

COVER SHEET

for
QUARTERLY 17-Q

SEC Registration Number

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COMPANY NAME

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R	I	E	S																										

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

N	o	.		5	4		N	a	t	i	o	n	a	l		R	o	a	d	,		D	a	m	p	o	l		
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Form Type

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Department requiring the
report

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Secondary License Type, If
Applicable

N	/	A	
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COMPANY INFORMATION

Company's Email Address

www.ani.com.ph

Company's Telephone
Number

(02) 8997-5184

Mobile Number

N/A

No. of Stockholders

43

Annual Meeting (Month /
Day)

Third Monday of
May

Fiscal Year (Month / Day)

DECEMBER 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.co
m.ph

Telephone Number/s

(02) 8997-
5184

Mobile Number

N/A

CONTACT PERSON'S ADDRESS

No. 54 National Road, Dampol II-A, Pulilan, Bulacan

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 **March 31, 2020**
2. SEC Identification Number **A199701848**
3. BIR Tax Identification Code **200-302-092-000**
4. Name of Issuer as specified in its charter **AGRINURTURE, INC.**
5. **PHILIPPINES**
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,	1,018,274,088 shares /Php1,560,399,495 (Authorized 2,000,000,000 shares at P1.00 Par value)

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.

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 March 31, 2020 and with comparative figures as of March 31, 2019 and December 31, 2019 - 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 three months ended March 31, 2020.

Business Overview

Incorporated on 04 February 1997, Agrinurture, Inc. (the "Company" or "ANI") started its business operations in the same year as an importer, trader and fabricator of post-harvest agricultural machineries intended to improve the productivity as well as increase the income of Filipino farmers. Formerly known as Mabuhay 2000 Enterprises, Inc., ANI was the first to bring into the Philippine market the Mega-Sun brand of grain dryers and thereafter established itself as one of the more reliable local supplier and manufacturer of conveyor systems and other rice mill equipment.

ANI eventually diversified into other various agro-commercial businesses, specifically focusing on the export trading of fresh Philippine Carabao Mangoes as its main revenue stream. Since then, ANI has become one of the Philippines' top fresh mango exporters to the world market. At present, ANI also supplies other home-grown fruits such as banana and pineapple to customers in Hong Kong, Mainland China, the Middle East and to the different European regions.

The following are the recent developments regarding its continuous business expansion:

- Zongshan Fucang Trade Co. Ltd. (Fucang), a subsidiary, acquired 70% ownership of Guangzhou Lexian Fruit Industry Co., Ltd. (Lexian), a foreign entity incorporated in China engaged in wholesale trade.
- With the passage of the Rice Import Liberalization Law, which opened the country's doors to unimpeded importation of rice, the Group is expecting to earn as much as ₱6.0 billion annually after it secured an exclusive deal to import rice from Vietnam's largest grains exporter.

On September 17, 2018, the Group confirms that it has an agreement with Vietnam Southern Food Corporation – Joint Stock Company (VINAFOOD II), for the exclusive supply of two million metrics tons of long grain rice per year. The Group will renegotiate the terms and conditions of the Contract given the setback experienced during the period of execution and awaiting signal from the Philippine government to announce next step for the Original Proponent Status granted to the Group previously.

- On October 13, 2018, the Group entered into a joint venture agreement for a development of the property, located in Taytay Rizal, bisected by the Manggahan Floodway. The property covers 859 hectares more or less of which is covered by titles under different names, all of which are either directly or indirectly under the third-party individual. Each

square meter is valued at ₱1,500. The joint venture shall include but not limited to the formation of the following: Phase 1 – Transportation Hub, Phase 2 – Food Terminal and Phase 3 – Property Development Corporation. As at December 31, 2019, the Group has made deposits totaling ₱508.7 million for the acquisition to the 859 hectares, corresponding to portions thereof. As at reporting date, the third party is still completing the titling of the whole portion of the property until end of the third quarter to fully execute the joint venture agreement. Also, the parties are expected to start the execution of the projects by the last quarter of the year given that the condition brought about by the pandemic normalizes (see Note 15).

- On October 25, 2018 the Board of Directors of the Parent Company authorizes the expansion of business operations in Australia through acquisition of existing companies. Accordingly, on December 28, 2018 the Group made a deposit amounted to AU\$172,000 or ₱6.3 million to BSK PTY LTD (see Note 15). The main activity of the Australian operations is primarily processing of fruit and vegetables for distribution to food processors, schools, restaurants, mining sites and airlines. As at reporting date, it is already in the process of finalizing the acquisition agreement and it will be included as a subsidiary on the third quarter of the year. Further, the Group is in the process of finalizing a deal with Plentex Limited. Plentex Limited is an unlisted Australian public company which is developing what is planned to be a substantial scale agribusiness in Tacloban, Leyte.
- On November 8, 2018 the Group has signed a ₱1.9 billion deal with a Chinese Company for the purchase of various agriculture produce particularly tropical fruits. The contract was signed with SinoChem Group (SinoChem), a Beijing based conglomerate engaged in the production and trading of chemicals, fertilizers and other agricultural products. Under the agreement, SinoChem will buy tropical fruits from the Group's contract growers in the Philippines in the next three years. SinoChem will also provide support through the supply of affordable fertilizers. The deal aims to provide support to local farmers and boost country's market access to China. As at reporting date, the Group will start discussing the terms and conditions of the agreement when the current situation normalizes.
- On December 20, 2019, the Board of Directors of the Group approved joint venture or any similar engagement with Department of Justice through Bureau of Corrections for the development of at least 2,000 hectares of integrated Agri-Tourism corn plantation in Palawan. The Group will fund the development while the Bureau of Corrections will provide the land. As of reporting date, both parties are conducting their respective due diligence, after which a definitive agreement will be entered into to finalized the transactions. Conduct of due diligence was delayed due to the current pandemic and is intended to be completed by the third quarter of 2020. The proposed joint venture is intended to expand the Group's business through corn production and agri-tourism. Furthermore, the Board of Directors authorizes to negotiate the acquisition of majority interests in Nutraceutical Food Corporation (the "Nutraceutical") and to enter into definitive agreements relative thereto. The intended acquisition will help boost the Group's market for organic coconut products in China. As at reporting date, the Group will start discussing the terms and conditions of the agreement when the current situation, brought about by the pandemic, normalizes.

On December 29, 2018, the SEC approved the increase in authorized capital stock of the Group from one billion pesos (₱1,000,000,000) divided into one billion (1,000,000,000) common shares to two billion pesos (₱2,000,000,000) divided into two billion (2,000,000,000) common shares both with a par value of one (₱1) peso. Hence, this has given effect to the subscription of Earthright Holdings, Inc. to two hundred fifty million common shares (250,000,000), increasing the total subscribed shares from 668,003,686 in 2017 to 1,018,274,088 in 2018 and total subscribed and paid shares from 668,003,686 in 2017 to 830,774,088 in 2018. Subscriptions receivable at par value amounted to ₱187,500,000 as at December 31, 2019 and 2018.

On 24 February 2020, the Board has approved the decrease in the par value of the shares of the Group from one peso (₱1.00) to ten centavos (₱0.10). The Board has likewise approved the reclassification of forty million (40,000,000) unissued common shares with par value of

one peso (₱1.00) per share or an aggregate par value of forty million pesos (₱40,000,000.00) to 400,000,000 voting preferred shares with par value of ten centavos (₱0.10) per share or an aggregate par value of forty million pesos (₱40,000,000.00) subject to the approval of the SEC.

Upon approval of the SEC, the Group's authorized capital stock will increase to twenty billion (20,000,000,000) shares for a total par value of two million pesos (₱2,000,000,000) shall be divided into the following:

- a. Common shares, consisting of 19,600,000,000 shares with a par value of ten centavos (₱0.10) per share for a total par value of ₱1,960,000,000;
- b. Preferred shares, consisting of 400,000,000 shares with a par value of ten centavos (₱0.10) per share for a total par value of ₱40,000,000;

The preferred shares shall have the following rights, privileges, limitations and restrictions which shall also appear on the Certificates of the Preferred Shares of the Corporation:

- a. The right to vote and be voted for;
- b. The right to receive, out of unrestricted retained earnings of the Group, participating dividends at the rate as may be deemed proper by the BOD under the prevailing market conditions or such other relevant factors as the BOD may consider. Said dividend may be declared and payable at the discretion of the BOD after taking into account the Parent Company's earning, cash flows, financial conditions and other factors as the BOD may consider relevant;
- c. In the liquidation, dissolution and winding up the Group, whether voluntary or otherwise, the right to be paid in full or ratably, insofar as the assets of the Parent Company will permit, the par value or face value of each preferred share as the BOD may determine upon their issuance, plus unpaid and accrued dividends up to the current dividend period, before any assets of the Group shall be paid or distributed to the holders of the common shares;

The common shares shall possess all the rights, privileges and prerogatives provided by law, including the right to vote and be voted for; and

The stockholders of the Group shall have no pre-emptive right to subscribe to or purchase any or all issues or dispositions of shares of any class of the Group.

The change in par value is intended to increase the number of shares of the Parent Company that will give more trading opportunities to the shareholders and investors. The decrease in par value will make the shares more affordable to small investors, hence will be more marketable and liquid in the market.

The reclassification is intended for any future capital raising activities. The amount to be raised shall be used as additional working capital and funding for the Parent Company's expansion project particularly the creation of the Agricultural Ecosystem to benefit local farmers.

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)	March 31, 2020	March 31, 2019
Philippine Operations		
Export	398,944,217	406,118,860
Local Distribution and Others	34,226,916	32,450,670
Retail & Franchising	28,384,318	24,551,756
Sub-total	461,555,451	463,121,286
Foreign Operations		
Hong Kong / China	366,183,980	736,129,705
Total	827,739,431	1,199,250,991

Results of Operations

Three Months ended March 31, 2020 versus March 31, 2019

Net Sales

The ANI Group generated a consolidated sale of goods and services of Php827.74 million for the three months ended March 31, 2020, 30% decrease over the same period last year. For the first three months of 2020, Philippine operations contributed 56% while sales from Foreign operations accounted for 44% 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 international market, constant supply of raw materials and increase in demand of customers especially in the Chinese market, the Group's export sales resulted to Php398.94 million, slightly 2% lower compared to the same period in 2019. The slight decrease is brought about by the challenge in the logistics in China brought about by the pandemic but sales increased significantly (both volumes and sales price) after the Chinese government lifted the lockdown. Also, sales for coco juice went up due to increase in demand in the United States of America during the period.
- Local distribution sales posted an increase of 5% to Php 34.23 million for the three months ended March 31, 2020 from Php 32.45 million for the same period in 2019. Sales increase significantly especially during the start of the Enhanced Community Quarantine. Further, the Group launched its own e-commerce platform through its ANI Express website (<https://aniexpress.1ani.com.ph/>) and mobile application (<https://play.google.com/store/apps/details?id=com.ani.riceapp>) where customers can order fresh produce, canned beverages, rice and other essential goods for delivery to customers. The Group is also launching new products such as Plant Based Meat, Non Dairy Ice Cream, Big Chill Healthy Drinks in cans for local and export distribution which is expected to start to record double digit growth for the rest of the coming quarters.
- Retail and franchising sales registered an increase of 15.6% amounting to Php28.38 million for the first quarter of 2020 from Php24.55 million for same period in 2019 despite closing of some sub performing outlets in the third and last quarter of 2018. The management is continuously improving the quality of products sold to different outlets, thus the increase in number of customers and franchisees during the period. Also, in October 2019, the Company started opening 4 new Superfresh stores, a mass market brand under Big Chill's umbrella to capture a new set of customers. The Company will open more stores in the next coming months of 2020 despite the current pandemic situation which will increase retail sales for next coming period.

- Combined Foreign trading operations posted an almost 50% decline in sales in the first quarter of 2020 from Php736.13 million in 2019 to Php366.18 million in 2020 due to decrease in sales of residential and commercial units since the lockdown in China started brought about by the COVID-19 but sales started to grow for both merchandising and real estate businesses especially when the lockdown was lifted by the Chinese government.

Cost of Sales

Cost of sales consists of:

- Cost of purchasing fruits and vegetables and raw materials from growers and other traders and suppliers including freight in charges;
- Cost of real estate includes development cost for all properties to be sold, including shops, office buildings and hotels located in China
- Personnel expenses, which include salary and wages, employee benefits and retirement costs for employees involved in the production process;
- Repairs/maintenance costs, depreciation costs relating to production equipment, vehicles, facilities and buildings;
- Fuel and oil costs relating to the production and distribution process

For the three months ended March 31, 2020, ANI Group's cost of sales amounted to Php669.17 million down by 32% from Php985.68 million for the same period in 2019, relative to the decrease in sales during the quarter.

Gross Profit

Consolidated gross profit down by Php54.99 million or 26% from Php213.57 million to Php158.57 million for the three months ended March 31, 2020 for same period last year. The decrease was due to the major decrease from sales of residential and commercial units since the lockdown in China started brought about by the COVID-19

Operating Expenses

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

- Taxes and licenses
- Salaries, wages and other employee benefits
- Advertising
- Rental
- Depreciation and amortization
- Freight out and handling cost

Consolidated operating expenses for the first quarter of 2020 amounted to Php108.62 million down from Php141.55 million for the same period last year, due to the pandemic issue where the real estate Company's operations was shut down since the start of implementation for a total lockdown in China.

Finance Costs

Finance Costs for the first quarter of 2020 amounted to Php 5.39 million in 2020 compared to Php 13.84 million for the previous year.

Financial Condition

Assets

ANI Group's consolidated total assets as of March 31, 2020 amounted to ₱4.35 billion a slight decrease of 0.8% from ₱4.39 billion at December 31, 2019. The following explain the movements in the asset accounts:

- The Group's cash balance increased by ₱7.1 million from ₱73.72 million in 2019 to ₱80.82 million in 2020 primarily due to increase in collections despite payment of payables and loans during the period.

- Receivables increased by ₱71.60 million during the quarter from ₱622.86 million in 2019 to ₱694.47 million in 2020 mainly due to increase in sales.
- Advances to related parties decreased by ₱23.61 million due to collection of advances made from various subsidiaries during the quarter while advances to stockholder decreased by ₱3.08 million from ₱149.85 million in 2019 to ₱146.76 million in 2020 due to liquidation and collections during the quarter.
- Inventory balance decreased from a year end 2019 balance of ₱1.18 billion to ₱1.10 billion in 2020 due to increase in demand for fresh produce during the quarter.
- Deposits for future investments include deposits made by Fucang to acquire 60% ownership of the subscriptions to Guangzhou Tianchen Real Estate Development Co., Ltd and 30% of Lushan Supply Chain Management (Shanghai) Co., Ltd., a company engaged in banana trading in China.
- Property, plant and equipment including intangibles, investment property and right-of-use assets decreased from ₱1.13 billion in December 31, 2019 to ₱1.11 billion in March 31, 2020 due to amortization during the period.

Liabilities

Consolidated liabilities amounted to ₱1.56 billion as of March 31, 2020.

Total current liabilities amounted to ₱1.39 billion and ₱ 1.44 billion as of March 31, 2020 and December 31, 2019, respectively. The decrease is mainly due to payments of loans and borrowings and trade payables.

Equity

Consolidated stockholders' equity amounted to ₱2.79 billion as of March 31, 2020. The increase is due to the improvements of results of operations during the period at the same time the consolidation of one subsidiary since the last quarter of 2018.

Liquidity and Capital Resources

Net cash provided by operating activities for the first three (3) months of 2020 was ₱57.02 million due to increase in sales.

Net cash flow provided by investing activities is ₱10.83 million due to collections and liquidation of advances during the period.

Net cash used in financing activities is ₱52.58 million, which is due to payments of loans, leases and advances from related parties during the period.

Discussion and Analysis of Material Events and Uncertainties

The company has no knowledge and not aware of any material event/s and uncertainties known to the management that would address the past and would have an impact on the future operations of the following:

- a) Any known trends, demands, commitments, events or uncertainties that will have a material impact on our liquidity
- b) Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of obligation.
- c) All material off-balance sheet transactions, arrangements, obligations and other relationships of the company with unconsolidated entities or other persons created during the period.
- d) Any material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures.
- e) Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.
- f) Any significant elements of income/loss did not arise from our continuing operation.
- g) Any seasonal aspects that had a material effect on financial condition or results of operation.

AGRI-NURTURE INC AND ITS SUBSIDIARIES					
SCHEDULE OF FINANCIAL INDICATORS					
FINANCIAL KEY PERFORMANCE INDICATOR	DEFINITION		FOR THE PERIOD ENDED MARCH 31		
Current/Liquidity:			2020		2019
Current ratio	Current Assets		1.67		1.57
	Current Liabilities				
Quick ratio	Current Assets-Inventory-Prepayments		0.75		0.90
	Current Liabilities				
Solvency ratio/Debt-to-equity ratio	Total Liabilities		0.56		0.79
	Stockholders Equity				
Asset to equity ratio	Total Assets		1.56		1.79
	Total Equity				
Interest rate coverage ratio	Income Before Tax		7.48		3.25
	Finance Cost				
Profitability Ratio:					
Return on assets	Net Income		0.01		0.01
	Average Total Asset				
Return on equity	Net Income		0.01		0.01
	Average Total Equity				

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: 30 June 2020



Signature and Title: **KENNETH S. TAN**

Chief Financial Officer

Date: 30 June 2020

AGRINURTURE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2020 AND DECEMBER 31, 2019
(Amounts in Philippine Pesos)

	Note	2020	2019
ASSETS			
Current Assets			
Cash	6	₱ 80,818,768	₱ 73,717,839
Trade and other receivables – net	7	694,466,402	622,863,604
Due from related parties	21	117,649,875	141,261,399
Due from a stockholder	21	146,761,650	149,846,368
Inventories	8	1,112,862,404	1,182,089,538
Prepayments and other current assets	9	164,373,122	165,314,301
Total Current Assets		2,316,932,221	2,335,093,049
Noncurrent Assets			
Deposit for future investments	11	194,314,453	195,015,332
Investments in shares of stock	10	43,149,610	43,507,200
Property and equipment – net	12	501,051,722	513,788,476
Investment property	13	300,871,575	301,859,118
Intangible assets – net	14	182,326,632	185,087,289
Right-of-use assets	27	120,858,235	126,170,605
Deferred tax asset	26	102,449	102,449
Other noncurrent assets	15	691,280,326	685,424,882
Total Noncurrent Assets		2,033,955,002	2,050,955,351
		₱ 4,350,887,223	₱ 4,386,048,400
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	16	₱ 847,263,900	₱ 865,310,842
Short-term loans	17	373,803,650	378,024,984
Current portion of:			
Loans payable	17	80,010,468	122,144,865
Lease payable	27	8,522,008	8,496,208
Due to related parties	21	42,986,430	43,821,643
Income tax payable	26	34,255,001	25,676,815
Total Current Liabilities		1,386,841,457	1,443,475,357

(Forward)

(Carryforward)

	Note	2020	2019
Noncurrent Liabilities			
Noncurrent portion of:			
Loans payable	17	P 159,653,804	P 159,653,804
Lease payable	27	3,369,580	3,369,580
Retirement liability	25	10,534,654	10,534,654
Total Noncurrent Liabilities		173,558,038	173,558,038
Total Liabilities		1,560,399,495	1,617,033,395
Equity			
Capital stock – P1 par value	19	830,774,088	830,774,088
Authorized – 2,000,000,000 shares			
Subscribed – 1,018,274,088 shares			
(net of subscriptions receivable of P187,500,000)			
Additional paid-in capital		3,567,071,760	3,567,071,760
Accumulated losses		(2,339,272,826)	(2,350,158,483)
Foreign currency translation reserve		(16,173,280)	(10,952,274)
Net cumulative remeasurement gain on retirement benefits	25	3,974,345	3,974,345
Noncontrolling interest	30	744,113,641	728,305,569
Total Equity		2,790,487,728	2,769,015,005
		P 4,350,887,223	P 4,386,048,400

See accompanying Consolidated Notes to Financial Statements.

AGRINURTURE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019
(Amounts in Philippine Pesos)

	Notes	2020	2019
NET REVENUE	18	₱ 827,739,431	₱ 1,199,250,991
COST OF SALES	22	669,168,937	985,684,849
GROSS PROFIT		158,570,494	213,566,142
GENERAL AND ADMINISTRATIVE EXPENSES	23	108,616,507	141,553,088
OPERATING PROFIT		49,953,987	72,013,054
OTHER INCOME (CHARGES)			
Finance costs	17, 27	(5,385,391)	(13,836,591)
Interest income	6	6,542	10,110
Other income - net	24	(4,286,963)	(4,679)
		(9,665,812)	(13,831,160)
PROFIT BEFORE INCOME TAX		40,288,175	58,181,894
INCOME TAX EXPENSE (BENEFIT)	26		
Current		8,578,186	13,209,457
Deferred		-	-
		8,578,186	13,209,457
NET PROFIT		₱ 31,709,989	₱ 44,972,437

AGRINURTURE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019
(Amounts in Philippine Pesos)

	Note	2020	2019
Net profit attributable to:			
Equity holders of the Parent Company		P 10,885,657	P 23,981,068
Noncontrolling interest		20,824,332	20,991,369
		P 31,709,989	P 44,972,437
Basic and diluted earnings per share attributable to equity holders of the Parent Company			
	20	P 0.01	P 0.03

See accompanying Notes to Consolidated Financial Statements.

AGRINURTURE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019
(Amounts in Philippine Pesos)

	Note	2020	2019
CAPITAL STOCK – P1 par value			
Balance at beginning of year		₱ 830,774,088	₱ 830,774,088
Paid-up during the year		–	–
Balance at end of year	19	830,774,088	830,774,088
ADDITIONAL PAID-IN CAPITAL			
Balance at beginning of year		3,567,071,760	3,516,841,761
Additions during the year		–	–
Balance at end of year	19	3,567,071,760	3,516,841,761
ACCUMULATED LOSSES			
	32		
Balance at beginning of year		(2,350,158,483)	(2,358,811,263)
Net income (loss)		10,885,657	23,981,068
Effect of consolidation		–	–
Balance at end of year		(2,339,272,826)	(2,334,830,195)
NET CUMULATIVE REMEASUREMENT			
GAIN IN RETIREMENT BENEFITS COSTS			
Balance at beginning of year		3,974,345	6,931,480
Actuarial gain (loss)		–	–
Balance at end of year		3,974,345	6,931,480

(Forward)

(Carryforward)

	Note	2020	2019
NET CUMULATIVE REMEASUREMENT			
TRANSLATION RESERVE			
Balance at beginning of year		(P 10,952,274)	P 23,056,049
Exchange differences during the year		(5,221,006)	10,236,114
Balance at end of year		(16,173,280)	33,292,163
NONCONTROLLING INTEREST			
	30		
Balance at beginning of year		728,305,569	685,876,190
Share in:			
Net income during the year		20,824,332	20,991,369
Exchange difference on translation			
of foreign operations		(5,016,260)	10,708,836
Balance at end of year		744,113,641	717,576,395
TOTAL EQUITY	19	P 2,790,487,728	P 2,770,585,693

See accompanying Consolidated Notes to Financial Statements.

AGRINURTURE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019
(Amounts in Philippine Pesos)

	Notes	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax on:			
Continuing operations		P 40,288,175	P 58,181,894
Discontinued operations		–	–
Income (loss) before income tax		40,288,175	58,181,894
Adjustments for:			
Depreciation and amortization	12,14,27	30,825,937	29,553,006
Finance cost	17,27	5,385,391	13,836,591
Interest income	6	(6,542)	(10,110)
Operating income (loss) before working capital changes		76,492,961	101,561,381
Decrease (increase) in:			
Trade and other receivables	7	(71,602,798)	(55,095,587)
Inventories	8	69,227,134	(146,801,560)
Prepayments and other current assets	9	941,179	(27,649,076)
Decrease in trade and other payables	15	(18,046,942)	(5,190,505)
Net cash provided by (used in) operations		57,011,534	(133,175,347)
Income taxes paid		–	9,446,336
Interest received	6	6,542	10,110
Net cash flows (used in) provided by operating activities		57,018,076	(123,718,901)
CASH FLOWS FROM INVESTING ACTIVITIES			
Collections received from:	21		
Related parties		23,611,524	6,075,233
Stockholder		3,084,718	78,424,467

(Forward)

(Carryforward)

	Notes	2020	2019
Changes in:			
Other noncurrent assets	14	(P 5,855,444)	(P 10,609,787)
Deposit for future investments	11	–	(5,068,998)
Reclassification (additions) to:			
Property and equipment	12	(10,016,156)	106,677,581
Intangible assets	14	–	(9,803)
Net cash flows provided by investing activities		10,824,642	175,488,693
CASH FLOWS FROM FINANCING ACTIVITIES			
Advances from related parties	21	(835,213)	(14,031,559)
Payments of:			
Loans	17	(46,355,731)	(20,382,684)
Lease	27	–	(11,814,201)
Interest paid	17,27	(5,385,391)	(13,836,591)
Net cash flows used in financing activities		(52,576,335)	(60,065,035)
EFFECT OF EXCHANGE RATE CHANGE IN CASH		(8,165,454)	–
NET DECREASE IN CASH		7,100,929	(8,295,242)
CASH AT BEGINNING OF YEAR	6	73,717,839	61,042,651
CASH AT END OF YEAR	6	P 80,818,768	P 52,747,409

See accompanying Consolidated Notes to Financial Statements.

AGRINURTURE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Philippine Pesos)

1. 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, 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 land, 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 agri-commercial businesses such as export trading and distribution of fruits and vegetables, retail franchising and real estate.

The consolidated 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 losses from operations in the past years. While the Group has incurred accumulated losses of ₱2.3 billion as at March 31, 2020 and December 31, 2019, 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 and rice) and export sales channels. Its retail arm is expanding the franchise network with steps 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 include looking for more opportunities in the greater Middle East, China and Asia markets. 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 platforms.

Moreover, most 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 March 31, 2020 and December 31, 2019, the Group's current assets already exceeded its current liabilities by ₱930.09 million and ₱891.62 million, respectively. The Group shall continue the rationalization, consolidation and reorganization of operations it has initiated last 2015 to improve efficiency and lower cost of sales and operating expenses which resulted to a positive financial performance for the years ended 2017 to 2019. Further, the Group launched its own e-commerce platform through its ANI Express website (<https://aniexpress.1ani.com.ph/>) and mobile application (<https://play.google.com/store/apps/details?id=com.ani.riceapp>) where customers can order fresh produce, canned beverages, rice and other essential goods for delivery to customers. The Group is also launching new products such as Plant Based Meat, Non Dairy Ice Cream, Big Chill Healthy Drinks in cans for local and export distribution. These developments are expected to contribute to a positive growth in the future for the Group's revenue and net earnings. These developments are expected to contribute to a positive growth in the future for the Group's revenue and net earnings.

- Zongshan Fucang Trade Co. Ltd. (Fucang), a subsidiary, acquired 70% ownership of Guangzhou Lexian Fruit Industry Co., Ltd. (Lexian), a foreign entity incorporated in China engaged in wholesale trade.
- With the passage of the Rice Import Liberalization Law, which opened the country's doors to unimpeded importation of rice, the Group is expecting to earn as much as ₱6.0 billion annually after it secured an exclusive deal to import rice from Vietnam's largest grains exporter.

On September 17, 2018, the Group confirms that it has an agreement with Vietnam Southern Food Corporation – Joint Stock Company (VINAFOOD II), for the exclusive supply of two million metric tons of long grain rice per year. The Group will renegotiate the terms and conditions of the Contract given the setback experienced during the period of execution and awaiting signal from the Philippine government to announce next step for the Original Proponent Status granted to the Group previously.

- On October 13, 2018, the Group entered into a joint venture agreement for a development of the property, located in Taytay Rizal, bisected by the Manggahan Floodway. The property covers 859 hectares more or less of which is covered by titles under different names, all of which are either directly or indirectly under the third-party individual. Each square meter is valued at ₱1,500. The joint venture shall include but not limited to the formation of the following: Phase 1 – Transportation Hub, Phase 2 – Food Terminal and Phase 3 – Property Development Corporation. As at December 31, 2019, the Group has made deposits totaling ₱508.7 million for the acquisition to the 859 hectares, corresponding to portions thereof. As at reporting date, the third party is still completing the titling of the whole portion of the property until end of the third quarter to fully execute the joint venture agreement. Also, the parties are expected to start the execution of the projects by the last quarter of the year given that the condition brought about by the pandemic normalizes (see Note 15).
- On October 25, 2018 the Board of Directors of the Parent Company authorizes the expansion of business operations in Australia through acquisition of existing companies. Accordingly, on December 28, 2018 the Group made a deposit amounted to AU\$172,000 or ₱6.3 million to BSK PTY LTD (see Note 15). The main activity of the Australian operations is primarily processing of fruit and vegetables for distribution to food processors, schools, restaurants, mining sites and airlines. As at reporting date, it is already in the process of finalizing the acquisition agreement and it will be included as a subsidiary on the third quarter of the year. Further, the Group is in the process of finalizing a deal with Plentex Limited. Plentex Limited is an unlisted Australian public company which is developing what is planned to be a substantial scale agribusiness in Tacloban, Leyte.

- On November 8, 2018 the Group has signed a ₱1.9 billion deal with a Chinese Company for the purchase of various agriculture produce particularly tropical fruits. The contract was signed with SinoChem Group (SinoChem), a Beijing based conglomerate engaged in the production and trading of chemicals, fertilizers and other agricultural products. Under the agreement, SinoChem will buy tropical fruits from the Group's contract growers in the Philippines in the next three years. SinoChem will also provide support through the supply of affordable fertilizers. The deal aims to provide support to local farmers and boost country's market access to China. As at reporting date, the Group will start discussing the terms and conditions of the agreement when the current situation normalizes.
- On December 20, 2019, the Board of Directors of the Group approved joint venture or any similar engagement with Department of Justice through Bureau of Corrections for the development of at least 2,000 hectares of integrated Agri-Tourism corn plantation in Palawan. The Group will fund the development while the Bureau of Corrections will provide the land. As of reporting date, both parties are conducting their respective due diligence, after which a definitive agreement will be entered into to finalized the transactions. Conduct of due diligence was delayed due to the current pandemic and is intended to be completed by the third quarter of 2020. The proposed joint venture is intended to expand the Group's business through corn production and agri-tourism. Furthermore, the Board of Directors authorizes to negotiate the acquisition of majority interests in Nutriceutical Food Corporation (the "Nutriceutical") and to enter into definitive agreements relative thereto. The intended acquisition will help boost the Group's market for organic coconut products in China. As at reporting date, the Group will start discussing the terms and conditions of the agreement when the current situation, brought about by the pandemic, normalizes.

On December 29, 2018, the SEC approved the increase in authorized capital stock of the Group from one billion pesos (₱1,000,000,000) divided into one billion (1,000,000,000) common shares to two billion pesos (₱2,000,000,000) divided into two billion (2,000,000,000) common shares both with a par value of one (₱1) peso. Hence, this has given effect to the subscription of Earthright Holdings, Inc. to two hundred fifty million common shares (250,000,000), increasing the total subscribed shares from 668,003,686 in 2017 to 1,018,274,088 in 2018 and total subscribed and paid shares from 668,003,686 in 2017 to 830,774,088 in 2018. Subscriptions receivable at par value amounted to ₱187,500,000 as at December 31, 2019 and 2018.

On 24 February 2020, the Board has approved the decrease in the par value of the shares of the Group from one peso (₱1.00) to ten centavos (₱0.10). The Board has likewise approved the reclassification of forty million (40,000,000) unissued common shares with par value of one peso (₱1.00) per share or an aggregate par value of forty million pesos (₱40,000,000.00) to 400,000,000 voting preferred shares with par value of ten centavos (₱0.10) per share or an aggregate par value of forty million pesos (₱40,000,000.00) subject to the approval of the SEC.

Upon approval of the SEC, the Group's authorized capital stock will increase to twenty billion (20,000,000,000) shares for a total par value of two million pesos (₱2,000,000,000) shall be divided into the following:

- c. Common shares, consisting of 19,600,000,000 shares with a par value of ten centavos (₱0.10) per share for a total par value of ₱1,960,000,000;
- d. Preferred shares, consisting of 400,000,000 shares with a par value of ten centavos (₱0.10) per share for a total par value of ₱40,000,000;

The preferred shares shall have the following rights, privileges, limitations and restrictions which shall also appear on the Certificates of the Preferred Shares of the Corporation:

- d. The right to vote and be voted for;
- e. The right to receive, out of unrestricted retained earnings of the Group, participating dividends at the rate as may be deemed proper by the BOD under the prevailing market conditions or such other relevant factors as the BOD may consider. Said dividend may be declared and payable at the discretion of the BOD after taking into account the Parent Company's earnings, cash flows, financial conditions and other factors as the BOD may consider relevant;
- f. In the liquidation, dissolution and winding up of the Group, whether voluntary or otherwise, the right to be paid in full or ratably, insofar as the assets of the Parent Company will permit, the par value or face value of each preferred share as the BOD may determine upon their issuance, plus unpaid and accrued dividends up to the current dividend period, before any assets of the Group shall be paid or distributed to the holders of the common shares;

The common shares shall possess all the rights, privileges and prerogatives provided by law, including the right to vote and be voted for; and

The stockholders of the Group shall have no pre-emptive right to subscribe to or purchase any or all issues or dispositions of shares of any class of the Group.

The change in par value is intended to increase the number of shares of the Parent Company that will give more trading opportunities to the shareholders and investors. The decrease in par value will make the shares more affordable to small investors, hence will be more marketable and liquid in the market.

The reclassification is intended for any future capital raising activities. The amount to be raised shall be used as additional working capital and funding for the Parent Company's expansion project particularly the creation of the Agricultural Ecosystem to benefit local farmers.

The Group's registered principal office address is at No. 54 National Road, Dampol II-A, Pulilan, Bulacan.

The consolidated financial statements as at and for the period ended March 31, 2020 and December 31, 2019 were authorized and approved for issuance by the Group's Board of Directors on June 29, 2020.

2. Basis of Preparation

Basis of Preparation of Consolidated Financial Statements

The consolidated financial statements of the Group have been prepared using the historical cost basis. The Group presents all items of income and expense in a single statement of comprehensive income. These consolidated financial statements are presented in Philippine Pesos, 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 consolidated financial statements provide comparative information in respect of the previous period.

The Group presents a third consolidated statements of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the consolidated statements of financial position at the beginning of the preceding period. The related notes to the third statements 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 the SEC.

Basis of Consolidation

The consolidated financial statements comprise the accounts of the Parent Company and its subsidiaries where the Parent Company has control.

Specifically, the Parent controls an investee if it has:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

When the Parent has less than a majority of the voting or similar rights of an investee, it considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

The Parent Company re-assesses its control over an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

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	
			2020	2019
First Class Agriculture Corporation (FCAC)	Philippines	Trading (Agricultural goods)	100%	100%
M2000 IMEX Company, Inc. (IMEX)	Philippines	Toll and manufacturing	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. (FCI)	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 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 noncontrolling 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.

The financial statements of the subsidiaries are prepared for the same reporting year as the Group using consistent accounting policies. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

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 noncontrolling 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

New and Amended Standards and Interpretations

The accounting policies adopted by the Group are consistent with those of the previous financial years except for the following applicable new and amended PFRS and PAS which became effective in 2019.

- PFRS 16, *Leases*
Impact as lessee

The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in profit or loss. An optional exemption exists for short-term and low-value leases.

Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows.

Impact as a lessor

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 Group has adopted PFRS 16, *Leases* using the modified retrospective approach from January 1, 2019, and has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard.

In applying PFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- relied on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at January 1, 2019;
- did not recognize right-of-use assets and liabilities for operating leases with a remaining lease term of less than 12 months as at January 1, 2019;
- did not recognize right-of-use assets and liabilities for leases of low value assets;
- excluded initial direct costs for the measurement of the right-of-use (ROU) asset at the date of initial application, and;
- used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying PAS 17 and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

For leases that were classified as finance leases under PAS 17, the carrying amount of the right-of-use asset and the lease liability as at January 1, 2019 are determined as the carrying amount of the lease asset and lease liability under PAS 17 immediately before that date (see Note 21).

The Group has elected not to recognize right-of-use asset and lease liability for short-term leases. The Group recognizes the lease payments associated on short-term lease as rent expense in profit or loss on a straight-line basis over the lease term.

- *Amendments to PFRS 9, Prepayment Features with Negative Compensation*
The narrow-scope amendments made to PFRS 9, *Financial Instruments* in 2017 enable entities to measure certain pre-payable financial assets with negative compensation at amortized cost. These assets, which include some loan and debt securities, would otherwise have to be measured at fair value through profit or loss (FVPL).

To qualify for amortized cost measurement, the negative compensation must be 'reasonable compensation for early termination of the contract' and the asset must be held within a 'held to collect' business model.

The amendments do not have material impact on the Group's financial statements.

- *Amendments to PAS 28, Long-term Interests in Associates and Joint Ventures*
The amendments clarify the accounting for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture, but to which equity accounting is not applied. Entities must account for such interests under PFRS 9, *Financial Instruments* before applying the loss allocation and impairment requirements in PAS 28, *Investments in Associates and Joint Ventures*.

The amendments do not have material impact on the Group's financial statements.

- *Amendment to PAS 19, Plan Amendment, Curtailment or Settlement*
The amendments clarify the accounting when a plan amendment, curtailment or settlement occurs and specifies how companies determine pension expenses when changes to a defined benefit pension plan occur. The amendments require the Group to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan.

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

- *Philippine Interpretations IFRIC 23, Uncertainty over Income Tax Treatments*
The Interpretation clarifies application of recognition and measurement requirements in PAS 12, *Income Taxes* when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following: a) whether an entity considers uncertain tax treatments separately; b) the assumptions an entity makes about the examination of tax treatments by taxation authorities; c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and d) how an entity considers changes in facts and circumstances.

The interpretation has no significant impact on the Group's financial statements.

- *Amendments to PFRS 3, Business Combinations and PFRS 11, Joint Arrangements*
The amendments clarify how a Company accounts for obtaining control (or joint control) of a business that is a joint operation if the Company already holds an interest in that business. On PFRS 3, the Company remeasures its previously held interest in a joint operation when it obtains control of the business. On PFRS 11, the Company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

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

- *Amendments to PAS 12, Income Tax Consequence of Payments on Financial Instruments Classified as Equity*
The amendments clarify that the requirements in paragraph 52B of PAS 12 apply to all income tax consequences of dividends. The Company accounts for all income tax consequences of dividend payments in the same way.

These amendments are not relevant to the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

- *Amendments to PAS 23, Borrowing Costs Eligible for Capitalization*
The amendments to PAS 23 clarify which borrowing costs are eligible for capitalization in particular circumstances. The Company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

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

New and Amended Standards and Interpretations Issued but not yet Effective

Standards, amendments and interpretations issued but not yet effective up to the date of the Group's financial statements are listed below. Unless otherwise indicated, the Group does not expect that the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on its financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective in 2020

- *Amendments to PFRS 3, Definition of a Business*

The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business. An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020 with earlier application permitted.

These amendments will apply on future business combinations of the Group.

- *Amendments to PAS 1, Presentation of Financial Statements and PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*
The amendments refine the definition of material in PAS 1 and align the definitions used across PRFS and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgments.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective in 2021

- *PFRS 17, Insurance Contracts*
This standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the Standard. The objective of PFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

This standard is currently not applicable to the Group as it has no insurance contracts.

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 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.
- *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 a 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 Group will continue to assess the relevance and impact of the above standards, amendments and improvements 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 consolidated 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 and Noncurrent Classification

The Group presents assets and liabilities in the Group consolidated 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;
- expected to be settled on demand; 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. Deferred tax assets are classified as noncurrent assets.

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;
- expected to be settled on demand; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as noncurrent. Deferred tax liabilities are classified as noncurrent 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 consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by 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.

Financial Assets and Liabilities

Date of recognition

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

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

Initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus or minus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL, if any, are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

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.

Classification of financial assets

The Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- Those to be measured at amortized cost.

Financial assets at fair value through other comprehensive income (FVOCI)

Financial assets at FVOCI comprise:

- Equity instruments
Equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to be recognized in this category. These are strategic investments and the Group considers this classification to be more relevant.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the consolidated statements of profit or loss when the

right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group has equity securities at FVOCI as at March 31, 2020 and December 31, 2019 (see Note 10).

- Debt instruments
Debt securities where the contractual cash flows are solely principal and interest and the objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets.

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statements of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Group has no debt instruments at FVOCI as at March 31, 2020 and December 31, 2019.

Financial assets at FVPL

The Group classifies the following financial assets at FVPL:

- debt investments that do not qualify for measurement at either amortized cost or FVOCI
- equity investments that are held for trading, and
- equity investments for which the entity has not elected to recognize fair value gains and losses through OCI.

Financial assets at FVPL are carried in the consolidated statements of financial position at fair value with net changes in fair value recognized in the consolidated statements of comprehensive income. This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at FVOCI. Dividends on listed equity investments are also recognized as other income in the consolidated statements of profit or loss when the right of payment has been established.

The Group has no financial assets at FVPL as at March 31, 2020 and December 31, 2019.

Financial assets at amortized cost

The amortized cost of a financial asset or financial liability is the present value of future cash receipts (payments) discounted at the effective interest rate. The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVPL:

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

Classified under financial assets measured at amortized cost is the Group's cash in banks, trade and other receivables (excluding advances to officers and employees), due from related parties and stockholders, and guaranty deposit (Notes 6, 7, 9, 15 and 21).

Subsequent measurement of financial assets

- Debt instruments

There are three measurement categories into which the Group classifies its debt instruments:

- *Amortized cost*: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains (losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statements of profit or loss.

Short-term receivables with no stated interest rate are measured at their invoice amounts or expected amounts of settlement without discounting, when the effect of not discounting is immaterial.

- *FVOCI*: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains (losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains (losses) and impairment expenses are presented as separate line item in the consolidated statements of profit or loss.
- *FVPL*: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains (losses) in the period in which it arises.

- Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Impairment of financial assets

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

In measuring ECL, the Group must reflect:

- An unbiased evaluation of a range of possible outcomes and their probabilities of occurrence;
- Discounting for the time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash in banks, nontrade receivables, due from related parties and stockholders, and guaranty deposit, the Group applies the general approach in calculating ECLs. The Group recognizes a loss allowance based on either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk on its cash in banks, nontrade receivables, due from related parties and stockholders, and guaranty deposit since initial recognition.

For trade receivables, the Group applies the simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Classification and subsequent measurement of financial liabilities

The Group classifies its financial liabilities in the following categories:

- *Financial Liabilities at FVPL*

Financial liabilities are classified in this category if these result from trading activities or derivatives transactions that are not accounted for as accounting hedges, or the Group elects to designate a financial liability under this category. Financial liabilities at FVPL are measured at fair value and net gains and losses, including interest expense, are recognized in profit or loss.

As at March 31, 2020 and December 31, 2019, the Group has no financial liabilities at FVPL.

- *Financial liabilities at amortized cost*

This category pertains to financial 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 regulated payables, accruals) or borrowing (e.g. long-term debt). Other financial liabilities are subsequently measured at amortized cost using effective interest method.

The financial liabilities are initially recorded at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using effective interest method. These include liabilities arising from operations and borrowings. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gains and losses on derecognition are also recognized in profit or loss.

As at March 31, 2020 and December 31, 2019, this category includes the Group's trade and other payables, due to related parties, loans payable and lease payable (see Notes 16, 17, 21 and 27).

Short-term payables with no stated interest rate are measured at their invoice amounts or expected amounts of settlement without discounting, when the effect of not discounting is immaterial.

The classification depends on the purpose for which the financial liabilities are acquired and whether they are quoted in an active market. Management determines the classification at initial recognition and, where allowed and appropriate, reevaluates this classification at every reporting date.

Derecognition of Financial Instruments

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.

On disposal of debt investments, any related balance within the FVOCI reserve is reclassified to profit or loss.

On disposal of equity investments, any related balance within the FVOCI reserve is reclassified to retained earnings.

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 the consolidated statements of comprehensive income.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Group's 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.

Cash and cash equivalents

Cash pertains to cash on hand and in banks. Cash in banks generally earn interest at rates based on daily bank rates. Cash equivalents are short-term, highly liquid instruments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisition and that are subject to an insignificant risk of change in value.

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 initially recorded at actual cash advances to employees and are subsequently applied to the related assets, costs or expenses incurred.

Advances to Suppliers and Contractors

Advances to suppliers and contractors represent amounts paid in advance for the construction of an asset or combination of assets which future economic benefits are expected to flow to the Group within normal operating cycle or within twelve months from the end of financial reporting period. These are initially recorded at actual cash advanced to suppliers and contractors and are subsequently carried at cost less impairment losses, if any. These are applied against subsequent render of service.

Inventories

Inventories are initially recorded at cost. Subsequent to initial recognition, inventories are stated at lower of cost and 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
Agricultural produce	- at purchase price on a 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.

Inventories are derecognized when sold. The carrying amount of inventories sold is recognized as an expense and reported under cost of sales in the statements of comprehensive income in the period in which the related revenue is recognized.

Prepayments and Other Current Assets

Prepayments are expenses paid in advance and recorded as asset before they are utilized. This account comprises the following:

- *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 application or 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 Group'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.

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.

Investment Property

Investment properties comprise completed property and property under construction or redevelopment that are held to earn rentals or capital appreciation or both and that are not occupied by the companies in the Group.

The Group uses the cost model in measuring investment properties since this represents the historical value of the properties subsequent to initial recognition. Investment properties, except for land, are carried at cost less accumulated depreciation and amortization and any impairment in residual value. Land is carried at cost less any impairment in value.

Expenditures incurred after the investment property has been put in operation, such as repairs and maintenance costs, are normally charged against income in the period in which the costs are incurred.

Constructions-in-progress are carried at cost (including borrowing cost) and transferred to the related investment property account when the construction and related activities to prepare the property for its intended use are complete, and the property is ready for occupation.

Depreciation of investment properties are computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives and the depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of investment properties.

The estimated useful lives of investment properties which is comprised of buildings, ranges from 20 to 40 years.

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

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

Property and Equipment

Property and equipment, except for land, are carried at cost less accumulated depreciation and amortization and any impairment in value. Land is carried at cost less any impairment in value. The initial cost of property and equipment comprises its construction cost or purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use, including borrowing costs.

Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other repairs and maintenance are charged against current operations as incurred.

Depreciation and amortization of property and equipment commences once the property and equipment are available for use and are computed on a straight-line basis over the estimated useful lives of the property and equipment as follows:

Category	Number of Years
Building and improvements	15 to 20
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

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

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.

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

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 consolidated statements of comprehensive income. Transfers to or from property and equipment are measured at carrying value of the assets transferred.

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

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 consolidated 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 statements 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 is 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 statements 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 consolidated 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.

Deposit for land acquisition mainly represents usufruct rights over a property and initially recognized at actual amount paid and subsequently stated at cost less any impairment in value.

Refundable deposits

Refundable deposits arising from long-term leases were measured initially at fair value and subsequently at amortized cost using the effective interest rate method. The discount is recognized as part of right-of-use asset and is amortized over the remaining lease term as at January 1, 2019. Deposits that are current and are relating to short-term leases are measured at amortized cost which is the amount of consideration given to the lessors as it is considered a reasonable approximation of fair value.

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 statements 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 PFRS 9 either in the consolidated statements of income, or in the consolidated statements 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 statements 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.

Asset Acquisitions

If the assets acquired and liabilities assumed in an acquisition transaction do not constitute a business as defined under PFRS 3, the transaction is accounted for as an asset acquisition. The Group identifies and recognizes the individual identifiable assets acquired (including those assets that meet the definition of, and recognition criteria for, intangible assets) and liabilities assumed. The acquisition cost is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such transaction or event does not give rise to goodwill. Where the Group acquires a controlling interest in an entity that is not a business, but obtains less than 100% of the entity, after it has allocated the cost to the individual assets acquired, it notionally grosses up those assets and recognizes the difference as non-controlling interests.

Impairment of Nonfinancial Assets

The carrying values of advances to employees, advances to contractors and suppliers, inventories, prepayments and other current assets, deposit for future investment, property and equipment, intangible assets and other noncurrent 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 advances to employees, advances to contractors and suppliers, inventories, prepayments and other current assets, deposit for future investment, property and equipment, intangible assets and other noncurrent 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.

For assets excluding goodwill, 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 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' Deposit

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 of 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.

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 (Deficit)* include all current and prior period net income as disclosed in the consolidated statements of comprehensive income, dividend distributions, effects of changes in accounting policy and other capital adjustments.
- *Other comprehensive income (loss)* comprises items of income and expense (including items previously presented under the consolidated statements of changes in equity) that are not recognized in the profit or loss in the Group's consolidated statements of comprehensive income for the year in accordance with PFRS.
- *Net cumulative remeasurement gain (loss)* represents the cumulative balance of remeasurement gain (loss) on retirement benefit obligation.

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 consolidated 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

The consolidated financial statements are presented in Philippine Pesos, which is the Group's functional and presentation currency.

Each subsidiary in the Group determines its own functional currency and items included in the consolidated financial statements 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 statements 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 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 statements 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 statements of other comprehensive income.

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 is probable that the economic benefits will flow to the Group and the revenue, related cost incurred or to be incurred/cost to complete the transactions can be reliably measured. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. Revenue is measured at the fair value of the consideration received or receivable taking into account any trade discounts, prompt settlement of discounts and volume rebates allowed by the Group, if any. Revenue excludes any value added tax.

Revenue Contracts with Customers

The Group recognizes revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group applies the following five steps:

1. Identify the contract(s) with a customer;
2. Identify the performance obligations in the contract. Performance obligations are promises in a contract to transfer to a customer goods or services that are distinct;
3. Determine the transaction price. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. If the consideration promised in a contract includes a variable amount, an entity must estimate the amount of consideration to which it expects to be entitled in exchange for transferring the promised goods or services to a customer;
4. Allocate the transaction price to each performance obligation on the basis of the relative stand-alone selling prices of each distinct good or service promised in the contract;
5. Recognize revenue when a performance obligation is satisfied by transferring a promised good or service to a customer (which is when the customer obtains control of that good or service). A performance obligation may be satisfied at a point in time (typically for promises to transfer goods to a customer) or over time (typically for promises to transfer services to a customer). For a performance obligation satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognized as the performance obligation is satisfied.

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. The revenue from the sale of goods is recognized upon delivery of the goods when the significant risks and rewards of ownership of the goods are transferred to the buyer.

Real estate sales

The Group derives its real estate revenue from sale of residential and commercial units. Revenue from the sale of these real estate projects under pre-completion stage are recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its contract with the buyers, the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

In measuring the progress of its performance obligation over time, the Group uses the output method. The Group recognizes revenue on the basis of direct measurements of the value to customers of the goods or services transferred to date, relative to the remaining goods or services promised under the contract. Progress is measured using survey of performance completed to date. This is based on the monthly project accomplishment report prepared by the third party surveyor as approved by the construction manager which integrates the surveys of performance to date of the construction activities for both sub-contracted and those that are fulfilled by the developer itself.

Any excess of progress of work over the right to an amount of consideration that is unconditional, recognized as residential and office development receivables, under trade receivables, is included in the "contract asset" account in the asset section of the consolidated statement of financial position.

Any excess of collections over the total of recognized trade receivables and contract assets is included in the "contract liabilities" account in the liabilities section of the consolidated statement of financial position.

Cost recognition

The Group recognizes costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets such as connection fees. These include costs of land, land development costs, building costs, professional fees, depreciation, permits and licenses and capitalized borrowing costs. These costs are allocated to the saleable area, with the portion allocable to the sold area being recognized as costs of sales while the portion allocable to the unsold area being recognized as part of real estate inventories.

Contract costs include all direct materials and labor costs and those indirect costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions, and final contract settlements which may result in revisions to estimated costs and gross margins are recognized in the year in which the changes are determined.

Service income

Service income is recognized to the extent of actual services delivered during the period.

Rental Income

Rental income is recognized in the profit or loss on a straight-line basis over the lease term.

Gain from Sale of Property and Equipment

Realized gains and losses are recognized when the sale transaction occurs.

Interest Income

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

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.

Contract Balances

Receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

The contract liabilities also include payments received by the Group from the customers for which revenue recognition has not yet commenced.

Costs to obtain contract

The incremental costs of obtaining a contract with a customer are recognized as an asset if the Group expects to recover them. The Group has determined that commissions paid to brokers and marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Commission expense is included in the "Real estate costs and expenses" account in the consolidated statement of income.

Costs incurred prior to obtaining contract with customer are not capitalized but are expensed as incurred.

Amortization, de-recognition and impairment of capitalized costs to obtain a contract

The Group amortizes capitalized costs to obtain a contract to cost of sales over the expected construction period using percentage of completion following the pattern of real estate revenue recognition. The amortization is included within cost of sales.

A capitalized cost to obtain a contract is derecognized either when it is disposed of or when no further economic benefits are expected to flow from its use or disposal.

At each reporting date, the Group determines whether there is an indication that cost to obtain a contract maybe impaired. If such indication exists, the Group makes an estimate by comparing the carrying amount of the assets to the remaining amount of consideration that the Group expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Group uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Where the relevant costs or specific performance obligations are demonstrating marginal profitability or other indicators of impairment, judgement is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific performance indicators that could trigger variable consideration, or service credits. Where a contract is anticipated to make a loss, these judgements are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.

Cost and Expense Recognition

Cost and expenses are recognized in profit or loss 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 profit or loss.

- *Costs of sales and services*
Costs of sales consist of costs directly associated with the Group's operations. These are generally recognized when the cost is incurred.
- *General and administrative 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 charges*
Other charges include other expenses which are incidental to the Group's business operations and are not recognized in the Group consolidated statements of comprehensive income (loss).

Borrowing Costs

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.

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 consolidated 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 operations in the period in which they are incurred.

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 consolidated 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 some 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.

- *Compensated absences*

The Group recognizes the expected cost of accumulating compensated absences when the employees render service that increases their entitlement to future compensated absences. The Group measures cost of accumulating the compensated absences at the undiscounted additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the end of reporting period.

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

Policies beginning January 1, 2019

The Parent Company assesses whether the contract is, or contains, a lease. To assess whether a contract conveys the right to control the use of an identified assets for a period of time, the Parent Company assesses whether, throughout the period of use, it has the right to obtain substantially all the economic benefits from the use of the identified asset and the right to direct the use of the asset. If the Parent Company has the right to control the use of an identified asset only for a portion of the term of the contract, the contract contains a lease for that portion of the term.

Company as a lessee

Initial recognition of right-of-use (ROU) asset and lease liability

For leases that were classified as finance leases under PAS 17, the carrying amount of the right-of-use (ROU) asset and the lease liability as at January 1, 2019 are determined as the carrying amount of the lease asset and lease liability under PAS 17 immediately before that date.

For long-term leases that were classified as operating leases under PAS 17, the Group measures at commencement date the right-of-use asset at cost which comprise the initial amount of lease liability adjusted for any lease payments made at or before the commencement date.

The Group at commencement date measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be determined, the Group's incremental borrowing rate shall be used. The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Subsequent recognition of right-of-use (ROU) asset and lease liability

Subsequently, ROU assets are measured at cost, less any accumulated amortization and impairment losses, and adjusted for any remeasurement of lease liability. ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the ROU assets are depreciated over the underlying asset's useful life. Otherwise, the Company will depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of each right-of-use asset or the end of lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Lease liabilities are subsequently measured at amortized cost. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Lease terms are negotiated on an individual basis and contain similar terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Short-term leases and leases of low-value assets

The Group applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below US \$5,000 or ₱260,000). Short-term leases are leases with a lease term of 12 months or less. Lease payments for low value assets and short-term leases are recognized as expense on a straight-line basis over the lease term.

The Group has elected not to recognize right-of-use asset and lease liability for short-term leases. The Parent Company recognizes the lease payments associated on short-term lease as rent expense in profit or loss on a straight-line basis over the lease term.

Company as a lessor

The Parent Company's accounting policy under PFRS 16 has not changed from the comparative period. As a lessor the Group classifies its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

The Parent Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term in profit or loss.

Policies prior to January 1, 2019

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 consolidated 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 this equipment and therefore accounts for these under finance lease.

At commencement of the lease, finance leases are recorded as an asset and a liability at the lower of the fair value of the asset and the present value of the minimum lease payments discounted at the interest rate implicit in the lease or using the Group's incremental borrowing rate. Finance lease payments is apportioned between the finance charge and the reduction of the outstanding liability. The underlying asset is depreciated on a straight-line basis over its estimated useful life. If there is no reasonable certainty that the Group will obtain ownership at the end of the lease, the asset is depreciated over the shorter of the lease term or the estimated life of the asset.

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 (Loss) Per Share

Basic Earnings Per Share (EPS)

Basic EPS amounts are calculated by dividing the net income (loss) 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.

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. The Group also reassesses at each reporting date the need to recognize a previously unrecognized deferred income tax asset.

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.

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 33 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 consolidated 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. The Group's continued operations as a going concern depends upon the successful outcome of efforts to achieve profitable operations and generate sufficient cash flows to meet obligations on a timely basis. The Group generated a net income of ₱31.7 million in the first quarter of 2020 and ₱89.9 million in 2019. Management believes that with its continued efforts in building up equity and profitability, the Group will continue to operate in the normal course. Therefore, the consolidated financial statements continue to be prepared on the 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 Pesos 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.

- *Classification of Financial Instruments and Measurement Criteria*

The Group classifies financial assets at initial recognition depends on the financial assets contractual cash flows characteristics of the Group's business model for managing them. The financial liability is classified in accordance with the substance of the contractual agreement and the definition of financial liability. The substance of financial liability, rather than its legal form, governs its classification in the statements of financial position.

The Group determines the classification at initial recognition and reevaluates this designation at every reporting date.

- *Determination of Fair Value of Financial Instruments*

The Group carries certain instruments at fair value and discloses also the fair values of financial instruments, which requires extensive use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group utilized different valuation methodologies and assumptions. Any changes in fair value of these financial assets and liabilities would affect profit or loss and equity.

The summary of the carrying values and fair values of the Group's financial instruments as at March 31, 2020 and December 31, 2019 is shown in Note 29.

- *Existence of a Contract*

- *Sale of Real Estate*

The Group's primary document for a contract with a customer from real estate sale is a signed contract to sell. It has determined, however, that in cases wherein contract to sell are not signed by both parties, the combination of its other signed documentation such as reservation agreement, official receipts, buyers' computation sheets and invoices, would contain all the criteria to qualify as contract with the customer under PFRS 15.

In addition, part of the assessment process of the Group before revenue recognition is to assess the probability that the Group will collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer.

In evaluating whether collectibility of an amount of consideration is probable, an entity considers the significance of the customer's initial payments in relation to the total contract price. Collectibility is also assessed by considering factors such as past history with the customer, age and pricing of the property. Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of customers' equity before commencing revenue recognition.

Sale of Goods

The Group applied PFRS 15 guidance to a portfolio of exports and local distribution groups with similar characteristics as the Group reasonably expects that the effects on the consolidated financial statements of applying this guidance to the portfolio would not differ materially from applying this guidance to the individual contracts with the same contract provisions.

- *Revenue Recognition*

Sale of Real Estate Revenue Recognition and Measure of Progress

The Group concluded that revenue for real estate sales is to be recognized over time because: (a) the Group's performance does not create an asset with an alternative use and; (b) the Group has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Group's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract.

In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date. In addition, the Group requires a certain percentage of buyer's payments of total selling price (buyer's equity), to be collected as one of the criteria in order to initiate revenue recognition. Reaching this level of collection is an indication of buyer's continuing commitment and the probability that economic benefits will flow to the Group. The Group considers that the initial and continuing investments by the buyer of about 10% would demonstrate the buyer's commitment to pay.

The Group has determined that output method used in measuring the progress of the performance obligation faithfully depicts the Group's performance in transferring control of real estate development to the customers.

Identifying Performance Obligation for Sale of Goods

The Group identifies performance obligations by considering whether the promised goods or services in the contract are distinct goods or services. A good or service is distinct when the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer and the Group's promise to transfer the good or service to the customer is separately identifiable from the other promises in the contract. The Group delivers the best quality produce by exporting and locally distributing all kinds of fruits and vegetables and other agri products but its main products are bananas, mangoes, and coconut water. The Group determined that the delivered various agri products are capable of being distinct and therefore considered as separate performance obligations.

- *Incorporation of Forward-looking Information*

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

To do this, the Group considers a range of relevant forward-looking macro-economic assumptions for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of ECLs. Based on the Group's evaluation and assessment and after taking into consideration external actual and forecast information, the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies, monetary authorities and selected private-sector and academic institutions.

The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios. The Group has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

- *Classification of Leases
Beginning January 1, 2019*

For leases that were classified as finance leases under PAS 17, the carrying amount of the right-of-use asset and the lease liability as at January 1, 2019 are determined at the carrying amount of the lease asset and lease liability under PAS 17 immediately before that date.

The Group has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Prior to January 1, 2019

Management assesses at the inception of the lease whether 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 property are retained by the lessor. As such, the agreement is accounted for as operating lease. Rent expense incurred is shown in Note 27.

The Group as a lessee has determined that the risks and rewards related to the various machineries and transportation equipment are transferred to the Group, thus, are classified as finance lease.

Rent expense and interest expense related to the finance lease is shown in Note 27.

The Group as a lessor has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all significant risks and rewards of ownership of the properties and, thus accounts for the contracts as operating leases. Rent income recognized is shown in Note 27.

- *Determining the Lease Term for Operating Leases (applicable starting January 1, 2019 upon the adoption of PFRS 16)*

In determining the lease term, the management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended or not terminated.

For the lease of office space, the following relevant factors are considered in assessing the extension and termination options:

- If there are significant penalties to terminate (or not extend), the Parent Company is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Parent Company is typically reasonably certain to extend (or not terminate).
- If there are significant costs and business disruption is required to replace the leased asset.

Moreover, the Group incurred significant leasehold improvements on the leased property. Hence, the termination option was not considered in the lease liability as the Parent Company will be subject to significant amount of penalties should the termination option become exercisable.

All these factors being considered, the Group measured the lease liability using the remaining term of the lease based on the lease agreement at the date of initial application of the standard, January 1, 2019.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

Estimates

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:

- *Revenue and cost recognition on real estate projects*
The Group's revenue recognition and cost policies require management to make use of estimates and assumptions that may affect the reported amounts of revenues and costs. The Group's revenue from real estate and construction contracts is recognized based on the percentage of completion are measured principally on the basis of the estimated completion of a physical proportion of the contract work. Apart from involving significant estimates in determining the quantity of imports such as materials, labor and equipment needed, the assessment process for the POC is complex and the estimated project development costs requires technical determination by management's specialists (project engineers).
- *Estimating Allowance for Impairment Losses on Financial Assets*
The Group applies general approach for determining the expected credit losses of cash in banks, nontrade receivables, due from related parties and stockholders, and guaranty deposit. A credit loss is the difference between the cash flows that are expected to be received discounted at the original effective interest rate and contractual cash flows in accordance with the contract. The loss allowance for financial assets are based on the assumptions about risk of default and expected loss rates. In addition, management's assessment of the credit risk on the financial assets as at the reporting date is low as cash in banks are deposited in top local banks, nontrade receivables are insignificant in amount and the Group have not yet demanded the payment of advances as at reporting date. No additional allowance for impairment of cash in banks, nontrade receivables, due from related parties and stockholders, and guaranty deposit was recognized as at March 31, 2020 and December 31, 2019.

The Group applies the PFRS 9 simplified approach in trade receivables to measure expected credit losses which uses a lifetime expected loss allowance for all receivables and financial asset at amortized costs. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Detailed information regarding the Company's impairment of financial assets are discussed in Note 28.

The Group recognized provision for impairment of trade receivables amounting to ₱6.9 million in 2019.

Allowance for impairment losses on trade and other receivables as at March 31, 2020 and December 31, 2019 amounted to ₱86.4 million. The carrying values of trade and other receivables are shown in Note 7.

- *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 March 31, 2020 and December 31, 2019 is shown in 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 in the consolidated statements of comprehensive income as at March 31, 2020 and December 31, 2019.

- *Estimation on Useful Lives of Property and Equipment, ROU Assets, and Intangible Assets*

Useful lives of property and equipment, ROU assets, computer software, franchise and certain trademark 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.

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 would increase the Group's recorded operating expenses and decrease the related asset accounts.

Based on management's assessment, there were no significant changes in the useful lives of the Group's property and equipment, ROU assets, and intangible assets.

- *Estimating Impairment Losses on Investment Property and 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 there 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 for the period March 31, 2020 and 2019.

- *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.

In 2019, provision for impairment of goodwill amounted to ₱55.3 million was recognized in the consolidated statements of comprehensive income.

- *Impairment of Other Nonfinancial Assets*

Impairment review is performed on prepaid expenses and other current assets, deposit for acquisition of land, deposit for business acquisition, and ROU asset 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 consolidated 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.

In 2019, provision for impairment of prepaid expenses and other current assets amounted to ₱3.9 million was recognized in the consolidated statements of comprehensive income.

- *Estimating Retirement and Other Benefits*

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 25, 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 as at March 31, 2020 and December 31, 2019 is shown in Note 25.

- *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.

Deferred tax asset recognized in the Group's financial statements amounted to ₱102,449 as at March 31, 2020 and December 31, 2019.

- *Estimating 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 consolidated 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 the consolidated statements of comprehensive income for the period March 31, 2020 and 2019.

6. Cash

This account consists of:

	2020	2019
Cash on hand	₱2,167,890	₱1,889,662
Cash in banks	78,650,878	71,828,177
	₱80,818,768	₱73,717,839

Cash in banks earn interest at the prevailing bank deposit rates of less than 1.0% annually. Interest income earned from cash in banks, net of final taxes withheld, amounted to ₱6,542 in 2020 and ₱10,110 in 2019.

The Group has cash in banks denominated in foreign currency such as USD, HKD and RMB. These cash in banks were translated as at March 31, 2020 and December 31, 2019 closing rates (see Note 28). Unrealized foreign exchange gain recognized amounted to ₱345,675 in 2020 and ₱10,675 in 2019.

7. Trade and Other Receivables

This account consists of:

	2020	2019
Trade	₱438,351,031	₱363,313,278
Advances to officers and employees	49,678,877	52,886,895
Others	292,890,540	293,117,477
	780,920,448	709,317,650
Less allowance for impairment losses:		
Trade receivables	82,796,323	82,796,323
Advances to officers and employees	3,657,723	3,657,723
	₱694,466,402	₱622,863,604

Trade receivables are noninterest-bearing and are collectible within 30 to 90 days. These are generally settled through cash payment or application of customers' deposit.

Advances to officers and employees are noninterest-bearing and subject to liquidation. Advances to employees amounting to ₱428,268 were written-off in 2019 (see Note 23).

Other receivables as at March 31, 2020 and December 31, 2019 include noninterest-bearing receivables from sales of scraps and first-class rejects, which are sold to local wet market at a lower price. This is generally collectible on 15 to 30-day terms. Other receivables as at March 31, 2020 and December 31, 2019 also include receivable from a third party amounting to ₱64.6 million which is included in an ongoing criminal action initiated by the Group to recover the said receivable among others. The amount is guaranteed by a stockholder in the event of an adverse result of the ongoing case.

The Group has trade receivables denominated in foreign currency which are translated at March 31, 2020 closing rates (see Note 28). Unrealized foreign exchange gain amounted to ₱1.4 million in 2020.

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

Note	2020	2019
Balance at beginning of year	₱86,454,046	₱107,307,161
Write off during the year	-	(25,782,565)
Provision for impairment during the year	-	6,885,949
Reversal during the year	-	(1,956,499)
Balance at end of year	₱86,454,046	₱86,454,046

None of the Group's receivables were pledged to any of its liabilities.

8. Inventories

This account consists of the following at cost:

	2020	2019
Property for sale	¥951,679,077	¥952,479,708
Merchandise, furniture and appliances	135,232,569	202,467,506
Agricultural produce and beverages	6,341,258	9,641,612
Packaging materials and other supplies	19,609,500	17,500,712
	¥1,112,862,404	¥1,182,089,538

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

The cost of inventories recognized as part of "Cost of Sales" in the consolidated statements of comprehensive income amounted to ¥601.5 million in 2020 and ¥955.4 million in 2019 (see Note 22).

The carrying amounts of the total inventories as of March 31, 2020 and December 31, 2019 are lower than their NRVs. There were no purchase commitments and accrued net losses on inventories in the period 2020 and 2019.

No provision for inventory obsolescence or impairment was recognized in 2020 and 2019. Inventories are not pledged as security for any of the Group's liabilities.

9. Prepayments and Other Current Assets

This account consists of:

	2020	2019
Input VAT	¥107,285,455	¥106,254,632
Advances to suppliers	49,476,414	53,517,331
Refundable deposits	16,894,597	14,733,812
Prepaid expense	1,367,876	1,516,761
Creditable withholding taxes (CWTs)	1,250,190	1,188,308
Deferred input VAT	398,701	408,301
Materials and supplies	55,890	51,157
	176,729,123	177,670,302
Less allowance for impairment for deposits	12,356,001	12,356,001
	¥164,373,122	¥165,314,301

Advances to suppliers represent noninterest-bearing advanced payments to third-party foreign and local suppliers for various future delivery of purchases of goods and performance of services.

Prepaid expense includes insurance, short-term lease rental and IT services. Prepaid insurance refers to insurances of vehicles, equipment and construction in progress.

Deposits are made for store-leased spaces of the Group. These deposits will be refunded upon end of lease term.

Creditable withholding tax is considered prepayments which are claimed for the tax to be paid during the year and are carried over in the succeeding period for the same purpose.

Movements in allowance for impairment losses pertaining to prepayments and other current assets follows:

	Note	2020	2019
Balance at beginning of year		₱12,356,001	₱7,039,487
Reversal of allowance for impairment		–	(796,919)
Provision for impairment during the year		–	6,113,433
Balance at end of year		₱12,356,001	₱12,356,001

10. Investment in Shares of Stocks

On April 3, 2018, the Group acquired 15% ownership of CMP Supply Chain Management (Shanghai) Co. Ltd, a company incorporated in China. The acquired shares are classified as investment at fair value through other comprehensive income (FVOCI) amounting to ₱43.1 million and ₱43.5 million as at March 31, 2020 and December 31, 2019.

11. Deposit for Future Investments

The Group 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 agri commodity trading and with investments in real estate development and agri trading. 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 Group 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 Group's consolidated statements of financial position.

In 2017, Fucang made a deposit amounting to ₱194.7 million to acquire 60% ownership of the stockholdings of Guangzhou Tianchen Real Estate Development Co., Ltd, a real estate company in China. The balance of this deposit amounted to ₱194.3 and ₱195.0 as at March 31, 2020 and December 31, 2019, respectively. As of reporting date, the construction is 38% completed and is expected to be finished on the second quarter of 2022.

12. Property and Equipment

Rollforward analysis of the Group's property and equipment as at March 31, 2020 and December 31, 2019 follows:

	2020								Total
	Land	Building and improvements	Store and warehouse equipment	Delivery and transportation equipment	Machinery and equipment	Office furniture and fixtures	Leasehold improvement	Construction in progress	
Cost:									
Balances at beginning of year, as adjusted	149,152,330	252,293,197	126,168,465	64,308,393	260,119,162	60,149,547	74,071,450	70,209,261	1,056,471,805
Additions	-	8,196,578	513,373	-	1,306,204	-	-	-	10,016,155
Balances at end of year	149,152,330	260,489,775	126,681,838	64,308,393	261,425,366	60,149,547	74,071,450	70,209,261	1,066,487,960
Balances at beginning of year, as adjusted	-	97,001,222	93,216,101	47,145,244	190,663,307	50,344,226	64,313,229	-	542,683,328
Depreciation and amortization	-	10,212,159	2,730,737	1,257,307	6,137,138	1,524,615	890,954	-	22,752,910
Balances at end of year	-	107,213,381	95,946,838	48,402,551	196,800,445	51,868,841	65,204,183	-	565,436,238
Net book value	₱	₱153,276,394	₱30,735,000	₱15,905,842	₱64,624,921	₱8,280,706	₱8,867,267	₱70,209,261	₱501,051,722

2019									
	Land	Buildings and improvements	Store and warehouse equipment	Delivery and transportation equipment	Machinery and equipment	Office furniture and fixtures	Leasehold improvement	Construction in progress	Total
Cost:									
Balances at beginning of year, as restated	₱149,152,330	₱207,109,501	₱123,887,490	₱98,709,950	₱494,811,091	₱115,357,626	₱108,655,394	₱-	₱1,297,683,382
Reclassification (Note 27)	-	-	-	(2,110,000)	(236,500,213)	-	-	-	(238,610,213)
Balances at beginning of year, as adjusted	149,152,330	207,109,501	123,887,490	96,599,950	258,310,878	115,357,626	108,655,394	-	1,059,073,169
Additions	-	-	2,572,653	37,089	1,814,284	809,298	2,367,950	-	7,601,274
Reclassification	-	53,428,404	-	(19,600,944)	-	(33,827,460)	-	-	-
Effect of foreign currency translation	-	(8,244,708)	-	(1,971,050)	-	(1,267,318)	-	-	(11,483,076)
Reclassification (Note 31)	-	-	(291,678)	(10,756,650)	(6,000)	(20,922,601)	(36,951,804)	70,209,170	70,209,170
Disposals	-	-	(291,678)	(10,756,650)	(6,000)	(20,922,601)	(36,951,804)	-	(68,928,733)
Balances at end of year	149,152,330	252,293,197	126,168,465	64,308,393	260,119,162	60,149,547	74,071,450	70,209,170	1,056,471,804
Accumulated depreciation and amortization:									
Balances at beginning of year	-	53,708,044	88,471,838	51,646,153	267,574,604	65,176,284	97,316,908	-	623,893,831
Reclassification	-	-	-	(1,289,444)	(98,541,755)	-	-	-	(99,831,199)
Balances at beginning of year, as adjusted	-	53,708,044	88,471,838	50,356,709	169,032,849	65,176,284	97,316,908	-	524,062,632
Depreciation and amortization	-	45,076,666	5,035,941	8,985,170	21,636,458	6,098,458	3,159,374	-	89,992,067
Reclassification	-	235,065	-	(235,065)	-	-	-	-	-
Effect of foreign currency translation	-	(2,018,553)	-	(1,204,921)	-	(746,408)	-	-	(3,969,882)
Disposals	-	-	(291,678)	(10,756,650)	(6,000)	(20,184,107)	(36,163,053)	-	(67,401,489)
Balances at end of year	-	97,001,222	93,216,101	47,145,244	190,663,307	50,344,226	64,313,229	-	542,683,328
Net book value	₱149,152,330	₱155,291,975	₱32,952,364	₱17,163,149	₱69,455,855	₱9,805,321	₱9,758,311	₱70,209,170	₱513,788,476

Certain assets such as delivery and transportation equipment, buildings and machinery equipment are covered by insurance.

Land and building located in Pulilan, Bulacan with carrying value of ₱172.7 million and ₱175.1 million as at March 31, 2020 and December 31, 2019, respectively, are used as collaterals for one of its long-term liabilities under Bank 3 (see Note 17).

In 2018, three (3) delivery trucks under transportation equipment of the Group, amounting to ₱3.4 million, is mortgaged as collateral for its own auto-loan (see Note 17). The carrying value of the trucks as at March 31, 2020 and December 31, 2019 amounted to ₱2.0 million and ₱2.6 million, respectively.

The Group has disposed property and equipment with aggregate net book value of ₱56.4 million in 2019. Gain incurred from the disposal amounted to ₱0.2 million in 2019.

The Group's commitment to acquire property is discussed in Note 15. The Group's management had reviewed the carrying values of property and equipment as of March 31, 2020 and December 31, 2019 for any possible impairment. Based on the evaluation, there are no indications that the property and equipment are impaired.

13. Investment Property

This pertains to construction in progress for retail and office spaces intended for lease amounting to ₱300.9 million and ₱301.8 million as at March 31, 2020 and December 31, 2019, respectively. Real property amounting to million as at December 31, 2018 serves as collateral for the Group's long-term liability from a foreign bank (see Note 17).

The rollforward analysis of construction in progress under investment property follows:

	Note	2020	2019
Balance at beginning of year	31	₱301,859,118	₱413,154,770
Transferred to inventory		-	(141,144,793)
Transferred to advances to contractors		-	29,849,141
Foreign exchange translation		(987,543)	-
Balance at end of year		₱300,871,575	₱301,859,118

14. Intangible Assets

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

	2020				
	Trademark	Goodwill	Franchise	Computer software	Total
Cost:					
Balance at beginning of year	₱200,000,000	₱95,014,063	₱9,049,750	₱7,127,105	₱311,190,918
Additions during the year	-	-	-	-	-
Balance at end of year	200,000,000	95,014,063	9,049,750	7,127,105	311,190,918
Accumulated amortization and impairment					
Balance at beginning of year	52,500,000	58,384,916	8,144,775	7,073,938	126,103,629
Amortization (Note 23)	2,500,000	-	226,244	34,413	2,760,657
Balance at end of year	55,000,000	58,384,916	8,371,019	7,108,351	128,864,286
Net carrying value	₱145,000,000	₱36,629,147	₱678,731	₱18,754	₱182,326,632

2019					
	Trademark	Goodwill	Franchise	Computer software	Total
Cost:					
Balance at beginning of year	₱200,000,000	₱95,014,063	₱9,049,750	₱7,544,962	₱311,608,775
Additions during the year	-	-	-	32,143	32,143
Disposals during the year	-	-	-	(450,000)	(450,000)
Balance at end of year	200,000,000	95,014,063	9,049,750	7,127,105	311,190,918
Accumulated amortization and impairment					
Balance at beginning of year	42,500,000	-	7,239,800	7,386,288	57,126,088
Impairment (Note 23)	-	55,343,063	-	-	55,343,063
Effect of consolidation	-	3,041,853	-	-	3,041,853
Amortization (Note 23)	10,000,000	-	904,975	137,650	11,042,625
Disposals during the year	-	-	-	(450,000)	(450,000)
Balance at end of year	52,500,000	58,384,916	8,144,775	7,073,938	126,103,629
Net carrying value	₱147,500,000	₱36,629,147	₱904,975	₱53,167	₱185,087,289

Trademark

The trademark includes that related to the acquisition of TBC in 2011. During the acquisition of TBC, net assets acquired includes trademark for the use of "Big Chill" brand, amounting to ₱200.0 million which was included in the purchase price.

Goodwill

The goodwill of the Group is attributable mainly to the business acquisitions made in 2017 to expand the Group's operations.

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.

Computer software

The computer software pertains to the accounting software used by the Group. 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 March 31, 2020 and December 31, 2019.

The Group's intangible assets are not pledged as security to any of the Group's liabilities. The Group has no contractual commitment to purchase intangible assets.

15. Other Noncurrent Assets

This account consists of:

	2020	2019
Advances and deposits	₱684,358,668	₱678,361,974
Noncurrent portion of prepayments	4,943,202	5,084,452
Rental deposits and others	1,978,456	1,978,456
Advances to suppliers	-	-
	₱691,280,326	₱685,424,882

Advances and deposits include the following:

- Advance payment to Tetra Pak for future acquisition of equipment necessary for pre-processing, sterilization, aseptic storage and clean in place station for coconut water

amounting to ₱30.6 million. The Group has ongoing criminal action against Tolman Manufacturing Inc. to recover the advance payment mentioned. The amount is guaranteed by a stockholder in the event of an adverse result of the ongoing case.

- Deposit made to acquire a portion of the 859 hectares, or a corresponding portion thereof, of titled and untitled parcels of land amounting to ₱508.7 million as at March 31, 2020 and December 31, 2019. The increase in 2019 amounting to 208.7 million pertains to additional deposit made which was advanced by one of its stockholders (see Note 21). As of reporting date, the third party is completing the titling of the whole portion of the property to fully execute the transactions. The deposit shall be recognized as property upon the determination of the final amount and upon taking control of the related property (see Note 1).
- Deposit amounting to ₱12.1 million to acquire an existing business in Australia to expand business operations.
- Deposit amounting to ₱6.3 million to a local rural bank to acquire 2,500,000 common shares representing 12.5% ownership. The said investment is still for approval of SEC and Bangko Sentral ng Pilipinas (BSP).
- Advances to project amounting to ₱126.7 million as at March 31, 2020 and December 31, 2019, represents advances for land acquisitions intended for future business prospects.

Advances to suppliers represent noninterest-bearing down-payments to third party foreign suppliers for repairs and maintenance of fixed assets.

Advances and deposits amounting to ₱62.8 million was written off in 2019 as management believes that these are no longer recoverable (see Note 23).

Advances to suppliers represent noninterest-bearing down-payments to third party foreign suppliers for repairs and maintenance of fixed assets.

Rental and other deposits include rental and refundable deposits made by the Group on long-term operating and finance leased properties (see Note 27).

16. Trade and Other Payables

This account consists of:

	2020	2019
Trade payables	₱215,883,411	₱191,209,393
Nontrade payables	401,713,249	386,312,199
Customers' deposits	194,110,893	254,774,584
Accrued expenses	12,985,200	10,327,027
Government payables	16,704,867	16,916,972
Accrued interest	5,866,280	5,770,667
	₱847,263,900	₱865,310,842

Trade payables are noninterest-bearing and are generally settled within one month.

Nontrade payables mainly include to unsecured and noninterest-bearing payable from ThomasLloyd Cleantech Infrastructure Fund GMHB (TLCIF) subsequently assigned by TLCIF to the Group on December 29, 2014, as consented by Greenergy Holdings Inc. (GHI) with the following terms and conditions:

- The Group shall pay the nontrade payables on or before December 31, 2016 in cash or non-cash assets acceptable to GHI; and
- If the nontrade payables will be paid with non-cash assets, the appraised value thereof shall be determined by an independent appraiser mutually acceptable to the Group and GHI.

As at March 31, 2020, the nontrade payables to GHI are not yet settled. However, management assessed that these are still fully recoverable in the year 2020.

Nontrade payables also include outstanding liabilities to nontrade suppliers.

Customers' deposit pertains to advanced collections from customers for goods to be delivered.

Accrued expenses are obligations on the basis of normal credit terms and do not bear interest. These pertain to accruals made for utilities, association dues, security services, salaries and wages and professional fees. 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.

Government payables include expanded withholding taxes, withholding taxes on compensation, final taxes, social security, government health and other fund premiums which are paid within 12 months from the end of the reporting period.

Portion of trade and other payables amounting to ₱30.1 million in 2019 was derecognized after it was determined that the amounts are long outstanding already and are no longer liabilities of the Group.

All trade and other payables are noninterest-bearing.

17. Loans Payable and Redeemable Convertible Loan

Details of this account follow:

	2020	2019
Long-term:		
<i>Foreign Currency</i>		
Bank 1	₱24,501,120	₱33,491,040
Bank 2	10,811,677	19,699,067
Bank 9	-	-
<i>Peso Currency</i>		
Bank 3	182,600,000	198,850,000
Bank 4	-	-
Bank 7	19,348,374	21,079,461
Others	2,403,101	8,679,101
Total long-term loans	239,664,272	281,798,669
Less non-current portion	159,653,804	159,653,804
Current portion	₱80,010,468	₱122,144,865
Short-term:		
<i>Foreign Currency</i>		
Bank 8	-	-
Others	37,898,754	31,802,175
<i>Peso Currency</i>		
Bank 5	299,600,000	307,600,000
Bank 6	-	491,575
Others	36,304,896	38,131,234
	₱373,803,650	₱378,024,984

The rollforward analysis of loans payable follows:

	2020	2019
Balance at beginning of year	₱659,823,653	₱1,072,259,717
Payments during the year	(46,690,152)	(468,663,727)
Availments during the year	-	54,693,750
Foreign exchange loss adjustment	334,421	1,533,913
Balance at end of year	₱613,467,922	₱659,823,653

Loan features are summarized below:

Foreign Currency Loans

Bank 1

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, the payments terms were renegotiated. 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. In 2019, the loan was restructured with principal payable monthly until June 10, 2020.

The loan is secured by a personal guaranty and real estate mortgage of property located in Tagaytay with title under the name of a stockholder.

Bank 2

A USD loan availed using the Group's current loan facility from Bank 2, bearing an interest rate with rates ranging from 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.

In 2019, the loan was renegotiated with principal payable monthly until September 15, 2020.

The Group's outstanding loan balance from Banks 1 and 2 had been restated at a rate of ₱51.044 to 1US\$ in 2020 and ₱50.744 to 1US\$ in 2019 (see Note 28).

Bank 8

The Group has an outstanding Renminbi (RMB) unsecured short-term loan from Bank 8, which are due within 360 days with an interest rate of 5% per annum. The loan was not renewed in 2019.

Bank 9

A 5-year RMB loan with an interest rate of 8%. The loan is guaranteed by a real estate mortgage on the property and equipment currently under construction which amounted to ₱109.2 million as at December 31, 2018 (see Note 12). Additional guarantee to the loan is provided by Shenzhen Zhonghui Investment Management Co, Ltd., an affiliated company. The loan was settled in full in 2019.

The Group's outstanding loan balance from Banks 8 and 9 had been restated at a rate of ₱7.677 to 1RMB as at December 31, 2018 (see Note 28).

Peso Currency Loans

Bank 3

Various loans from Bank 3, which pertain 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 of the end of the reporting period. The loans bear interest rate of 6% per annum, with the interest payable on a monthly basis until December 31, 2022.

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 ₱172.7 million and ₱175.1 million as of March 31, 2020 and December 31, 2019, respectively (see Note 12).

Bank 4

The Group has a current loan facility from Bank 4 with loans bearing interest rate of 5.5% per annum, with interest payable on a monthly basis. The loan is unsecured and has a term of thirty-six (36) months. On January 2017, the loan was restructured with an adjusted interest rate of 6.5% payable monthly until September 2019.

Bank 5

Various short-term, unsecured loans from Bank 5, bearing interest rates ranging from 3.0% to 6.75% 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 6

In 2019, the Group availed unsecured, short-term loans from Bank 6 with interest rate of 16% payable in ninety (90) days. Upon maturity, the loan was renewed payable for another 90 days.

Bank 7

The Group has a current loan facility with Bank 7 with loans bearing interest rate of 8.0% 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. On June 30, 2017 the loan was restructured and has a remaining term of sixty (60) months, principal payable every month starting October 2017. The loan is secured by pledge on shares of stocks of the Parent Company and continuing suretyship with a stockholder.

Other loans include the following:

- In 2018, TBC availed a loan from a local bank, amounting to ₱3,022,800 for acquisition of three units of delivery trucks, with an interest rate of 9.4% per annum, payable in five years. Outstanding balance of loan as at March 31, 2002 and December 31, 2019 amounted to ₱2.2 million and ₱2.4 million, respectively, which are secured by a chattel mortgage (see Note 12).
- In May 2004, FCI obtained a noninterest-bearing, unsecured loan amounting to ₱13,650,000 from the Agricultural Competitiveness Enhancement Fund (ACEF) of the Department of Agriculture (DA) through the chosen conduit bank, Land Bank of the Philippines for the additional working capital and expansion of fruit processing facilities. The loan is payable quarterly within five (5) years starting September 2005 to June 2009.

Due to unfavorable effects of economic conditions, FCI proposed to settle the ACEF loan with monthly payments of ₱30,000 starting October 2007. The Company also has the option to pay the loan at ₱100,000 quarterly. The DA subsequently approved the proposal in September 2012.

In August 2018, the loan was restructured as a result of the decision made by the ACEF Executive Committee (EXECOM) during its meeting in May 2018. FCI proposed for deferment of 10% of outstanding balance amounting to ₱1,046,000 to be paid on January 31, 2019. The corresponding balance to be paid at ₱831,570, quarterly, for three (3) years, starting on March 31, 2019, amount inclusive of fixed annual interest of 2%. Outstanding balance of the loan amounted to ₱6.3 million as at March 31, 2020 and December 31, 2019, respectively.

- ANI availed short-term, unsecured loans from individuals which bear interest ranging from 1% to 2% and have terms of 1-12 months. Outstanding balance of these loans amounted to ₱32.1 million and ₱33.9 million as of March 31, 2020 and December 31, 2019, respectively.

- FFCI availed short term, unsecured loans which bear interest rate of 1% per month, payable on a monthly basis and have maximum terms of three (3) to six (6) months. Outstanding balance of these loans amounted to ₱3.2 million and ₱3.0 million as at March 31, 2020 and December 31, 2019, respectively.
- In 2019, IMEX obtained short term, unsecured loan from a local bank amounting to ₱1.0 million with an interest of 18% per annum.

The maturity profile for the Group's loans payable as at March 31, 2020 and December 31, 2019 is as follows:

Maturity Profile	2020	2019
Due within one year	₱453,814,118	₱500,169,849
Due beyond one year but not more than five years	159,653,804	159,653,804
	₱613,467,922	₱659,823,653

18. Revenue

The table below shows the analysis of revenues of the Group by major sources for the period ended March 31, 2020 and 2019:

	2020	2019
Sale of goods	₱827,739,431	₱900,669,138
Sale of real property	-	298,581,853
	₱827,739,431	₱1,199,250,991

19. Equity

On December 29, 2018, the SEC approved the increase in authorized capital stock of the Parent Company from one billion (₱1,000,000,000) divided into one billion shares to two billion (₱2,000,000,000) divided into two billion common shares both with par value of one peso (₱1). This increased the subscription of Earthright Holdings, Inc. to two hundred fifty million common shares (250,000,000), increasing the total subscribed shares to 1,018,274,088 as at March 31, 2020 and December 31, 2019.

The movement in the Parent Company's authorized number of shares with a par value of ₱1 per share is shown below:

	2020	2019
Balance at beginning of year	2,000,000,000	2,000,000,000
Increase during the year	-	-
Balance at end of year	2,000,000,000	2,000,000,000

The movement in the Parent Company's subscribed and paid up capital is shown below:

	2020	2019
Balance at beginning of year	₱830,774,088	₱830,774,088
Subscribed and paid up	-	-
Balance at end of year	₱830,774,088	₱830,774,088

Rollforward analysis of subscribed capital at par value is shown below:

	2020	2019
Balance at beginning of year	₱1,018,274,088	₱1,018,274,088
Subscriptions during the year	-	-
Subscriptions receivable at par value	-	-

Balance at end of year	₱1,018,274,088	₱1,018,274,088
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The movement in the Parent Company's additional paid-in capital is shown below:

	2020	2019
Balance at beginning of year	₱3,567,071,761	₱3,516,841,761
Additions during the year (net of subscriptions receivable of ₱307,481,882 and ₱357,711,882 in 2019 and 2018, respectively) *	-	50,230,000
Balance at end of year	₱3,567,071,761	₱3,567,071,761

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

The total number of shareholders of the Parent Company is 41 as at March 31, 2020 and December 31, 2019, respectively.

The principal market for the Group's capital stock is the PSE. The high and low trading prices of the Group's shares as at March 31, 2020 and 2019 are as follows:

	2020		2019	
	High	Low	High	Low
First	₱6.60	₱6.20	₱14.94	₱14.70
Second	-	-	-	-
Third	-	-	-	-
Fourth	-	-	-	-

20. Basic/Diluted Earnings Per Share

Basic earnings (loss) per share is 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 per share attributable to the equity holders of the Group

	March 31, 2020	March 31, 2019
Net income from continuing operations attributable to equity holders of the Parent Company	₱10,885,657	₱23,981,068
Net loss from discontinued operations attributable to equity holders of the Parent Company	-	-
	₱10,885,657	₱23,981,068
Weighted average number of common shares	830,774,088	830,774,088
Basic and diluted earnings per share	₱0.01	₱0.03

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

	2020	2019
Number of shares beginning of year	830,774,088	830,774,088
Weighted average number of shares issued during the year	-	-
Weighted average number of outstanding common shares	830,774,088	830,774,088

21. 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 other investing activities and for working capital purposes. These are payable on demand and usually settled in cash or other form of assets by way of liquidation.
- b. On December 28, 2018, the Parent Company and a third party individual entered into an agreement to form a joint venture to develop a property located in Taytay Rizal. Relative to this, the Parent Company made a deposit amounting to ₱300.0 million to acquire a portion of the 859 hectares, or a corresponding portion thereof, of titled and untitled parcels of land.

In 2019, the Parent Company made additional deposit amounting to ₱208.7 million which was advanced by one of its stockholders. As at reporting date, the third party is completing the titling of the whole portion of the property to fully execute the transactions. The deposit shall be recognized as property upon the determination of the final amount and upon taking control of the related property.

- c. Details of the related party balances follow:

	2020	2019
Due from:		
Stockholder	₱146,761,650	₱149,846,368
Affiliates/Entity under common ownership	124,110,404	147,721,929
	270,872,054	297,568,297
Allowance for impairment losses	(6,460,530)	(6,460,530)
	₱264,411,524	₱291,107,767
Due to:		
Stockholder	₱5,558,486	₱5,558,486
Affiliates/Entity under common ownership	37,427,944	38,263,157
	₱42,986,430	₱43,821,643

The rollforward analysis of related party accounts follow:

	2020	2019
Due from related parties:		
Balance at beginning of year	₱291,107,766	₱712,757,387
Advances	-	65,021,942
Collections	(26,696,242)	(480,407,032)
	264,411,524	297,372,297
Provision for impairment losses	-	(6,264,530)
Balance at end of year	₱264,411,524	₱291,107,767
Due to related parties:		
Balance at beginning of year	₱43,821,642	₱67,357,588
Advances	-	27,295,885
Payments	(835,212)	(50,831,831)
Balance at end of year	₱42,986,430	₱43,821,642

The summary of the above related party transactions follows:

	2020		2019			
	Amount/ Volume	Balance - Asset (Liability)	Amount/ Volume	Balance - Asset (Liability)	Terms and Condition/Settlement	Guaranty/ Provision
<u>Stockholders</u>						
1. Receivables		₱146,761,650		₱149,846,368	Noninterest-bearing; collectible on demand; to be settled in cash or other assets	Unsecured; no significant warranties and covenants; no impairment
• Advances made	₱-		₱25,822,487			
• Collections	(12,157,298)		(329,951,740)			
2. Payables		(5,558,486)		(5,558,486)	Noninterest-bearing; payable on demand; to be settled in cash or other assets	Unsecured; no significant warranties and covenants
• Advances received	-		(5,558,486)			
<u>Affiliates</u>						
1. Receivables		124,110,404		147,721,928	Noninterest-bearing; collectible on demand; to be settled in cash or other assets	Unsecured; no significant warranties and covenants; no impairment
• Collections	-		(150,455,291)			
• Advances made	14,538,944		43,121,233			
• Write off	-		(3,921,779)			
2. Payables		(37,427,944)		(38,263,156)	Noninterest-bearing; payable on demand; to be settled in cash or other assets	Unsecured; no significant warranties and covenants
• Advances received	-		(21,737,399)			
• Payments	835,212		50,831,831			

Due from Stockholder

Due from stockholder is noninterest-bearing advances, unsecured, not guaranteed and no impairment and are generally collectible in cash and other assets through liquidation or offsetting with corresponding payable. In 2020 and 2019, the balances due from the stockholder are all current.

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 ₱2.7 million and ₱3.2 million in 2020 and 2019, respectively. There were no other benefits aside from the salaries and other short-term benefits.

There are no other related party transactions in 2020 and 2019.

22. Cost of Sales

Cost of goods and services sold	Note	2020	2019
Inventories, beginning		₱229,609,830	₱946,046,631
Purchases and conversion cost		601,543,065	955,403,480
Cost of goods available for sale		831,152,895	1,901,450,111
Inventories, end	8	161,183,327	1,092,848,191
		₱669,969,568	₱808,601,920
Cost of goods sold of real property/translation loss		(800,631)	177,082,929
		₱669,168,937	₱985,684,849

Others include production supplies, freight and handling costs, contracted services, gas and oil, repairs and maintenance, tolling, sales commission and utilities.

23. General and Administrative Expenses

This account consists of:

	Notes	2020	2019
Taxes and licenses		₱44,896,606	₱61,332,307
Personnel costs		17,360,147	17,928,265
Representation and entertainment		16,339,077	13,183,480
Depreciation and amortization	14, 27	14,940,626	16,089,400
Transportation and travel		3,732,009	1,357,904
Communication, light and water		3,526,064	3,743,065
Rentals	27	2,261,638	1,882,696
Advertising		1,533,013	19,875,261
Repairs and maintenance		1,066,905	536,932
Freight and handling cost		762,982	1,393,327
Supplies		364,101	716,937
Contracted services		278,438	193,142
Insurance		238,893	78,779
Bank charges		177,286	32,919
Professional fees		78,259	1,994,520
Commissions		45,356	36,159
Others		1,015,107	1,177,995
		₱108,616,507	₱141,553,088

Other employee benefits include SSS, HDMF, Philhealth employer contributions and 13th month bonus.

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

24. Other Income (Charges)

	Notes	2020	2019
Other income			
Rental income	27	₱1,152,359	₱100,137
Others		3,411	5,299
		1,155,770	105,436
Other expenses:			
Net foreign exchange loss	28	5,442,733	110,115
		₱4,286,963	₱4,679

25. 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 was made as at and for the years ended March 31, 2020 and December 31, 2019.

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

	2020	2019
Balance at beginning of year	₱10,534,654	₱5,883,055
Retirement benefits expense	-	1,372,732
Remeasurement loss (gain)	-	3,278,867
Balance at end of year	₱10,534,654	₱10,534,654

The reconciliation of remeasurement gain as at March 31, 2020 and December 31, 2019 follows:

	2020	2019
Balance at beginning of year	₱3,974,345	₱6,931,480
Remeasurement gain (loss)	-	(2,957,135)
Balance at end of year	₱3,974,345	₱3,974,345

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:

	2020	2019
Discount rate	7.80%	7.80%
Projected salary increase rate	5.00%	5.00%

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

The estimated average remaining working lives of employees is 14 years for the years ended March 31, 2020 and December 31, 2019.

26. Income Taxes

- a. The Parent Company and local subsidiaries are subject to RCIT or MCIT whichever is higher. Foreign subsidiaries are subject to corporate income tax at statutory tax rate applicable to their respective countries. Income tax expense amounted to ₱8.6 million in 2020 and ₱13.2 million in 2019, respectively.

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

	Notes	2020	2019
<i>Tax effect of:</i>			
NOLCO		₱71,104,172	₱71,104,172
Allowance for impairment losses	7, 9	99,926,543	99,926,543
Unrealized foreign exchange loss		4,559,300	4,559,300
Retirement liability	25	10,534,653	10,534,653
MCIT		14,111,759	14,111,759
		₱200,236,427	₱200,236,427

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 incurred NOLCO which can be claimed as deduction against future taxable income as follows:

Year incurred	Expiration	Expired /Applied	Unapplied	Tax Effect
2016	2019	₱177,610,018	₱—	₱—
2017	2020	—	11,425,441	3,427,632
2018	2021	591,430	31,793,674	9,538,102
2019	2022	110,633	27,885,057	8,365,517
		₱178,312,081	₱71,104,172	₱21,331,252

- d. The Group incurred MCIT which can be claimed as deduction against future tax due as follows:

Year incurred	Expiration	Expired/Applied	Unapplied
2016	2019	₱297,267	₱—
2017	2020	600,014	4,056,662
2018	2021	38,824	4,935,581
2019	2022	26,997	5,119,516
		₱963,102	₱14,111,759

- e. The Group opted for the itemized deduction scheme for its income tax reporting in 2020 and 2019.

27. Lease Agreements

Group as Lessor

The Group has an operating lease arrangement of its property to Huayou Construction Development Philippines Corporation.

The lease has a term of one year commencing from January 1, to December 31, 2018 subject to an annual review and renewable upon mutual agreement of the parties. The lease contract was renewed in 2019 for another twelve (12) months. Refundable deposit pertaining to this lease amounted to ₱121,511 (see Note 14).

The lease agreement includes clause requiring the lessee to be liable when the property has been subjected to excess wear-and-tear during the lease term. This strategy minimizes the risk exposure to residual value of the underlying asset.

Estimated future minimum lease payments to be collected to lessee as of March 31, 2020 and December 31, 2019 amounted to ₱1.1 million.

Rental income from the lease amounted to ₱1.1 million in 2020 and ₱0.1 million in 2019 (see Note 24).

Group as Lessee

The Group leases machinery, transportation equipment and store premises from third parties under finance lease agreements ranging from four to seven years.

I. Right-of-use asset

The balance and movements of ROU assets as at and for the year ended March 31, 2020 and December 31, 2019 relating to the lease of machinery, transportation equipment and store premises is as follows (see Note 11):

2020

	Note	Machinery	Transportation equipment	Store premises	Discount on refundable deposit	Right of use asset	Total
Net carrying value as at							
January 1, 2019		₱-	₱-	₱-	₱-	₱126,170,605	₱126,170,605
Amortization during the year		-	-	-	-	5,312,370	5,312,370
Net carrying value		₱-	₱-	₱-	₱-	₱120,858,235	₱120,858,235

2019

	Note	Machinery	Transportation equipment	Store premises	Discount on refundable deposit	Right of use asset	Total
Net carrying value as at							
January 1, 2019		₱137,958,458	₱820,556	₱11,737,235	₱191,598	₱-	₱150,707,847
Reclassification due to adoption of PFRS 16	11	(137,958,458)	(820,556)	(11,737,235)	(191,598)	150,707,847	-
Amortization during the year		-	-	-	-	24,537,242	24,537,242
Net carrying value		₱-	₱-	₱-	₱-	₱126,170,605	₱126,170,605

II. Refundable Deposit

The balance and movements of refundable deposits as at March 31, 2020 and December 31, 2019 follow:

	Note	
Carrying value as at December 31, 2018	15	₱1,189,538
Discount on refundable deposit		(191,598)
Carrying value as at January 1, 2019		997,940
Accretion income on refundable deposit		76,128
Carrying value as at December 31, 2019		₱1,074,068

Relative to the lease, the Group's refundable deposit amounted to ₱7.1 million and ₱8.8 million equivalent to one month lease rental based on rental rate applicable on the last year of the lease term (see Note 13). The refundable deposit is presented under "Prepayments and other current assets" and "Deposits and investments" accounts in the statements of financial position as at March 31, 2020 and December 31, 2019 (see Note 13).

Rental deposits related to short term lease amounted to ₱8,577,907 and ₱7,821,256 as at December 31, 2019 and 2018, respectively (see Note 9 and 13).

III. Lease Liability

The balance and movements of lease liability as at March 31, 2020 and December 31, 2019 relating to the lease above follow:

	2020	2019
Balance at the beginning of year	₱11,865,788	₱29,793,085
Adjustment due to adoption of PFRS 16	–	11,737,235
Balance at beginning of year, as adjusted	11,865,788	41,530,320
Payment of lease liability	–	(29,050,609)
Unrealized foreign exchange gain	25,800	(613,923)
Net carrying value	11,891,588	11,865,788
Less current portion	8,522,008	8,496,208
Noncurrent portion	₱3,369,580	₱3,369,580

IV. Short-term Leases

The Group leases office spaces, warehouses, residential units, warehouse equipment under lease agreements usually for a period of one year, renewable subject to the mutual consent of the lessor and the lessee without any escalation clause. The Group agreed to pay monthly fixed payment additional payment for utilities and intercommunication service. As at March 31, 2020 and December 31, 2019, there are 43 store outlets being held under operating lease agreements.

Future minimum lease payments under these operating leases as at March 31, 2020 and December 31, 2019 cannot be reliably determined as it includes variable factors in determining the lease payments for the short-term leases.

28. Financial Risk Management and Capital Management Objectives and Policies

Financial Risk Management Objectives and Policies

The Group's principal financial instruments consist of cash, due to and from related parties and stockholders, loans and lease payable. 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 trade and other receivables (excluding advances to officers and employees), refundable deposits under "Prepayments and other

current assets” and “Other noncurrent assets” and trade and other payables (excluding government-regulated payables) which arise directly from its operations.

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

- **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.

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 March 31, 2020 and December 31, 2019:

	Notes	2020	2019
Cash in banks	6	₱78,650,878	₱71,828,177
Trade and other receivables – net*	7	644,460,612	573,634,432
Due from related parties	21	117,649,874	141,261,398
Due from stockholders	21	146,761,650	149,846,368
Refundable deposits – net	9,15	8,022,712	8,022,712
		₱995,545,843	₱946,482,750

*Excluding nonfinancial assets amounting to ₱50,005,790 and ₱49,229,172 in 2020 and 2019, respectively.

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 3 payment defaults.

The table below summarizes the credit quality of the Group’s financial assets based on its historical experience with the corresponding parties as at March 31, 2020 and December 31, 2019:

	2020			
	Neither past due nor impaired		Past due but not impaired	Impaired
	High grade	Standard grade		
Cash in banks	₱78,182,898	₱467,980	₱–	₱–
Trade and other receivables*		524,336,693	120,123,919	82,796,323
Due from related parties	–	117,649,874	–	–
Due from a stockholder	–	146,761,650	–	–
Refundable deposits	–	10,001,168	–	6,711,100
Total	₱78,182,898	₱799,217,365	₱120,123,919	₱89,507,423
				₱1,087,031,605

*Excluding nonfinancial assets amounting to ₱50,005,790.

	2019				
	Neither past due nor impaired		Past due but not impaired	Impaired	Total
	High grade	Standard grade			
Cash in banks	₱71,473,673	₱354,504	₱-	₱-	₱71,828,177
Trade and other receivables*		453,510,513	120,123,919	82,796,323	656,430,755
Due from related parties	-	119,484,648	-	-	119,484,648
Due from a stockholder	-	171,623,119	-	-	171,623,119
Refundable deposits	-	10,001,168	-	6,711,100	16,712,268
Total	₱71,473,673	₱754,973,952	₱120,123,919	₱89,507,723	₱1,036,078,967

*Excluding nonfinancial assets amounting to ₱49,229,172

- Cash in banks classified as high grade are deposited and invested with banks with good credit training and can be withdrawn anytime. Standard grade cash in banks are those deposited under rural banks.
- 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 to minimal history of default.
- Due from related parties and stockholder are assessed as standard grade since the Group practices offsetting of receivables and payables.
- High-grade refundable deposits are accounts considered to be high value. The counterparties have a very remote likelihood of default. Refundable security deposits assessed as standard grade are refunded upon termination or fulfilment of agreement.

Below is the aging analysis of past due but not impaired trade and other receivables:

Trade	30 to 60 days	61 to 90 days	More than 90 days	Total
2020	₱29,753,209	₱32,037,463	₱58,333,247	₱120,123,919
2019	₱29,753,209	₱32,037,463	₱58,333,247	₱120,123,919

- c. Risk concentrations of the maximum exposure to credit risk
- Concentrations arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location. Such credit risk concentrations, if not properly managed, may cause significant losses that could threaten the Group's financial strength and undermine public confidence. The Group is not exposed to large concentration of credit risks.
- d. Impairment assessment
- The Group applies general approach for determining the expected credit losses of cash in banks, nontrade receivables, due from related parties and refundable deposit. A credit loss is the difference between the cash flows that are expected to be received discounted at the original effective interest rate and contractual cash flows in accordance with the contract. The loss allowance for financial assets are based on the assumptions about risk of default and expected loss rates. In addition, management's assessment of the credit risk on cash in bank and nontrade receivables as at the reporting date is low. The management provided allowance for impairment

of due from related parties and refundable deposits amounting to ₱1.1 million and ₱6.1 million in 2019, respectively (see Notes 21 and 9).

The Group applies the PFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade receivables. To measure expected credit loss, receivables were grouped based on days past due and grouped the customers according to their profile. The expected loss rates are based on the historical credit losses within the period of time. The historical loss rates are adjusted to reflect current and forward-looking information affecting the ability of the customers to settle the receivables.

Aside from the ECL computation the management provided additional allowance for the year amounted to ₱6.0 million for the trade receivables management has assessed to be uncollectible.

- **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 March 31, 2020 and December 31, 2019 based on undiscounted payments:

2020					
	Notes	On demand	Due within one year	Due beyond one year	Total
<i>Financial assets</i>					
Cash in banks	6	₱78,650,878	₱-	₱-	₱78,650,878
Trade and other receivables – net*	7	166,971,478	477,489,134	-	644,460,612
Due from related parties	21	117,649,874	-	-	117,649,874
Due from a stockholder	21	146,761,650	-	-	146,761,650
Refundable deposits – net	9, 15	-	8,022,712	8,689,556	16,712,268
		₱510,033,880	₱485,511,846	₱8,689,556	₱1,004,235,282
<i>Other financial liabilities</i>					
Trade and other payables**	16	₱123,953,438	₱512,494,702	₱-	₱636,448,140
Due to related parties	21	42,986,430	-	-	42,986,430
Loans payable	17	-	400,288,461	213,179,461	613,467,922
Lease payable	27	-	8,496,208	3,369,580	11,865,788
		₱166,939,868	₱921,279,371	₱216,549,041	₱1,304,768,280

*Excluding nonfinancial assets amounting to ₱50,005,790.

**Excluding nonfinancial liabilities to ₱210,815,760

2019					
	Notes	On demand	Due within one year	Due beyond one year	Total
<i>Financial assets</i>					
Cash in banks	6	₱71,828,177	₱-	₱-	₱71,828,177
Trade and other receivables – net*	7	175,283,898	477,489,134	-	523,634,432
Due from related parties	21	119,484,648	-	-	119,484,648
Due from a stockholder	21	171,623,119	-	-	171,623,119
Refundable deposits – net	9, 15	-	8,022,712	1,978,456	16,712,268
		₱538,219,842	₱478,291,405	₱1,978,456	₱1,018,489,703
<i>Other financial liabilities</i>					
Trade and other payables**	16	₱81,124,584	₱512,494,702	₱-	₱593,619,286
Due to related parties	21	43,821,643	-	-	43,821,643

Loans payable	17	-	446,644,192	213,179,461	659,823,653
Lease payable	27	-	8,496,208	3,369,580	11,865,788
			<u>₱124,946,228</u>	<u>₱967,635,102</u>	<u>₱216,549,041</u>
					<u>₱1,309,130,370</u>

*Excluding nonfinancial assets amounting to ₱49,229,172.

**Excluding nonfinancial liabilities to ₱271,691,556.

- **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 consolidated financial statements and cash flows.

The Group has transactional currency exposures. Such exposure generally arises from cash in banks, trade receivable and payables and loans payable in Renminbi (RMB), Hong Kong Dollar (HK\$), United States Dollar (US\$) and Australian Dollar (AU\$). The Group did not seek to hedge the exposure on the change in foreign exchange rates between the RMB, US\$, HK\$, AU\$ and the Philippine Pesos. 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.

2020								
	RMB	Peso equivalent	HKD	Peso equivalent	US\$	Peso equivalent	AU\$	Peso equivalent
Financial assets:								
Cash in banks	RMB7,089,421	₱50,987,116	HK\$2,417	₱15,909	US\$32,765	₱1,672,457	AU\$-	₱-
Trade and other receivables	42,389,976	304,868,707	38,865	255,809	4,285,235	218,735,535	-	-
Deposits	-	-	-	-	-	-	172,000	5,412,668
	49,479,397	355,855,823	41,282	271,718	4,318,000	220,407,992	172,000	5,412,668
Financial liabilities:								
Trade and other payables	60,674,985	436,374,492	34,952	230,054	-	-	-	-
Loans payable	4,281,890	30,795,353	-	-	691,811	35,312,801	-	-
Lease liability	-	-	-	-	86,000	4,389,784	-	-
	64,956,875	467,169,845	34,952	230,054	777,811	39,702,585	-	-
Net financial assets	(RMB15,477,478)	(₱111,314,022)	HK\$6,330	₱41,664	US\$3,540,189	₱180,705,407	AU\$172,000	₱5,412,668

2019								
	RMB	Peso equivalent	HKD	Peso equivalent	US\$	Peso equivalent	AU\$	Peso equivalent
Financial assets:								
Cash in banks	RMB6,707,429	₱50,266,815	HK\$2,417	₱15,750	US\$34,176	₱1,734,227	AU\$-	₱-
Trade and other receivables	41,945,850	314,350,589	58,350	380,220	3,846,224	195,172,791	-	-
Deposits	-	-	-	-	-	-	172,000	6,064,187
	48,653,279	364,617,404	60,767	395,970	3,880,400	196,907,018	172,000	6,064,187
Financial liabilities:								
Trade and other payables	62,455,829	468,056,474	34,952	227,754	-	-	-	-
Loans payable	4,385,781	32,867,920	-	-	1,048,205	53,190,114	-	-
Lease liability	-	-	-	-	86,000	4,363,984	-	-
	66,841,610	500,924,394	34,952	227,754	1,134,205	57,554,098	-	-
Net financial assets	(RMB18,188,331)	(₱136,306,990)	HK\$25,815	₱168,216	US\$2,746,195	₱139,352,920	AU\$172,000	₱6,064,187

The equivalent exchange rates of one foreign currency in Philippine peso as at March 31, 2020 and December 31, 2019 are as follows:

	2020	2019
RMB	₱7.192	₱7.494
HK\$	6.582	6.516
US\$	51.044	50.744
AU\$	31.469	35.257

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 and lease liabilities are minimal.

As at March 31, 2020 and December 31, 2019, the Group's loans payable is at interest rates that is subject for evaluation regularly. Interest risk is managed through regular monitoring.

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 March 31, 2020 and December 31, 2019, the Group considers the following accounts as capital:

	2020	2019
Capital stock	₱830,774,088	₱830,774,088
Additional paid-in capital	3,567,071,760	3,567,071,760
Due to related parties	42,986,430	43,821,643
Loans payable	613,467,922	659,823,653
Total capital	₱5,054,300,200	₱5,101,491,144

The Group has no externally imposed capital requirement. No changes were made in the objectives, policies or processes during the years ended March 31, 2020 and December 31, 2019.

29. 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 March 31, 2020 and December 31, 2019:

Going concern basis of accounting

2020				
	Notes	Carrying value	Fair value	Significant observable inputs (Level 2)
<i>PFRS 9 measurement category:</i>				
<i>Financial assets at amortized cost</i>				
Cash	6	₱78,650,878	₱78,650,878	₱78,650,878
Trade and other receivables – net*	7	644,460,612	644,460,612	644,460,612
Due from related parties	21	117,649,874	117,649,874	117,649,874
Due from stockholder	21	146,761,650	146,761,650	146,761,650
Refundable deposits	9, 15	16,712,268	16,712,268	16,712,268
		₱1,004,235,282	₱1,004,235,282	₱1,004,235,282
<i>PFRS 9 measurement category:</i>				
<i>Financial liabilities at amortized cost:</i>				
Trade payables and other payables**	16	₱636,448,140	₱636,448,140	₱636,448,140
Due to related parties	21	42,986,430	42,986,430	42,986,430
Loans payable	17	613,467,922	613,467,922	613,467,922
Lease liability	27	11,865,788	11,865,788	11,865,788
		₱1,304,768,280	₱1,304,768,280	₱1,304,768,280

*Excluding nonfinancial assets amounting to ₱50,005,790

*Excluding nonfinancial liabilities amounting to ₱210,815,760.

2019				
	Notes	Carrying value	Fair value	Significant observable inputs (Level 2)
<i>PFRS 9 measurement category:</i>				
<i>Financial assets at amortized cost</i>				
Cash	6	₱71,728,892	₱71,728,892	₱71,728,892
Trade and other receivables – net*	7	573,630,679	573,630,679	573,630,679
Due from related parties	21	141,261,398	141,261,398	141,261,398
Due from stockholder	21	149,846,368	149,846,368	149,846,368
Refundable deposits	9, 15	16,351,547	16,351,547	16,351,547
		₱952,818,884	₱952,818,884	₱952,818,884
<i>PFRS 9 measurement category:</i>				
<i>Financial liabilities at amortized cost:</i>				
Trade payables and other payables**	16	₱573,905,011	₱573,905,011	₱573,905,011
Due to related parties	21	43,821,643	43,821,643	43,821,643
Loans payable	17	659,823,653	659,823,653	659,823,653
Lease liability	27	11,865,788	11,865,788	11,865,788
		₱1,289,416,095	₱1,289,416,095	₱1,289,416,095

*Excluding nonfinancial assets amounting to ₱49,229,172.

**Excluding nonfinancial liabilities to ₱271,691,556.

Methods and Assumptions Used to Estimate Fair Value

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 in banks, trade and other receivables, due to/from related parties and trade and other payables

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

Refundable deposits

The fair value of the refundable deposits on lease contracts cannot be readily determined and reliably measured because the actual timing of receipt cannot be reasonably predicted as these deposits are generally re-deposited every renewal of lease contract, the new terms and conditions thereof are not yet known. The amount of refundable deposits that will be actually received by the Group is also attached to a conditional repayment provision that is, the faithful performance by the Group of its obligations under the lease contracts. Accordingly, the refundable deposits are carried at costs less any impairment.

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.

There has been no reclassification among the levels of heirarchy during 2020 and 2019.

30. Noncontrolling Interest

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

2020			
	Balance at beginning of year	Comprehensive income (loss)	Balance at end of year
Fucang	₱668,968,955	₱17,392,571	₱686,361,526
ANI HK	116,034,184	(189,512)	115,844,672
TBC	(39,853,640)	(1,101,011)	(40,954,651)
FFCI	(15,214,396)	(386,003)	(15,600,399)
FI	(2,944,544)	-	(2,944,544)
FGP	1,871,048	-	1,871,048
Heppy	(556,038)	92,027	(464,011)
	₱728,305,569	₱15,808,072	₱744,421,938

2019			
	Balance at beginning of year	Comprehensive income (loss)	Balance at end of year
Fucang	₱633,144,953	₱35,824,002	₱668,968,955
ANI HK	113,795,597	2,238,587	116,034,184
TBC	(39,995,050)	141,410	(39,853,640)
FFCI	(19,467,628)	4,253,232	(15,214,396)
FI	(2,944,544)	-	(2,944,544)
FGP	1,921,666	(50,618)	1,871,048
Heppy	(578,804)	22,766	(556,038)
	₱685,576,190	₱42,429,379	₱728,305,569

31. Reclassification

In 2019, the Group reclassified the following to accounts as at January 1, 2018 and December 31, 2018 to conform the current year's presentation:

- a. Investment made amounting to ₱46,063,800 as at December 31, 2018 relative to the acquisition of 15% ownership of CMP Supply Chain Management (Shanghai) Co. Ltd., a company engaged in banana trading in China, was previously recognized as part of Deposits and investments account instead of Financial asset at FVOCI.
- b. Construction in progress (CIP) account amounting to ₱303,969,386 and ₱413,154,770 as at December 31, 2018 and 2017, respectively, pertaining to property under construction intended for lease was previously recognized as CIP under the Property and equipment account instead of Investment property account.

The summary of the above adjustments and reclassifications follows:

Item	Account	Note	January 1, 2018		
			As previously presented	Reclassification	As re-presented
b	Property and equipment - CIP	12	₱303,969,386	(₱303,969,386)	₱-
b	Investment property - CIP	13	-	303,969,386	303,969,386
Item	Account	Note	December 31, 2018		
			As previously presented	Reclassification	As re-presented
a	Deposits and advances	11	₱46,063,000	(₱46,063,000)	₱-
a	Financial asset at FVOCI	10	-	46,063,000	46,063,000
b	Property and equipment	12	413,154,770	(413,154,770)	-
b	Investment property	13	-	413,154,770	413,154,770

32. Business Combination

Incorporation of Lexian

As discussed in Note 1, Fucang acquired newly incorporated Guangzhou Lexian Fruit Industry Co., Ltd. (Lexian), a foreign entity incorporated in China engaged in wholesale industry in 2018. Fucang owns 70% equity interest in Lexian which is equivalent to RMB700,000 divided into 700,000 shares at RMB1.0 per share (equivalent to ₱7,160,000 divided into 700,000 at ₱10.23 per share.)

The cost of investment is equivalent to Fucang's share in net assets of Lexian at the date of incorporation. As such, no goodwill or investment income was recognized from the business combination.

33. 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 and China.

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 segments.

REVENUE

(Philippine Pesos)	March 31, 2020	March 31, 2019
Philippine Operations		
Export	398,944,217	406,118,860
Local Distribution and Others	34,226,916	32,450,670
Retail & Franchising	28,384,318	24,551,756
Sub-total	461,555,451	463,121,286
Foreign Operations		
Hong Kong / China	366,183,980	736,129,705
Total	827,739,431	1,199,250,991

