon execution of the Subscription Agreement and the balance will be paid upon call by the Board.

In February 15, 2018, the Parent Company issued 53,097,796 common shares or ₱735,935,453 to Alcione Family Office Services Co., Ltd., a corporation organized in Japan as approved by the Board on 10 April 2018 increasing the total issued and outstanding to 762,502,080 common shares. Full payment of the consideration was made.

In April 30, 2018, the Parent Company issued 5,772,006 common shares or ₱80,000,003 to Gold Fresh Limited, a corporation organized in Hong Kong as approved by the Board on 30 April 2018 increasing the total issued and outstanding to 768,274,086 common shares. Full payment of the consideration was made.

The total number of shareholders of the Group is 40 as at June 30, 2018 and December 31, 2017, respectively.

The principal market for the Group's capital stock is the Philippine Stock Exchange (PSE). The high and low trading prices of the Group's shares as at March 31, 2018 are as follows:

| | High | Low |
|--------|--------|--------|
| First | ₱14.00 | ₱13.78 |
| Second | 15.72 | 15.40 |
| Third | | |
| Fourth | | |

17. Basic/ Diluted Earnings (Loss) Per Share

Basic earnings (loss) per share are calculated by dividing the net loss attributable to stockholders of the Group by the weighted average number of ordinary shares in issue during the year.

Earnings (Loss) per share attributable to the equity holders of the Parent Company

| | June 30, 2018 | June 30, 2017 |
|---|--------------------|---------------|
| Net income from continuing operations attributable to equity holders of the Parent Company | ₱9,080,712 | ₱10,029,381 |
| Net loss (income) from discontinued operations attributable to equity holders of the Parent Company | | |
| | ₱9,080,712 | ₱10,029,381 |
| <u>Weighted average number of common shares</u> | 652,364,139 | 621,683,570 |
| <u>Basic and diluted earnings per share</u> | ₱0.01 | ₱0.02 |

** The weighted average number of shares takes into account the weighted average effect of the new subscriptions during the year.*

Earnings (Loss) per share attributable to the equity holders of the Parent Company from continuing operations

| | 2018 | 2017 |
|---|--------------------|-------------|
| Net income (loss) from continuing operations attributable to equity holders of the Parent Company | ₱9,080,712 | ₱10,029,381 |
| <u>Weighted average number of common shares</u> | 652,364,139 | 621,683,570 |
| <u>Basic and diluted earnings (loss) per share</u> | ₱0.01 | ₱0.02 |

*The weighted average number of shares takes into account the weighted average effect of the new subscriptions during the year.

18. Related Party Transactions

The Group has the following transactions with related parties:

- a. Unsecured and noninterest-bearing cash advances to/from its related parties for the acquisition of operating machinery and equipment and for working capital purposes. These are payable on demand and usually settled in cash.
- b. Details of the related party balances follow:

| | 2018 | 2017 |
|--|---------------------|---------------------|
| Due from: | | |
| Stockholder | ₱400,779,834 | ₱422,226,236 |
| Affiliates/Entity under common ownership | 510,155,924 | 462,265,980 |
| | ₱910,935,758 | ₱884,492,216 |
| Due to: | | |
| Affiliates/Entity under common ownership | ₱41,262,189 | ₱66,561,222 |

The summary of the above related party transactions follows:

| Category | 2018 | | | |
|----------------------------|-------------------|--------------------------------|---|--|
| | Amount/ Volume | Balance - Asset (Liability) | Terms and Condition/Settlement | Guaranty/ Provision |
| <i><u>Stockholders</u></i> | | | | |
| 1. Receivable | | 400,779,834 | Noninterest-bearing; collectible on demand; to be settled in cash | Unsecured; no significant warranties and covenants; no impairment |
| • Payments received | (21,446,402) | | | |
| <i><u>Affiliates</u></i> | | | | |
| 2. Receivable | | 510,155,924 | Noninterest-bearing; collectible on demand; to be settled in cash | Unsecured; no significant warranties and covenants; no impairment |
| • Advances made | 47,889,944 | | | |
| 3. Payable | | (41,262,189) | Noninterest-bearing; payable on demand; to be settled in cash | Unsecured; no significant warranties and covenants |
| • Advances received | (25,299,033) | | | |

| 2017 | | | | |
|----------------------------|-------------------|--------------------------------|---|---|
| Category | Amount/ Volume | Balance - Asset (Liability) | Terms and Condition/Settlement | Guaranty/ Provision |
| <i><u>Stockholders</u></i> | | | | |
| 1. Receivable | | 422,226,236 | Noninterest-bearing; | Unsecured; no |
| • Payments received | 286,003,365 | | collectible on demand; to be settled in cash | significant warranties and covenants; no impairment |
| <i><u>Affiliates</u></i> | | | | |
| 2. Receivable | | 462,265,980 | Noninterest-bearing; | Unsecured; no |
| • Advances made | 417,656,713 | | collectible on demand; to be settled in cash | significant warranties and covenants; no impairment |
| 3. Payable | | (66,561,222) | Noninterest-bearing; | Unsecured; no |
| • Advances received | (26,801,861) | | payable on demand; to be settled in cash | significant warranties and covenants |

Advances to a Stockholder

The advances to stockholder are noninterest-bearing advances, unsecured, not guaranteed and no impairment and are generally collectible in cash or offsetting with corresponding payable. In 2015, there were modifications of terms entered into by the Group and major stockholder, changing the terms from collectible on demand to settlement within a two (2) - year period. In 2018 and 2017, the balances due from the stockholder are all current.

In 2016, the Group and the major stockholder entered into an arrangement to reduce the advances to the stockholder through the convertible loan held by the latter (see Note 14).

Compensation of Key Management Personnel

The Group considers its President, Chief Finance Officer and Assistant Vice President as key management personnel. Total remuneration of key management personnel, composed mainly of short-term employee benefits and provision for retirement benefits for executive officers, were included under "Personnel costs" in the statement of comprehensive income amounted to ₱2.21 million and ₱2.45 million for the period June 30, 2018 and 2017, respectively. There were no other benefits aside from the salaries and other short-term benefits.

There are no other related party transactions in 2018 and 2017.

19. Cost of Sales

| | Note | June 30, 2018 | June 30, 2017 |
|----------------------------------|------|----------------------|---------------|
| Inventories, beginning | | ₱348,189,547 | ₱28,045,844 |
| Purchases and conversion cost | | 714,956,019 | 455,589,784 |
| Cost of goods available for sale | | 1,063,145,566 | 483,635,628 |
| Inventories, end | 6 | 472,547,750 | 24,930,070 |
| Cost of sales and services | | 75,430,457 | 458,705,558 |
| Cost of real property sold | | 515,167,359 | |
| | | ₱590,597,816 | ₱458,705,558 |

Cost of real property sold pertains to construction cost, labor and construction materials used in building the property.

20. General and Administrative Expenses

This account consists of:

| | Notes | June 30, 2018 | June 30, 2017 |
|----------------------------------|--------|---------------------|---------------|
| Taxes and licenses | | ₱85,770,568 | ₱5,462,254 |
| Personnel costs | | 36,302,360 | 27,453,370 |
| Depreciation and amortization | 11, 12 | 32,461,462 | 36,453,386 |
| Rentals | 27 | 19,231,082 | 22,197,277 |
| Representation and entertainment | | 18,190,719 | 1,012,688 |
| Freight and handling cost | | 4,651,307 | 7,767,058 |
| Communication, light and water | | 4,118,824 | 4,091,738 |
| Transportation and travel | | 1,672,904 | 1,582,431 |
| Repairs and maintenance | | 1,285,206 | 1,033,765 |
| Professional fees | | 1,058,252 | 332,680 |
| Advertising | | 1,041,295 | 1,038,303 |
| Supplies | | 893,840 | 750,321 |
| Contracted services | | 574,350 | 427,117 |
| Insurance | | 188,350 | |
| Dues and subscription | | 76,197 | |
| Bank charges | | 48,421 | |
| Others | | 3,367,630 | 4,117,740 |
| | | ₱210,932,767 | ₱113,720,128 |

Others pertain to trainings and seminars, pest controls, mails and postages and printing.

21. Revenue and Other Income (Expense) - net

| | | 2018 | 2017 |
|--------------------------------|----|---------------------|--------------|
| Revenue: | | | |
| Sale of goods | | ₱195,868,545 | ₱596,751,003 |
| Sale of real property | | 650,444,367 | – |
| | | ₱846,312,912 | ₱596,751,003 |
| Other income | | | |
| Rental income | 27 | ₱291,800 | ₱295,590 |
| Realized foreign exchange gain | 15 | 74,668 | 274,314 |
| Others | | 43,731,440 | 1,026,377 |
| | | 44,097,908 | 1,596,281 |
| Other expenses: | | | |
| Others | | – | 36,563 |
| | | | 36,563 |
| | | ₱44,097,908 | ₱1,559,718 |

22. Deposit for Future Stock Subscription

On October 23, 2017, the Board of Directors of Parent Company approved the issuance and listing of 22,780,028 primary shares with aggregate consideration of ₱242,835,098 in favor of GOONIES Co. Ltd., a Company incorporated in Japan. The issuance shall be effective upon execution of the subscription agreement and the application for listing commence after full payment of the subscription price. Full payment was received on October 25, 2017, while subscription agreement was executed on February 9, 2018, hence it was recorded as deposit for future stock subscription as at December 31, 2017.

In 2018, the deposit for future stock subscription was reclassified into capital stock.

23. Retirement Liability

The Group has unfunded, noncontributory defined benefit retirement plan covering substantially all of its employees. Benefits are based on the employee's years of service and final plan salary.

Under the existing regulatory framework, Republic Act 7641 requires provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

Retirement benefits are based on employees' years of service and compensation levels during their employment period. Actuarial valuations are made with sufficient regularity. The last actuarial valuation dated April 3, 2018 was made as at and for the year ended December 31, 2017.

The following table summarizes the components of pension costs recognized in the Group's consolidated statements of comprehensive income:

| | 2018 | 2017 |
|--|-------------------|------------|
| <i>Charged to profit and loss:</i> | | |
| Current service cost | ₱1,506,025 | ₱1,206,853 |
| Net interest cost | – | 299,172 |
| | 1,506,025 | 1,506,025 |
| <i>Charged (credited) to other comprehensive income:</i> | | |
| Net actuarial gains – defined benefit obligation | (220,932) | (220,932) |
| | ₱1,285,093 | ₱1,285,093 |

Movement of retirement liability recognized in the statements of financial position is as follows:

| | 2018 | 2017 |
|---------------------------------|-------------------|-------------|
| Balance at beginning of year | ₱7,286,313 | ₱9,613,733 |
| Benefits paid | – | (3,612,513) |
| Retirement benefits expense | – | 1,506,025 |
| Remeasurement gain – net of tax | – | (220,932) |
| Balance at end of year | ₱7,286,313 | ₱7,286,313 |

The reconciliation of remeasurement gain as at June 30, 2018 and December 31, 2017 follows:

| | 2018 | 2017 |
|---------------------------------|-------------------|------------|
| Balance at beginning of year | ₱7,862,813 | ₱7,641,881 |
| Remeasurement gain – net of tax | – | 220,932 |
| Balance at end of year | ₱7,862,813 | ₱7,862,813 |

The cost of defined benefit pension plans and other post-employment medical benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension and post-employment benefit obligations for the defined benefit plans are shown below:

| | 2018 | 2017 |
|--------------------------------|--------------|-------|
| Discount rate | 5.70% | 5.70% |
| Projected salary increase rate | 5.00% | 5.00% |

The sensitivities regarding the principal assumptions used to measure the defined benefit liability is as follows:

| Assumptions | Change in assumption - increase (decrease) | Effect on defined benefit liability |
|-------------|---|--|
| 2018 | + 5.7% | 412,262 |
| | - 5.7% | (412,262) |
| 2017 | + 5.7% | 412,262 |
| | - 5.7% | (412,262) |

All other assumptions are held constant in determining the sensitivity results above.

The estimated average remaining working lives of employees for 2018 and 2017 is 14.

| | Expected benefits payments |
|----------------------------------|----------------------------------|
| Less than one year to five years | ₱140,829 |
| More than five years to 10 years | 3,832,529 |
| More than 10 years to 15 years | 3,121,240 |
| More than 15 years | 131,435,938 |

24. Income Taxes

- a. The Group is subject to RCIT or MCIT whichever is higher. The provision for current income tax pertains to MCIT in 2018 and 2017 amounting to ₱17.06 million and ₱0.01 million, respectively.

- b. The Group has unrecognized deferred income tax from the following:

| | 2018 | 2017 |
|---|---------------------|--------------|
| <i>Unrecognized deferred income tax</i> | | |
| NOLCO | ₱341,395,490 | ₱341,395,490 |
| Provision for impairment losses on accounts and other receivables | 91,289,731 | 91,289,731 |
| MCIT | 35,573,798 | 35,573,798 |
| Unrealized foreign exchange loss | 614,893 | 614,893 |
| Retirement liability | 2,185,893 | 2,185,893 |
| | ₱471,059,805 | ₱471,059,805 |

The Group reviews deferred tax assets at each financial reporting date and recognized these to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized.

- c. The Group's deferred tax liability pertains to the income tax effect of remeasurement gain on retirement liability. As at March 31, 2018 and December 31, 2017, deferred tax liability amounted to ₱323,297, respectively.
- d. As at December 31, 2017, NOLCO and MCIT of the Group for which no deferred tax assets were recognized are as follows:

| Year Incurred | Expiration | NOLCO | Excess MCIT |
|---------------|------------|---------------------|--------------------|
| 2017 | 2020 | ₱6,397,083 | ₱6,397,083 |
| 2016 | 2019 | 151,568,231 | 12,788,653 |
| 2015 | 2018 | 183,429,976 | 16,388,062 |
| | | ₱341,395,290 | ₱35,573,798 |

The movements in NOLCO are as follows:

| | 2018 | 2017 |
|--------------------|---------------------|---------------|
| Beginning balances | ₱341,395,490 | ₱524,401,840 |
| Additions | - | 6,397,083 |
| Expiration | - | (164,302,213) |
| Application | - | (25,101,220) |
| Ending balances | ₱341,395,490 | ₱341,395,490 |

- e. RA No. 9504 that was enacted in 2008, amended various provisions in the existing 1997 National Internal Revenue Code. Among the forms introduced by the said RA was the option granted to corporation to avail the optional standard deduction at 40% of gross income in lieu of the itemized deduction scheme.

The Group opted for the itemized deduction scheme for its income tax reporting in 2018 and 2017.

25. Financial Risk Management and Capital Management Objectives and Policies

Financial Risk Management Objectives and Policies

The Group has risk management policies that systematically view the risks that could prevent the Group from achieving its objectives. These policies are intended to manage risks identified in such a way that opportunities to deliver the Group's objectives are achieved. The Group's risk management takes place in the context of day-to-day operations and normal business processes such as strategic planning and business planning. Management has identified each risk and is responsible for coordinating and continuously improving risk strategies, processes and measures in accordance with the Group's established business objectives.

The Group's principal financial instruments consist of cash and due to and from related parties. The main purpose of these financial instruments is to finance the Group's normal course of its operating activities. The Group has various other financial assets and financial liabilities such as receivables, refundable deposits under "deposits on" and accounts payable and other liabilities which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and foreign currency risk. The BOD reviews and agrees policies for managing each of these risks and they are summarized below:

Liquidity Risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit the risk, the Group maintains sufficient cash to meet operating capital requirements. The Group also monitors the maturities of its financial assets and financial liabilities and ensures that it has sufficient current assets to settle the current liabilities.

The tables below summarize the maturity profile of the Group's financial liabilities and assets as at June 30, 2018 and December 31, 2017 based on undiscounted payments:

| | | 2018 | | | |
|------------------------------------|------|-----------------------|------------------------|------------------------|-----------------------|
| | Note | On demand | Due within one year | Due beyond one year | Total |
| <i>Financial assets</i> | | | | | |
| Cash | 6 | ₱303,637,698 | ₱ | ₱ | ₱303,637,698 |
| Trade and other receivables: | 7 | | | | |
| Trade | | 189,450,563 | 274,990,247 | | 464,440,810 |
| Other | | 3,451,738 | 194,998,352 | | 198,450,090 |
| Advances to related parties | 18 | 510,155,924 | | | 510,155,924 |
| Advances to stockholder | 18 | 400,779,834 | | | 400,779,834 |
| Refundable deposits | 13 | 31,071,235 | | | 31,071,235 |
| | | ₱1,438,546,992 | ₱469,988,599 | ₱ | ₱1,908,535,591 |
| <i>Other financial liabilities</i> | | | | | |
| Trade payables | 14 | ₱5,543,967 | ₱380,837,181 | ₱ | ₱386,381,148 |
| Accrued expense | 14 | 7,893,629 | | | 7,893,629 |
| Advances from related parties | 18 | 41,262,189 | | | 41,262,189 |
| Loans payable | | | | | |
| Principal | 15 | | 621,526,811 | 351,598,838 | 973,125,649 |
| Interest | 14 | | 667,165 | | 667,165 |
| Lease payable | 27 | | | 26,616,989 | 26,616,989 |
| | | ₱54,699,785 | ₱1,003,031,157 | ₱378,215,827 | ₱1,435,946,769 |

| | | 2017 | | | |
|------------------------------------|------|---------------|---------------------|---------------------|----------------|
| | Note | On demand | Due within one year | Due beyond one year | Total |
| <i>Financial assets</i> | | | | | |
| Cash | 6 | ₱211,811,366 | ₱ | ₱ | ₱211,811,366 |
| Trade and other receivables: | 7 | | | | |
| Trade | | 140,537,671 | 437,347,534 | | 577,885,205 |
| Other | | 367,233 | 104,514,309 | | 104,881,542 |
| Advances to related parties | 18 | 462,265,980 | | | 462,265,980 |
| Advances to stockholder | 18 | 422,226,236 | | | 422,226,236 |
| Refundable deposits | 13 | 6,731,000 | | | 6,731,000 |
| | | ₱ | | | |
| | | 1,243,939,486 | ₱541,861,843 | ₱ | ₱1,785,801,329 |
| <i>Other financial liabilities</i> | | | | | |
| Trade payables | 14 | ₱8,583,029 | ₱614,689,348 | ₱ | ₱623,272,377 |
| Accrued expense | 14 | 8,962,489 | | | 8,962,489 |
| Advances from related parties | 18 | 66,561,222 | | | 66,561,222 |
| Loans payable | | | | | |
| Principal | 15 | | 947,311,462 | 341,619,500 | 1,288,930,962 |
| Interest | 14 | | 667,165 | | 667,165 |
| Lease payable | 27 | | 16,973,821 | 33,774,420 | 50,748,241 |
| | | ₱84,106,740 | ₱1,579,641,796 | ₱375,393,920 | ₱2,039,142,456 |

Credit Risk

Credit risk refers to the potential loss arising from any failure by counterparties to fulfill their obligations, as and when they fall due. It is inherent to the business as potential losses may arise due to the failure of its customers and counterparties to fulfill their obligations on maturity periods or due to adverse market conditions.

The Group has no significant concentration of credit risk with any single counterparty or group of counterparties having similar characteristics. Credit risk on financial assets which comprise cash, receivables and refundable deposits included in "Other current assets" arising from the default of the counterparty has a maximum exposure equal to the carrying amount of these financial instruments.

a. Credit risk exposure

The table below shows the maximum exposure to credit risk for the Group's financial assets, without taking into account any collateral and other credit enhancements as at June 30, 2018 and December 31, 2017:

| | 2018 | 2017 |
|-----------------------------------|----------------|----------------|
| Cash in banks | ₱301,990,620 | ₱210,232,083 |
| Trade and other receivables – net | 662,890,900 | 682,766,747 |
| Advances to related parties | 510,155,924 | 422,265,980 |
| Advances to stockholder | 400,779,834 | 422,226,236 |
| Refundable deposits | 31,071,235 | 6,731,000 |
| | ₱1,906,888,513 | ₱1,744,222,046 |

b. Credit quality per class of financial assets

The credit quality of financial assets is managed by the Group using internal credit ratings and is classified into three: (a) high grade which has no history of default; (b) standard grade which pertains to accounts with history of one (1) or two (2) defaults, and (c) substandard grade, which pertains to accounts with history of at least three (3) payment defaults.

Accordingly, the Company has assessed the credit quality of the following financial assets as follows:

The table below summarizes the credit quality of the Group's financial assets based on its historical experience with the corresponding parties as at June 30, 2018 and December 31, 2017:

| | 2018 | | | |
|------------------------------|---------------------|---------------------|----------------------|-----------------------|
| | High Grade | Standard Grade | Past due or impaired | Total |
| Cash in banks | ₱301,990,620 | ₱ | ₱ | ₱301,990,620 |
| Trade and other receivables: | | | | |
| Trade | 413,201,083 | | 51,239,727 | 464,440,810 |
| Other | 184,128,181 | | 14,321,909 | 198,450,090 |
| Advances to related parties | | 510,155,924 | | 510,155,924 |
| Advances to stockholder | | 400,779,834 | | 400,779,834 |
| Refundable deposits | 31,071,235 | | | 31,071,235 |
| Total | ₱930,391,119 | ₱910,935,758 | ₱65,561,636 | ₱1,906,888,513 |

| | 2017 | | | |
|------------------------------|--------------------|-----------------------|----------------------|-----------------------|
| | High Grade | Standard Grade | Past due or impaired | Total |
| Cash with banks | ₱24,395,961 | ₱- | ₱- | ₱24,395,961 |
| Trade and other receivables: | | | | |
| Trade | 1,047,310 | 43,291,183 | 76,449,341 | 120,787,834 |
| Other | 34,809,284 | 12,602,092 | 53,139 | 47,464,515 |
| Advances to related parties | - | - | 45,233,380 | 45,233,380 |
| Advances to stockholder | - | 708,229,601 | - | 708,229,601 |
| Refundable deposits | - | 725,331,543 | - | 725,331,543 |
| Total | ₱60,252,555 | ₱1,489,454,419 | ₱121,735,860 | ₱1,671,442,834 |

- Cash with banks are classified as high grade since these are deposited and invested with banks with good credit training and can be withdrawn anytime.
- High grade receivables pertain to receivables from third party buyers of real estate of the Group and program partners who consistently pay before the maturity date. Standard grade receivables are receivables that are collected on their due dates even without an effort from the Group to follow them up. Both high grade and standard grade receivables currently have no history of default.
- Advances to related parties are assessed as standard grade since the Group practices offsetting of receivables and payables.
- Refundable security deposits were assessed as standard grade as these are refunded upon termination or fulfillment of agreement.

c. Impairment assessment

The Group recognizes impairment losses based on the results of the specific/individual and collective assessment of its credit exposures. Impairment has taken place when there is a presence of known difficulties in the servicing of cash flows by counterparties, infringement of the original terms of the contract has happened, or when there is inability to pay principal or interest overdue, if any, beyond a certain threshold. These and other factors constitute observable events and/or data that meet the definition of an objective evidence of impairment.

The two methodologies applied by the Group in assessing and measuring impairment include: (1) specific/individual assessment; and (2) collective assessment.

Under specific/individual assessment, the Group assesses each individual significant credit exposure for any objective evidence of impairment, and where such evidence exists, accordingly calculates the required impairment. Among the items and factors considered by the Group when assessing and measuring specific impairment allowances are: (a) the timing of the expected cash flows; (b) the projected receipts or expected cash flows; (c) the going concern of the counterparty's business; (d) the ability of the counterparty to repay its obligations during financial crises; (e) the availability of other sources of financial support; and, (f) the existing realizable value of collateral, if any. The impairment allowances, if any, are evaluated as the need arises, in view of favorable or unfavorable developments.

With regard to the collective assessment of impairment, allowances are assessed collectively for losses on receivables that are not individually significant and for individually significant receivables when there is no apparent or objective evidence of individual impairment. A particular portfolio is reviewed on a periodic basis, in order to determine its corresponding appropriate allowances. The collective assessment evaluates and estimates the impairment of the portfolio in its entirety even though there is no objective evidence of impairment on an individual assessment. Impairment losses are estimated by taking into consideration the following deterministic information: (a) historical losses/write offs; (b) losses which are likely to occur but has not yet occurred; and, (c) the expected receipts and recoveries once impaired.

Market Risk

Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in foreign currency exchanges rates and interest rates.

Foreign currency risk

Foreign currency risk is the risk to earnings or capital arising from changes in foreign exchange rates. The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial statements and cash flows.

The Group has transactional currency exposures. Such exposure generally arises from cash in banks, accounts receivable, accounts payable and loans payable in United States Dollar (US\$) and Hong Kong Dollar (HK\$). The Group did not seek to hedge the exposure on the change in foreign exchange rates between the US\$, HK\$ and the Philippine peso. The Group does not generally believe that active currency hedging would provide long-term benefits to stockholders.

The Group's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines. The Group believes that its profile of foreign currency exposure on its assets and liabilities is within conservative limits for an institution engaged in the type of business in which the Group is involved.

| 2018 | | | | | | |
|------------------------------|----------------------|--------------------|----------------------|---------------------|------------------------|-----------------------|
| | HKD | Peso Equivalent | RMB | Peso Equivalent | US\$ | Peso Equivalent |
| Financial assets: | | | | | | |
| Cash with banks | HK\$1,497,682 | P10,214,190 | RMB10,226,050 | P82,616,255 | US\$45,253 | P2,417,706 |
| Trade and other receivables | 2,533,209 | 17,276,486 | 45,370,518 | 366,548,418 | 1,450,202 | 77,617,708 |
| | 4,030,891 | 27,490,676 | 55,596,568 | 449,164,673 | 1,495,455 | 80,035,414 |
| Loans and borrowings: | | | | | | |
| Trade and other payables | 466,754 | 3,183,265 | 16,925,781 | 51,978,142 | 29,497 | 1,470,949 |
| Loans payable | | | 15,000,000 | 121,185,000 | 3,030,814 | 162,215,244 |
| Lease liability | | | | | 511,000 | 27,349,742 |
| | 466,754 | 3,183,265 | 31,925,781 | 173,163,142 | 3,571,311 | 191,035,935 |
| Net financial assets | HK\$3,564,137 | P24,307,411 | RMB23,670,787 | P276,001,531 | (US\$2,075,856) | (P111,000,521) |
| 2017 | | | | | | |
| | HKD | Peso Equivalent | RMB | Peso Equivalent | US\$ | Peso Equivalent |
| Financial assets: | | | | | | |
| Cash with banks | HK\$642,756 | P4,106,053 | RMB25,768,359 | P192,213,921 | US\$15,211 | P759,395 |
| Trade and other receivables | 3,003,888 | 18,422,414 | 52,486,123 | 391,509,738 | 1,554,246 | 76,654,360 |
| | 3,646,644 | 22,528,467 | 78,254,482 | 583,723,659 | 1,569,457 | 77,413,755 |
| Loans and borrowings: | | | | | | |
| Trade and other payables | 265,480 | 1,695,939 | 16,900,659 | 126,067,084 | 72,513 | 3,620,044 |
| Loans payable | | | 40,000,000 | 305,652,000 | 4,023,500 | 200,842,746 |
| Lease liability | | | | | 681,000 | 33,997,563 |
| | 265,480 | 1,695,939 | 56,900,659 | 431,719,084 | 4,777,013 | 238,460,353 |
| Net financial assets | HK\$3,381,164 | P20,832,528 | RMB21,353,823 | P152,004,575 | (US\$3,207,556) | (P161,046,598) |

The equivalent exchange rates of one foreign currency in Philippine peso as at June 30, 2018 and December 31, 2017 are as follows:

| | 2018 | 2017 |
|-----|---------------|-------------|
| HKD | 6.820 | 6.39 |
| USD | 53.522 | 49.92 |
| RMB | 8.079 | 7.46 |

Interest Rate Risk

The Group is exposed to interest rate fluctuations on their cash in banks, loans and lease payable. Other financial assets and liabilities which principally arise in the ordinary course of its operations are generally short-term and noninterest-bearing.

Historically, the rate fluctuations relative to its cash in banks are minimal.

The trade receivables and payables are managed within the parameters approved by management. Any changes in the interest rate have been subjected to thorough review and approval of the management.

Capital Management

The primary objective of the Group's capital management is to ensure that the Group has sufficient funds in order to support their business, pay existing obligations and maximize shareholder value. The Group considers advances from related parties as capital.

The Group's policy is to maintain sufficient capital to cover working capital requirements. The Group obtains advances from related parties to cover inadequacy in working capital.

As at June 30, 2018 and December 31, 2017, the Group considers the following accounts as capital:

| | 2018 | 2017 |
|-------------------------------|-----------------------|-----------------------|
| Capital stock | ₱768,274,086 | ₱668,003,586 |
| Additional paid-in capital | 3,516,841,760 | 2,504,341,712 |
| Advances from related parties | 41,262,189 | 66,561,222 |
| Loans payable | 973,125,649 | 1,228,930,962 |
| Total capital | ₱5,229,503,684 | ₱4,467,837,482 |

The Group has no externally imposed capital requirement. No changes were made in the objectives, policies or processes during the years ended June 30, 2018 and December 31, 2017.

26. Fair Value Measurement

Set out below is a comparison by category of carrying values and estimated fair values of Group's financial instruments as at June 30, 2018 and December 31, 2017:

| | | 2018 | | |
|--------------------------------------|------|----------------|----------------|---|
| | Note | Carrying value | Fair value | Significant Observable Inputs (Level 2) |
| <i>Financial assets</i> | | | | |
| Cash | 6 | ₱303,637,698 | ₱303,637,698 | ₱303,637,698 |
| Trade and other receivables - net | 7 | 662,890,900 | 662,890,900 | 662,890,900 |
| Advances to related parties | 18 | 510,155,924 | 510,155,924 | 510,155,924 |
| Advances to stockholder | 18 | 400,779,834 | 400,779,834 | 400,779,834 |
| Refundable deposits | 13 | 31,071,235 | 31,071,235 | 31,071,235 |
| | | ₱1,908,535,591 | ₱1,908,535,591 | ₱1,908,535,591 |
| | | | | |
| | | 2018 | | |
| | Note | Carrying value | Fair value | Significant Observable Inputs (Level 2) |
| <i>Other financial liabilities</i> | | | | |
| Trade payables | 14 | ₱386,381,148 | ₱386,381,148 | ₱386,381,148 |
| Accrued expenses | 14 | 7,893,629 | 7,893,629 | 7,893,629 |
| Advances from related parties | 18 | 41,262,189 | 41,262,189 | 41,262,189 |
| Loans payable | 15 | 973,125,649 | 973,125,649 | 973,125,649 |
| Accrued interest | 14 | 667,165 | 667,165 | 667,165 |
| Lease liability | 27 | 41,608,884 | 41,608,884 | 41,608,884 |
| | | ₱1,450,938,664 | ₱1,450,938,664 | ₱1,450,938,664 |

| 2017 | | | | |
|--------------------------------------|------|-----------------------|-----------------------|---|
| | Note | Carrying value | Fair value | Significant Observable Inputs (Level 2) |
| <i>Financial assets</i> | | | | |
| Cash | 6 | ₱211,811,366 | ₱211,811,366 | ₱211,811,366 |
| Trade and other receivables - net | 7 | 682,766,747 | 682,766,747 | 682,766,747 |
| Advances to related parties | 18 | 462,265,980 | 462,265,980 | 462,265,980 |
| Advances to stockholder | 18 | 422,226,236 | 422,226,236 | 422,226,236 |
| Refundable deposits | 13 | 6,731,000 | 6,731,000 | 6,731,000 |
| | | ₱1,785,801,329 | ₱1,785,801,329 | ₱1,785,801,329 |

| 2017 | | | | |
|------------------------------------|------|-----------------------|-----------------------|---|
| | Note | Carrying value | Fair value | Significant Observable Inputs (Level 2) |
| <i>Other financial liabilities</i> | | | | |
| Trade payables | 14 | ₱623,272,377 | ₱623,272,377 | ₱623,272,377 |
| Accrued expenses | 14 | 8,962,489 | 8,962,489 | 8,962,489 |
| Advances from related parties | 18 | 66,561,222 | 66,561,222 | 66,561,222 |
| Loans payable | 15 | 1,288,930,962 | 1,288,930,962 | 1,288,930,962 |
| Accrued interest | 14 | 667,165 | 667,165 | 667,165 |
| Lease liability | 27 | 50,748,241 | 50,748,241 | 50,748,241 |
| | | ₱2,039,142,456 | ₱2,039,142,456 | ₱2,039,142,456 |

Methods and Assumptions Used to Estimate Fair Value

The carrying values of cash, trade and other receivables, due from related parties and a stockholder, trade and other payables, due to related parties and short-term loans and borrowings approximate their fair values due to the short-term nature of the transactions.

The management assessed that the following financial instruments approximate their carrying amounts based on the methods and assumptions used to estimate the fair values:

Cash, trade and other receivables, advances to/from related parties and trade and other payables

The carrying amounts of cash, trade and other receivables, advances to/from related parties and trade and other payables approximate their fair values due to the short-term nature of these financial instruments.

Loans and borrowings

The carrying value of loans and borrowings approximate their fair values as their interest rates are based on market rates for debt with the same maturity profiles at the end of the reporting period.

Lease payable

The fair values of lease payable are based on the present value of future cash flows discounted using the current rates available for debt with the same maturity profile as at the end of the reporting period.

27. Lease Agreements

Operating Lease Commitments

The Group leases the office spaces and store branches under lease agreements covering one year, renewable every end of the lease term. Renewals are subject to the mutual consent of the lessor and lessee. The Group agreed to pay monthly fixed payment additional payment for utilities and intercommunication service. As at June 30, 2018 and December 31, 2017, there are 36 store outlets, respectively, being held under operating lease agreements.

Finance Lease Commitments

Vehicles

In 2012, the Group has entered into ten (10) finance lease agreements for the acquisition of various vehicles for logistics and administrative purposes. The agreement bears an interest ranging from 4% to 7% for a lease term ranging from four (4) to six (6) years. In 2016, two (2) finance lease agreements were renegotiated by the Group. The renegotiation includes revised monthly payments and extension of the term up to 2019. In addition, the restructured leases bear interest ranging from 8% to 11%.

Machineries

In 2012, the Group has entered in a finance lease agreement with Tetra Pak Philippines, Inc. for the acquisition of machinery for the coconut water. The machineries were acquired and will be paid on a quarterly basis for a period of eighty four (84) months with interest rate of 3.5%. The Group initially recognized this finance lease at its transaction price and subsequently carried at amortized costs less payment.

The components of the lease obligations as at June 30, 2018 and December 31, 2017 are as follows:

| | 2018 | 2017 |
|--|--------------------|-------------|
| Gross finance lease obligation | | |
| Less than one year | ₱15,188,538 | ₱28,590,247 |
| Between one and five years | 27,603,553 | 53,087,610 |
| | 42,792,091 | 81,677,857 |
| Less interest | 1,183,207 | 3,591,809 |
| Present value of future minimum lease payments | 41,608,884 | 78,086,048 |
| Less current portion | 14,259,142 | 28,148,063 |
| | ₱27,349,742 | ₱49,937,985 |

Rice mill and various milling equipment

In April 2013, the Group entered to a lease agreement covering a rice mill and various agricultural equipment with a monthly rate of ₱514,361 for the use in operations. The lease will be for forty eight (48) months from the date of acceptance unless sooner terminated by the contracting parties. In 2016, an agreement was entered by the Group to renegotiate the terms of the outstanding obligation. The renegotiation called for an interest rate of 10% per annum with revised monthly payments to be settled for (36) months. In addition, the agreement includes extension of the term up to 2019. Gain recognized on the amounted to ₱3.0 million.

28. Noncontrolling Interests

Noncontrolling interests represents the equity in subsidiaries not attributable directly or indirectly to the Parent Company. The details of the account are as follows:

| 2018 | | | | |
|-------------|---------------------------------|--------------------|----------------------------|---------------------------|
| | Balance at beginning of year | Net income (loss) | Effect of consolidation | Balance at end of year |
| FI | (₱2,944,544) | ₱- | ₱- | (₱2,944,544) |
| FFCI | (18,787,059) | (569,285) | - | (19,356,344) |
| TBC | (44,171,873) | 2,224,138 | - | (41,947,735) |
| Fucang | 401,358,290 | 38,219,139 | - | 439,577,429 |
| ANI HK | 119,997,251 | 45,249 | - | 120,042,500 |
| FGP | 1,960,866 | - | - | 1,960,866 |
| Heppy | (793,982) | (12,190) | - | (806,172) |
| | ₱456,618,949 | ₱39,907,051 | ₱- | ₱496,526,000 |

| 2017 | | | | |
|-------------|---------------------------------|--------------------|----------------------------|---------------------------|
| | Balance at beginning of year | Net income (loss) | Effect of consolidation | Balance at end of year |
| FI | (₱2,944,544) | ₱- | ₱- | (₱2,944,544) |
| FFCI | (19,905,179) | 1,118,119 | - | (18,787,059) |
| TBC | (41,075,238) | (3,096,635) | - | (44,171,873) |
| Fucang | - | 80,153,485 | 321,204,805 | 401,358,290 |
| ANI HK | 106,845,912 | 13,151,339 | - | 119,997,251 |
| FGP | 1,985,366 | (24,500) | - | 1,960,866 |
| Heppy | (546,749) | (247,233) | - | (793,982) |
| | ₱44,359,569 | ₱91,054,575 | ₱321,204,805 | ₱456,618,949 |

29. Discontinued Operations

The Group has entered into several divestment transaction of its investment in subsidiaries account as follows:

a. JF HK

In 2016, the Parent Company through ANI IL have entered in an agreement to sell its 51% ownership interest in JF HK for a total consideration of HKD75,000 or ₱478,511.

The results of the operations of the discontinued operations of JF HK, with comparative amounts 2017, 2016 and 2015 are as follows:

| | 2017 | 2016 |
|----------|-------------|-------------|
| Revenue | ₱- | ₱- |
| Expenses | - | - |
| Net loss | ₱- | ₱- |

b. Hansung Agro Products Corporation (HAPC)

In June 2015, Parent Company entered into a Memorandum of Agreement (MOA) to sell its 2,000,000 common shares with par value of ₱100 in HAPC. The closing date for the acquisition was on May 28, 2015. The HAPC accounts were deconsolidated from the Group, as a result of the divestment.

The results of the operations of the discontinued operations of HAPC, with comparative amounts in 2017, 2016, and 2015.

| | 2017 | 2016 |
|----------|------|------|
| Revenue | P- | P- |
| Expenses | - | - |
| Net loss | P- | P- |

c. **Qualis Logistics and Transportation Services, Inc. (QLTS)**

In December 2015, the Group entered into a MOA to sell all of its 51% ownership over QLTS. Under the MOA, the buyer, who also owned the 49% interest on the subsidiary, purchases the 51% ownership owned by the Group for a total consideration of ₱10,022,172. The loss on disposal amounted to ₱691,647. The results of the operations of the discontinued operations of HAPC, with comparative amounts 2016 and 2015 are as follows:

| | 2017 | 2016 |
|--------------------|------|------|
| Revenue | P- | P- |
| Expenses | - | - |
| Income tax | - | - |
| Net loss after tax | P- | P- |

d. **Freshness First Pty. Ltd. (FFPL), BSK Pty. Ltd. (BSK) and Mischul Pty. Ltd. (MPL)**

On December 11, 2015, the Group entered into an agreement for the sales of the entire interest of ANI through its wholly owned subsidiaries, FFPL, BSK and MPL in favor of Organic Pathe Limited. The subsidiaries are part of the Australian operations and are primarily engaged in the business processing of fruits and vegetables. The total consideration of the sale amounted to USD2.5 million. The gain on disposal amounted to about ₱17.9 million.

The results of the operations of FFPL, BSK and MPL follow:

| | 2017 | 2016 | 2015 |
|--------------------|------|------|---------------|
| Revenue | P- | P- | ₱466,656,004 |
| Expenses | - | - | (461,459,402) |
| Income tax | - | - | (321,913) |
| Net loss after tax | P- | P- | ₱4,874,689 |

e. **Sunshine Supplies International Co., Ltd. (SSIC)**

On June 15, 2015, the Group has entered into a MOA for the sale of its entire interest in SSIC for a total consideration of HKD10,000 free from all liens and encumbrances. Accordingly, the accounts were deconsolidated from the Group, as a result of the divestment. The loss on disposal amounted to about ₱17.6 million. The results of SSIC for the period ended May 28, 2015 follow:

| | 2017 | 2016 | 2015 |
|----------------------|------|------|--------------|
| Revenue | P- | P- | ₱61,358,301 |
| Expenses | - | - | (59,693,239) |
| Net income after tax | P- | P- | ₱1,665,062 |

Results of Discontinued Operations

Results of Discontinued Operations together with their comparative figures for 2017, 2016 and 2015 as follows:

| | 2016 | 2015 |
|---|--------------------|----------------------|
| REVENUES | | |
| Sales | ₱- | ₱1,654,254,988 |
| Direct cost and expenses | - | (1,309,999,556) |
| Gross profit | - | 344,255,432 |
| General and administrative expenses | - | (423,233,318) |
| Interest expense | - | (449,858) |
| Interest income | - | 18,660,776 |
| Other income | - | 12,348,972 |
| Loss before income tax from discontinued operations | - | (48,417,996) |
| Provision from income tax | - | 1,389,647 |
| Net income (loss) | - | (47,028,349) |
| Net gain (loss) from loss of control | 80,276,732 | (7,099,657) |
| Total net income (loss) | ₱80,276,732 | (₱54,128,006) |
| Net income (loss) attributable to: | | |
| Equity holders of the Parent Company | ₱80,276,732 | (₱38,132,967) |
| Noncontrolling interest | - | (15,995,039) |
| | ₱80,276,732 | (₱54,128,006) |

Basic/diluted earnings per share attributable to equity holders of the Parent Company from discontinued operations follow:

| | 2016 | 2015 |
|---|--------------|----------------|
| Net income (loss) from discontinued operations attributable to equity holders of the Parent Company | ₱80,276,732 | (₱38,132,967) |
| Weighted average number of outstanding common shares | 621,683,570 | 621,683,570 |
| Basic earnings (loss) per share | ₱0.13 | (₱0.06) |

Cash Flows of Discontinued Operations

The cash flows generated from (used in) discontinued operations for the years ended December 31, 2017, 2016 and 2015 are as follows:

| | 2017 | 2016 | 2015 |
|--------------------------------|-----------------|--------------------|------|
| Net cash flows from (used in): | | | |
| Operating activities | ₱478,511 | (₱337,752,620) | |
| Investing activities | - | 23,795,532 | |
| Financing | - | 401,963,885 | |
| Net cash inflow | ₱478,511 | ₱88,006,797 | |

Effect of Disposals on the Group's Statement of Financial Position

The impact of the disposals of the subsidiaries on the consolidated statements of financial position of the Group as at December 31, 2016 follows:

| | 2016 | 2015 |
|--|---------------|--------------|
| Current Assets | | |
| Cash | ₱19,346,682 | ₱13,647,146 |
| Trade and other receivables | 1,133,744 | 100,659,308 |
| Inventories | - | 4,510,361 |
| Other current assets | 12,676,945 | 24,156,438 |
| Noncurrent Assets | | |
| Property and equipment | 270,132 | 66,786,370 |
| Other noncurrent assets | - | 84,308,696 |
| Current Liabilities | | |
| Accounts and other payables | (210,159,564) | (48,575,845) |
| Loans and borrowings | (45,229,780) | (55,824,323) |
| Advances from related parties | (1,380,541) | (77,245,566) |
| Other current liability | - | (20,038,486) |
| Noncurrent Liability | | |
| Lease payable | - | (730,284) |
| Net Assets (Liabilities) | (223,342,382) | 91,653,815 |
| Noncontrolling Interest | 109,437,767 | (13,909,446) |
| Goodwill and Cumulative Translation Adjustment | 33,149,372 | 76,751,554 |
| Net Assets (Liabilities) disposed of | (80,755,243) | 154,495,923 |
| Consideration | 478,511 | 147,395,266 |
| Loss (Gain) from divestment | (₱80,276,732) | ₱7,100,657 |
| Net cash outflow from disposal | | |
| Cash consideration already received | ₱478,511 | ₱117,315,000 |
| Cash disposed of | (19,346,682) | (13,647,146) |
| | (₱18,868,171) | ₱103,667,854 |

The consideration includes cash received of ₱0.48 million, ₱0.48 million and ₱117.3 million in 2017, 2016 and 2015 respectively.

30. Restatements

Due to renegotiation it initiated for its loans payable with Bank 4, the Group did not recognize the corresponding finance cost amounting to ₱5,529,148 in 2016 and ₱9,043,025 in 2015. On a Notice of Approval from Bank 4 dated March 21, 2018, the Bank approved the renegotiation of the Group and one of its subsidiary's loans payable as of December 29, 2017. Accordingly, the Group derecognized the original liability, recognized the loans payable under the new agreement and recognized a gain on renegotiation amounting to ₱8.8 million. The Group also made adjustments to restate the opening balances of retained earnings and accrued interest (under Trade and other payables account) to recognize the finance cost incurred in 2016 and 2015.

The effects of adjustments on the opening balances of statements of financial follow:

| | Note | January 1, 2016 | | |
|--|------|------------------------|-------------|-----------------|
| | | As Previously Reported | Adjustments | As Restated |
| Statements of changes in financial position: | | | | |
| Trade and other payables | 14 | ₱624,212,969 | ₱9,043,025 | ₱633,255,994 |
| Statements of changes in equity: | | | | |
| Accumulated losses | | (2,118,062,176) | (9,043,025) | (2,127,105,201) |

| | | December 31, 2016 | | |
|--|----|---------------------------|---------------|------------------|
| | | As Previously Reported | Adjustments | As Restated |
| <hr/> | | | | |
| Statements of comprehensive income | | | | |
| Net loss | | (₱149,619,066) | (₱5,529,148) | (₱155,148,214) |
| <hr/> | | | | |
| | | January 1, 2017 | | |
| | | As Previously Reported | Adjustments | As Restated |
| <hr/> | | | | |
| Statements of changes in financial position: | | | | |
| Trade and other payables | 14 | ₱461,580,537 | ₱14,572,173 | ₱476,152,710 |
| Statements of changes in equity: | | | | |
| Accumulated losses | | (₱2,267,681,243) | (₱14,572,173) | (₱2,282,253,416) |

31. Segment Information

The Group has identified its operating segments based on internal reports that are reviewed and used by the Chief Executive Officer (the chief operating decision maker) in assessing performance and in determining the allocation of resources. The operating segments identified by the management are as follows:

Exports

The Export segment is in charge of looking for markets abroad as well as sourcing the best quality produce possible to satisfy its growing number of clients abroad. Its main export products are fresh banana, fresh mango, and coco-water.

Distribution

The Distribution segment is responsible for the local sales and distribution of various produce that the Group offers to a number of supermarkets around Luzon.

Retail

The Retail segment is responsible for the management and operation of the Group's retail businesses.

Foreign Trading

The Foreign Trading segment is charge of the international distribution operations of the Group in Hong Kong, China, and Australia.

Others

This segment is an aggregation of the other businesses of the Group that does not fit in the other segments above.

REVENUE

| (Philippine Pesos) | June 30, 2018 | June 30, 2018 |
|-------------------------------|--------------------|---------------|
| <hr/> | | |
| Philippine Operations | | |
| Export | 58,785,423 | 48,496,682 |
| Local Distribution and Others | 48,012,594 | 459,619,192 |
| Retail & Franchising | 50,758,329 | 49,116,106 |
| Sub-total | 157,556,346 | 557,231,980 |

Foreign Operations

| | | |
|-------------------|---------------------------|--------------------|
| Hong Kong / China | <u>688,756,566</u> | <u>39,519,023</u> |
| Total | <u>846,312,912</u> | <u>596,751,003</u> |

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. In addition, the Group's reportable segments also include geographical areas for local and foreign operations. Foreign operations are included under "Foreign Trading" and local operations are included under the remaining reported segment.

32 Notes to Consolidated Statements of Cash Flows

Below are the non-cash activities of the Group in 2017 and 2016.

| | <u>2017</u> | <u>2016</u> |
|---------------------------------|---------------------|-------------|
| Investing activities | | |
| Investment in subsidiary | ₱338,820,706 | ₱- |
| Deposit for future investment | - | 308,219,578 |
| Financing activities | | |
| Redeemable and convertible loan | - | 234,000,000 |