

COVER SHEET

for
QUARTERLY 17-Q

SEC Registration Number

A	1	9	9	7	0	1	8	4	8
---	---	---	---	---	---	---	---	---	---

COMPANY NAME

A	G	R	I	N	U	R	T	U	R	E	,		I	N	C	O	R	P	O	R	A	T	E	D		A	N	D	
S	U	B	S	I	D	I	A	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		
I	I	-	A	,		P	u	l	i	l	a	n	,		B	u	l	a	c	a	n		3	0	0	5			

Form Type				Department requiring the report				Secondary License Type, If Applicable									
1	7	Q	3					C	R	M					N	/	A

COMPANY INFORMATION

Company's Email Address

legal@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.com.ph

Telephone Number/s

(02) 8997-5184

Mobile Number

N/A

CONTACT PERSON's ADDRESS

No. 54 National Road, Dampol II-A, Pulilan, Bulacan 3005

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 **September 30, 2021**
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. **54 NATIONAL ROAD, DAMPOL II-A, PULILAN, BULACAN, PHILIPPINES 3005**
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,	1,024,446,888 shares / Php1,460,064,812 (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 ☒ 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 ☒ No ☐

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

Yes ☒ 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 September 30, 2021 and with comparative figures as of September 30, 2020 and December 31, 2020 - 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 nine months ended September 30, 2021.

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 one of the pioneers to bring into the Philippine market the grain dryers from Taiwan 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 produce as its main revenue stream. Since then, ANI has become one of the Philippines' top fresh produce exporters to the world market. At present, ANI also supplies other home-grown fruits such as banana, mango and pineapple to institutional customers in Greater China Region, the Middle East and processed fruits and juices to North America and the different European regions.

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

- On November 5, 2021, the Parent Company's BOD approved the authority to register, participate, and appoint a company administrator/s or representative/s in Rice Exchange, which is a digital marketplace for international rice trading. As at reporting date, the Group is completing its application for registration.
- On October 10, 2020 and November 5, 2021, the BOD and the shareholders of the Parent Company, respectively, approved the increase of the Parent Company's authorized capital stock from PhP 2,000,000,000.00 to up to PhP 5,000,000,000.00. The increase is intended for any future capital raising activities. This is also in anticipation of the issuance of warrants and stock rights offer of 288,000,027 common shares from the Parent Company's existing capital stock.

- On October 10, 2020 and November 5, 2021, the BOD and the shareholders of the Parent Company, respectively, approved the authority to acquire additional shareholdings in Fucang Trading Limited from 51% to up to 70%.
- On November 5, 2021, the Parent Company's BOD approved the subscription of Agrinurture Development Holdings, Inc. ("ADHI") of nine hundred ninety nine (999) primary shares of Agrinurture HK Holdings, Ltd. (ANI HK) at par value of USD 1.00. ANI HK is a wholly owned subsidiary of the Parent Company and ADHI is a wholly owned subsidiary of Greenergy Holdings, Inc.
- On December 20, 2019 and September 9, 2020, the BOD and the shareholders of the Parent Company, respectively, have approved the issuance of shares to Plentex Philippines, Inc. (Plentex). Plentex has subscribed for 6,172,800 shares and the Parent Company has agreed to issue the same at a value of P 18 per share which is to be paid through the issuance of 30,000,000 shares of Plentex Limited.

Plentex is a Philippine Corporation that is developing a substantial large scale agri-business center in Tacloban, Leyte. Plentex is a subsidiary of Plentex Limited, unlisted Australian public company in Victoria, Australia.

As at date of report, the 6,172,800 shares were subscribed and 2,057,600 were paid up.

- On February 1, 2021, the Group entered into a Memorandum of Agreement ("MOA") with the Unified Bagobo-Tagabawa Tribe ("UBTT") and the National Commission on Indigenous Peoples ("NCIP") to promote inclusive agricultural and economic growth by pursuing land productivity thru the development of rice and corn plantation in Bansalan, Davao del Sur. The Group will invest in the development, operation and management of the rice and corn plantation while the UBTT will be entitled to an annual royalty fee Annual Net Profit share in the project. Further, all employment and labor requirements of the project shall be primarily sourced from the UBTT. NCIP shall monitor and evaluate compliance of the parties in the terms and conditions of the MOA. The Group, along with the project shall develop programs on health, skills development and alternative livelihood for the communities. The parties, in collaboration with other national government agencies shall likewise conduct tree planting activities in at least two thousand (2,000) hectares of land.

As at date of report, the parties have complied with the requirements to fully execute the agreement, including but not limited to the Free and Prior Informed Consent (FPIC), as indicated by the issuance of a Certification Precondition by the NCIP.

- On February 23, 2021, Ocean Biochemistry Technology Research, Inc. ("OBTRI") and Greenergy Holdings, Inc. ("GHI") have entered into a subscription agreement for the issuance of 37,500 common shares of OBTI at par value of ₱100 per share for a total aggregate value of ₱3,750,000. OBTI is a corporation primarily engaged in manufacturing and trading, and is 51% owned by M2000 Imex Company, Inc. ("IMEX") prior to GHI's subscription.

As at date of report, the subscription agreement has been executed and the foregoing transaction completed.

- On May 12, 2021, the Group received a Medium Green Rating from Cicero Shades of Green for its Green Bond offering. Cicero Shades of Green is a subsidiary of the climate research institute CICERO. It provides independent, research-based evaluations of green bond investment frameworks to determine their environmental strength. Their Second Opinions are graded Dark Green, Medium Green, Light Green and Brown to offer investors better insight into the environmental quality of green bonds.

The Group has previously secured the authority to issue long term Green Bonds of up to 75 million Euros with maturity of up to 7 years, including the issuance of commercial papers, with terms and conditions to be recommended by management and to be approved by the BOD. The issuance shall fund the agricultural project expansion of the Group geared towards climate change adaptation and minimized environmental footprint.

On September 7, 2021, the Group's BOD approved the authority to incorporate a wholly-owned foreign subsidiary, AgriNurture Financial S.à r.l. in the Grand Duchy of Luxembourg, for the issuance of the long term green bonds of up to 75 million Euros. As at date of report, the Group is in the process of incorporating the foreign subsidiary.

- On May 12, 2021, the Group has entered into a binding Memorandum of Understanding (MOU) with the Department of Agriculture ("DA") and the Authority of Freeport Area of Bataan ("AFAB"). The MOU aims to establish an Agri-Sector Digitalization Program which shall have a "general purpose and objective of facilitating the implementation and rolling out of financial inclusion of all stakeholders in the agricultural sector, particularly the unbanked stakeholders such as the country's farmers and fisherfolk, through a regulated financial technology platform and licensed virtual currency. The clients of and/or participants in the financial technology exchange platform and licensed virtual currency shall be purely Non-Filipinos located outside the Philippines".

Under the binding MOU, the Group undertook to perform the following:

- i. facilitate, together with the DA and AFAB, the implementation of the 1ANI e-commerce platform as a financial technology (FinTech) ecosystem for the country's farmers and fisherfolks;
- ii. secure a license from AFAB for the issuance and use of Agri Token in the Freeport Area of Bataan ("FAB"), and upon issuance of said license, allow the issuance of the Agri Token to the participants of the FinTech ecosystem;
- iii. cause the establishment of a branch of an affiliate bank within FAB upon approval of the BSP, which shall be the custodian bank for the Agri Token, and which shall likewise service the banking needs of the locators within FAB;
- iv. establish and secure a license for an AgriXchange Commodities and Futures Trading Center ("AgriXchange") with AFAB; and
- v. ensure the capability of the AgriXchange to act as a Virtual Currency Exchange for the conversion of fiat to virtual currencies and vice

versa, in accordance with applicable laws, rules and regulations.

The MOU also provided that the Group and the Local Government Units in FAB, with the support of the DA, shall develop and establish a food terminal, cold/dry storages, and logistics hub in FAB to boost the country's food security program. The MOU shall have immediate effect upon signing by the parties.

As at date of report, the Group is in the process of complying with its obligations under the MOU, including but not limited to securing a license from AFAB to use its virtual currency.

- On February 24, 2020, the Group's BOD approved to accept the Letter of Intent (LOI) of Vnesto Capital to finance the expansion project of the Group. Under the LOI, the Group was eligible to avail up to US\$100,000,000 of long-term financing. The financing shall be a long-term loan with interest pegged at treasury bill plus 3%. After the acceptance of the LOI, the formal application process shall commence. As at date of report, the LOI application is in progress.
- On March 20, 2020, the Group's BOD approved the amendment of the terms and conditions of the Stock Rights Offering. It shall have the entitlement ratio of 2.5:1, with every existing shareholder of 2.5 shares shall be entitled to 1 stock rights share, with the offer price of P1.00 per share.

On August 19, 2021, the Group's BOD confirmed the authority to conduct the Stock Rights Offering of common shares to all eligible shareholders of the Company at the entitlement ratio of 2.5:1 and offer price of P1.00 per share. The number of shares to be offered shall be 288,000,027.

As at date of report, the Group is in the process of application of the Stock Rights Offer of the 288,000,027 common shares which shall be listed and traded on the Philippine Stock Exchange.

- On March 20, 2020, the Group's BOD approved the amendment in the terms and conditions of the following issuances and listing of warrants:
 - a. Issuance and listing of up to 10,000,000 stock warrants in favor of the Group's employees credit cooperative as approved by the BOD on February 12, 2018
- b. Issuance and listing of stock warrants in favor of current directors as approved by the BOD on February 12, 2018

The warrants shall have the exercise price of a discounted rate of 5% of the weighted average price of trade 30 days prior to date of expiration, to be exercised after 5 years from date of issuance. The ratio shall be 1 warrant equivalent to 1 underlying common share upon conversion. Expiry date and other relevant terms and conditions shall be determined by the BOD, subject to the approval of the SEC.

The warrants shall have the exercise price of a discounted rate of 5% of the weighted average price of trade of 30 days prior to date of expiration, to be exercised after 5 years from date of issuance. The ratio shall be 1 warrant equivalent to 1 underlying common share upon conversion. Expiry date and other relevant terms and conditions shall be determined by the BOD. Each

director serving at the time of issuance is entitled to up to 100,000 warrants.

- c. Issuance and listing of 10,000,000 stock warrants in favor of ANI Foundation as approved by the BOD on April 30, 2018

The warrants shall have the exercise price of a discounted rate of 5% of the weighted average price of trade 30 days prior to date of expiration, to be exercised after 5 years from date of issuance. The ratio shall be 1 warrant equivalent to 1 underlying common share upon conversion. Expiry date and other relevant terms and conditions shall be determined by the BOD. The issuance and listing of the warrants shall be for the purpose of generating funds for the corporate social responsibility programs of the Group.

- d. Issuance and listing of stock warrants in favor of existing stockholders as of record date as approved by the BOD on February 12, 2018

The warrants shall have the exercise price of a discounted rate of 5% of the weighted average price of trade 30 days prior to date of expiration, to be exercised after 5 years from date of issuance. Existing stockholders owning 10 common shares as of record date, shall be entitled to 1 warrant. The ratio shall be 1 warrant equivalent to 1 underlying common share upon conversion. Record date, expiry date and other relevant terms and conditions shall be determined by the BOD.

On October 10, 2020 and November 5, 2021, the Group's BOD and shareholders, respectively, approved the amendment/s to the terms and conditions of the issuance of warrants to existing shareholders to be bundled to the Company's Stock Rights Offering. The issuance to shareholders participating in the Stock Rights Offering, with every shareholder availing of three (3) Stock Rights, shall be entitled to one (1) warrant. The ratio shall be one (1) warrant equivalent to one (1) underlying common share upon conversion. The warrants shall have the exercise price of a discounted rate of 5% of the volume weighted average price of trade fifteen (15) days prior to maturity, to be exercised after five (5) years from date of listing.

- On May 5, 2020, the Group has entered into a Memorandum of Agreement with the Department of Agriculture ("DA"). Under the Agreement, the Group shall be an official program partner-participant of DA's e-KADIWA ni Ani at Kita Program. As such, the Group becomes an online seller of agricultural products.

The DA's KADIWA ni Ani at Kita Program is a market system which facilitates the selling of major agricultural goods at reasonably low prices to the consuming public through partnership with Local Government Units and the Private Sectors. To further the services of the KADIWA ni Ani at Kita Program, the DA has launched the e-KADIWA, an online market portal or platform whereby buyers and sellers of agricultural and fishery products can transact online.

As at date of report, the Group is actively participating in the foregoing program through its ANI Express online platform.

- On November 26, 2020, the Group has entered into a Memorandum of Agreement ("MOA") with the Philippine International Trading Corporation ("PITC") to collaborate on the importation of raw materials to provide healthier and more affordable "BigMa" Bigas-Mais (rice-corn) blend to the Filipino consumers. The Group is set to locally produce with its corn contract growers and include in its product portfolio the "BigMa" brand. The "BigMa" or Bigas-Mais blend is a Low Glycemic and rich in dietary fiber staple food alternative for the Filipino consumers. With the production of BigMa, the Group will be able to reduce carbon foot print, provide more livelihood to local farmers as the source of "Mais", help the country achieve food-staple sufficiency faster, while providing a healthier and affordable option to the public.

As at date of report, the Group commenced its initial shipment through the foregoing collaboration during the 1st quarter of 2021.

- Zongshan Fucang Trade Co. Ltd. (Fucang), a subsidiary, acquired 70% ownership of Guangzhou Lexian Fruit Industry Co., Ltd. (Lexian) in 2018, a foreign entity incorporated in China engaged in wholesale trade.
- 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, 2020 and 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. The parties are in the process of executing the projects under the Joint Venture Agreement (see Note 14).
- On October 25, 2018 the BOD of the Group authorizes the expansion of business operations in Australia through acquisition of existing companies. Accordingly, on December 28, 2018 the Group made a deposit amounting to AU\$172,000 or ₱ 6.3 million to Freshness First Pty Ltd (see Note 14). 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 before the end of 2021.
- 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.

Due to the health and mobility restrictions brought about by the COVID-19 pandemic, both parties opted to defer the implementation of the agreement in 2020 and plan to finalize the terms thereof in 2021. The parties intend to utilize this deal in the BigMa (rice-corn mix) Project and expansion of banana plantation.

- 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. The proposed joint venture is intended to expand the Group's business through corn production and agri-tourism. As at reporting date, the Bureau of Corrections is awaiting the endorsement of the agreement by the Department of Justice to finalize the transaction. Also, due to the health and mobility restrictions brought about by the COVID-19 pandemic, the implementation of the agreement in 2020 was deferred. However, the parties plan to finalize the terms thereof in 2022 upon securing clearance from DoJ.
- On December 29, 2018, the SEC approved the increase in authorized capital stock of the Group from one billion (₱1,000,000,000) divided into one billion (1,000,000,000) common shares to two billion (₱2,000,000,000) divided into two billion (2,000,000,000) common shares both with a par value of one peso (₱1). 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.
- On February 24, 2020, the Board has approved the decrease in the par value of the shares of the Parent Company from One Peso (₱1.00) to Ten Centavos (₱0.10). The Board has likewise approved the reclassification of 40 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 Parent Company's authorized capital stock will increase to twenty billion (20,000,000,000) shares for a total par value of two billion pesos (₱2,000,000,000), 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 Group's earning, cash flows, financial conditions and other factors as the BOD may consider relevant; and

- c. In the liquidation, and 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 Group 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.

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 Group 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 Group's expansion project particularly the creation of the Agricultural Ecosystem to benefit local farmers.

As at reporting date, the approval for the decrease in the par value of the shares was deferred by the stockholders.

On November 5, 2021, the Parent Company's BOD confirmed the approval of the reclassification of the Parent Company's Forty Million (40,000,000) unissued common shares with par value of One Peso (Php 1.00) per share or an aggregate par value of Forty Million Pesos (Php40,000,000.00) to 400,000,000 voting preferred shares with par value of Ten Centavos (Php 0.10) per share or an aggregate par value of Forty Million Pesos (Php 40,000,000.00), to be subscribed by Earthright Holdings, Inc.

The Group's registered principal office address is at No. 54 National Road, Dampol II-A, Pulilan, Bulacan 3005.

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

Results of Operations

Nine Months ended September 30, 2021 versus September 30, 2020

Net Sales

The ANI Group generated a consolidated sale of goods and services of Php 3.62 billion for the nine months ended September 30, 2021 with 21% increase over the same period last year. For the first nine months of 2021, Philippine operations contributed 47% while sales from foreign operations accounted for 53% of consolidated sales. Sale of goods and services by business segment are as follows:

- The Group's export sales resulted to Php1.19 billion, a decrease of 20% compared to the same period in 2020. The sales decreased due to the international logistics constraints and mobility restrictions brought about by the global COVID-19 pandemic.
- Local distribution sales posted an increase of 120% to Php 490.79 million for the nine months ended September 30, 2021 from Php 223.52 million for the same period in 2020. Sales increase significantly due to high demand of rice and fresh produce especially during Enhanced Community Quarantine period. Further, to improve the operations 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 under brand name Fit Bites, Non Dairy Coconut Ice Cream, Big Chill Healthy Drinks and Tully's Coffee in cans for local and export distribution which is expected to start to record double digit growth for the rest of the year.
- Retail and franchising sales registered a decrease of 6% amounting to Php16.94 million for nine months of 2021 from Php18.0 million for same period in 2020.
- Combined Foreign trading operations posted an almost 52% increase in sales in during the nine months of 2021 from Php1.27 billion in 2020 to Php1.93 billion in 2021. Mainly because when the Quarantine Restrictions of foreign government ease which directly resulted to increase in revenue for agri merchandise and real estate.

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 nine months ended September 30, 2021, ANI Group's cost of sales amounted to Php3.16 billion up by 26% from Php2.51 billion for the same period in 2020, relative to the increase in sales during the period.

Operating Profit

Despite increase in raw material and logistic costs, recurring operating profit is up 57% for the same period from 45m last year to 70.6m this Q3 mainly due to savings from general and administrative expenses.

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 three quarters of 2021 amounted to Php224.80 million down from Php336.57 million for the same period last year, due to the pandemic issue where the retail and franchise operations of the Group was shut down since the start of implementation for a lockdown.

Finance Costs

Finance Costs decrease for the three quarters of 2021 amounted to Php 26.01 million compared to Php26.42 million from the previous year due to continuous replacement of higher cost short term loan with cheaper loan.

Net Profit

Consolidated net profit increases by Php810.83 million or 200% from Php389.73 million to Php1.20 billion for the nine months ended September 30, 2021 for same period last year. As of September 30, 2021 the group recognizes fair value gain on valuation of investment property amounting to Php955.92 million.

Financial Condition

Assets

ANI Group's consolidated total assets as of September 30, 2021 amounted to P5.66 billion a significant increase of 29.66% from P4.36 billion last December 31, 2020. The following explain the movements in the asset accounts:

- The Group's cash balance increased by P7.54million from P 57.63 million in 2020 to P 65.17 million in 2021 primarily due to increase in collections despite payment of payables and loans during the period.
- Receivables increased by P 202.16 million during the period from P561.77 million in 2020 to P763.94 million in 2021 mainly due to increase in sales.
- Advances to related parties increased by P148.98 million due to advances

made by various affiliates during the period while advances to stockholder decreased by P290.52 million from P390.31 million in 2020 to P99.79 million in 2021 due to liquidation and collections during the period.

- Inventory balance increased from a year end 2020 balance of P1.08 billion to P1.28 billion in 2021 due to the anticipated continued demand for fresh produce as experienced during the period.
- 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 increased from P1.16 billion in December 31, 2020 to P2.03 billion in September 30, 2021 due to revaluation of investment property during the period.

Liabilities

Consolidated liabilities amounted to P1.46 billion as of September 30, 2021.

Total current liabilities amounted to P1.33 billion and P 1.40 billion as of September 30, 2021 and December 31, 2020, respectively. The decrease is mainly due to payments of loans and reduction of trade payables.

Equity

Consolidated stockholders' equity amounted to P4.20 billion as of September 30, 2021. The increase is due to the improvements of results of operations during the period.

Liquidity and Capital Resource

Net cash used in operating activities for the first six months of 2021 was P128.75 million due to increase in sales on account and purchase of inventory.

Net cash flow provided by investing activities is P228.63million due to collections and liquidation of advances during the period.

Net cash used in financing activities is P92.33 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.

AGRINURTURE INC AND ITS SUBSIDIARIES

Schedule of Financial Indicators

FINANCIAL KEY PERFORMANCE INDICATOR		DEFINITION	FOR THE PERIOD ENDED SEPTEMBER 30	
Current Liquidity :			2021	2020
CURRENT RATIO	<div>Current Assets</div> <div>Current Liabilities</div>		2.06	3.88
QUICK RATIO	<div>Current Asset - Inventory - Prepayments</div> <div>Current Liabilities</div>		0.92	0.73
SOLVENCY RATIO/ DEBT TO EQUITY RATIO	<div>Total Liabilities</div> <div>Stockholder's Equity</div>		0.35	0.22
ASSET TO EQUITY RATIO	<div>Total Assets</div> <div>Total Equity</div>		1.35	1.22
INTEREST RATE COVERAGE RATIO	<div>Income Before Interest and Tax</div> <div>Finance Cost</div>		48.51	15.87
Profitability Ratio:				
Return on Assets	<div>Net Income</div> <div>Average Total Asset</div>		0.24	0.06
Return on Equity	<div>Net Income</div> <div>Average Total Equity</div>		0.28	0.09

SIGNATURES

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

Issuer

AGRINURTURE, INC.

Signature and Title



ANTONIO L. TIU

Chairman of the Board and President

Date

November 11, 2021

Signature and Title



KENNETH S. TAN

Chief Financial Officer

Date

November 11, 2021

AGRINURTURE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2021 AND DECEMBER 31, 2020
(Amounts in Philippine Pesos)

	Note	2021	2020
ASSETS			
Current Assets			
Cash	6	P 65,171,259	P 57,626,380
Trade and other receivables – net	7	763,938,953	561,773,532
Due from related parties – net	20	296,928,669	147,946,960
Due from stockholders	20	99,787,908	390,307,052
Inventories	8	1,279,281,553	1,079,026,521
Prepayments and other current assets – net	9	222,683,053	161,478,791
Total Current Assets		2,727,791,395	2,398,159,236
Noncurrent Assets			
Financial assets at fair value through other comprehensive income (FVOCI)	10	47,246,400	44,081,400
Property and equipment – net	11	594,592,478	615,647,574
Investment property	12	1,167,164,991	262,348,877
Intangible assets – net	13	176,752,868	174,840,077
Right-of-use assets	26	88,752,573	103,665,711
Deferred tax assets	25	387,049	387,049
Deposits and other noncurrent assets	14	854,596,539	763,948,129
Total Noncurrent Assets		2,929,492,898	1,964,918,817
		P 5,657,284,293	P 4,363,078,053

LIABILITIES AND EQUITY

Current Liabilities

Trade and other payables	15	P 623,720,398	P 654,459,561
Short-term loans	16	596,200,000	582,200,000
Current portion of:			
Loans payable	16	21,233,502	92,907,019
Lease liability	26	5,282,388	5,282,388
Due to related parties	20	53,814,257	57,295,175
Income tax payable		26,576,871	9,556,391
Total Current Liabilities		1,326,827,416	1,401,700,534

(Forward)

(Carryforward)

	Note	2021	2020
Noncurrent Liabilities			
Noncurrent portion of:			
Loans payable	16	P 111,801,698	P 111,801,698
Lease liability	26	609,632	609,632
Retirement benefit liability	24	12,088,815	12,088,815
Deferred tax liability	25	8,737,251	8,737,251
Total Noncurrent Liabilities		133,237,396	133,237,396
Total Liabilities		1,460,064,812	1,534,937,930
Equity			
Capital stock – P1 par value	18	832,831,688	830,774,088
Authorized – 2,000,000,000 shares in 2021 and 2020			
Subscribed – 1,024,446,888 shares in 2021 and 2020 (net of subscriptions receivable at par value of P191,615,200 and P193,672,800 in 2021 and 2020)			
Additional paid-in capital		3,602,050,960	3,567,071,760
Deficit		(1,705,836,508)	(2,386,988,752)
Foreign currency translation reserve		72,365,128	3,825,625
Revaluation surplus - net of deferred tax	11	20,386,919	20,386,919
Net cumulative remeasurement gain on retirement benefits	24	3,974,345	3,974,345
Noncontrolling interest	29	1,371,446,950	789,096,138
Total Equity		4,197,219,481	2,828,140,123
		P 5,657,284,293	P 4,363,078,053

See accompanying Consolidated Notes to Financial Statements.

AGRINURTURE, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

(Amounts in Philippine Pesos)

		For the Quarter ended September 30		For the Nine-Months ended September 30	
	Notes	2021	2020	2021	2020
NET REVENUE	17	P 1,311,947,947	P 1,206,647,684	P 3,623,507,555	P 3,000,243,680
COST OF SALES	21	1,172,752,968	1,047,407,208	3,157,300,660	2,506,807,607
GROSS PROFIT		139,194,979	159,240,476	466,206,895	493,436,073
GENERAL AND ADMINISTRATIVE EXPENSES	22	68,669,546	114,199,131	224,804,773	336,566,459
OPERATING PROFIT		70,525,433	45,041,345	241,402,122	156,869,614
OTHER INCOME (CHARGES)					
Finance costs	16	(8,028,517)	(10,073,776)	(26,097,870)	(26,422,361)
Interest income	6	6,063	10,226	13,151	29,693
Other income - net	23	1,022,566,581	7,412,626	1,024,662,087	288,785,293
		1,014,544,127	(2,650,924)	998,577,368	262,392,625
PROFIT BEFORE INCOME TAX		1,085,069,560	42,390,421	1,239,979,490	419,262,239
INCOME TAX EXPENSE (BENEFIT)	25				
Current		6,576,922	9,653,306	39,420,751	29,531,846
Deferred				-	
		6,576,922	9,653,306	39,420,751	29,531,846
NET PROFIT		P 1,078,492,638	P 32,737,115	P 1,200,558,739	P 389,730,393

OTHER COMPREHENSIVE LOSS (INCOME)***Reclassifiable to profit or loss***

reclassified to profit or loss in
subsequent periods:

Exchange differences on translation of foreign operations - net of tax	18,331,725	(14,712,567)	68,539,505	(33,882,736)
Gain on revaluation of current assets	-	3,159,784,061	-	3,159,784,061

TOTAL OTHER COMPREHENSIVE INCOME	18,331,725	3,145,071,494	68,539,505	3,125,901,325
---	------------	---------------	-------------------	---------------

TOTAL COMPREHENSIVE INCOME	1,096,824,363	3,177,808,609	1,269,098,244	3,515,631,718
-----------------------------------	----------------------	---------------	----------------------	---------------

Net profit attributable to:

Equity holders of the Parent Company	596,669,376	37,522,229	681,152,244	355,205,215
Noncontrolling interest	481,823,262	(4,785,114)	519,406,495	34,525,178
	P 1,078,492,638	P 32,737,115	P 1,200,558,739	P 389,730,393

Total comprehensive income attributable to:

Equity holders of the Parent Company	9,349,180	1,671,058,681	34,955,147	1,983,043,827
Noncontrolling interest	8,982,545	1,506,749,928	33,584,357	1,532,587,891
	P 18,331,725	P 3,177,808,609	P 68,539,505	P 3,515,631,718

**Basic and diluted earnings per share
attributable to equity holders of the
Parent Company**

20	P 0.166	P 0.050	P 0.189	P 0.430
----	----------------	----------------	----------------	---------

See accompanying Consolidated Notes to Financial Statements.

AGRINURTURE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020
(Amounts in Philippine Pesos)

	Note	2021	2020
CAPITAL STOCK – P1 par value			
Balance at beginning of year		₱ 830,774,088	₱ 830,774,088
Paid-up during the period		2,057,600	–
Balance at end of period	18	832,831,688	830,774,088
ADDITIONAL PAID-IN CAPITAL			
Balance at beginning of year		3,567,071,760	3,567,071,760
Additions during the period		34,979,200	–
Balance at end of period	18	3,602,050,960	3,567,071,760
DEFICIT			
Balance at beginning of year		(2,386,988,752)	(2,350,158,483)
Net profit (loss)		681,152,244	355,205,215
Balance at end of period		(1,705,836,508)	(1,994,953,268)
NET CUMULATIVE REMEASUREMENT GAIN IN RETIREMENT BENEFITS COSTS			
Balance at beginning of year		3,974,345	3,974,345
Remeasurement gain (loss)		–	–
Balance at end of period	24	3,974,345	3,974,345
NET CUMULATIVE REMEASUREMENT TRANSLATION RESERVE			
Balance at beginning of year		3,825,625	(10,952,274)
Exchange differences during the period		68,539,505	(18,163,428)
Balance at end of period		72,365,130	(29,115,702)
REVALUATION SURPLUS - NET OF DEFERRED TAX			
Balance at beginning of year		20,386,919	–
Increase during the year		–	1,611,489,871
	11	20,386,919	1,611,489,871
NONCONTROLLING INTEREST			
Balance at beginning of year	29	789,096,138	728,305,569
Share in:			
Net profit during the year		519,406,495	34,525,178
Exchange difference on translation of foreign operations		62,944,316	(15,719,308)
Revaluation surplus		–	1,548,294,190
		582,350,811	1,567,100,060
Balance at end of year		1,371,446,950	2,295,405,629
TOTAL EQUITY	18	₱ 4,197,219,483	₱ 6,284,646,723

AGRINURTURE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		₱ 1,239,979,490	₱ 419,262,239
Adjustments for:			
Gain on valuation of investment property		(955,916,916)	-
Gain on trademark valuation	7, 9, 14,		(285,000,000)
Depreciation and amortization	12, 14, 27	40,372,951	108,518,976
Finance cost	17, 27	26,097,870	26,422,361
Construction in progress reclassified to			19,108,009
Unrealized foreign exchange		47,477,979	(20,838,149)
losses - net	28	276	
Interest income	6	(13,151)	(29,693)
Operating income before working capital changes		397,998,499	267,443,743
Decrease (increase) in:			
Trade and other receivables	7	(202,165,421)	3,491,679
Inventories	8	(210,255,032)	(47,532,217)
Prepayments and other current assets	9	(61,204,262)	(3,622,326)
Increase (decrease) in trade other payables	16	(30,739,163)	(143,361,594)
Net cash (used in)provided by operations		(106,365,379)	76,419,285
Income taxes paid		(22,400,271)	(27,956,058)
Interest received		13,151	29,693
Net cash flows (used in) provided by operating activities		(128,752,499)	48,492,920
CASH FLOWS FROM INVESTING ACTIVITIES			
Collections received from:	21		
Related parties		135,106,368	
Stockholder		290,519,144	149,846,368
Advances made to:	21		
Stockholder			
Changes in:			
Other noncurrent assets	14	(53,611,610)	(10,416,601)
Property and equipmen	11	5,595,282	(15,656,073)
Biological assets		-	(3,760,000)

(Forward)

	Notes	2021	2020
Additions to:			
Net cash flows provided by (used in)			
investing activities		228,627,475	74,001,842
CASH FLOWS FROM FINANCING ACTIVITIES			
Advances from			
related parties	21		41,966,096
Payments of:			
Loans payable	17	(57,673,518)	(96,720,509)
Interest	17, 27	(26,097,871)	(26,422,361)
Net cash flows used in			
in financing activities		(92,330,098)	(118,971,068)
EFFECT OF FOREIGN CURRENCIES			
ON CASH - NET	6, 28		(21,890)
NET INCREASE(DECREASE) IN CASH		7,544,879	3,501,804
CASH AT BEGINNING OF YEAR	6	57,626,380	73,717,839
CASH AT END OF YEAR	6	P 65,171,259	P 77,219,643

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 agro-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 up to 2016. While the Group has incurred accumulated losses of P 1.71 billion as at September 30, 2021 mainly due to write offs and impairment allowances, the management assessed that the going concern assumption remains to be appropriate which the Group has been continuously growing revenue and improving profitability and it 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 Middle East, Greater China Region, Europe, North America and Asia Pacific markets. Also, with the addition of

Zhongshan Fucang Trading Co., to the Group in 2017, 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. The Group shall continue to grow organic business and expand new materials with new product introductions in the coming years to completely wipe out accumulated losses.

The consolidated financial statements do not indicate any adjustments to reflect possible future effects of recoverability and classification of assets or the amount and classification of liabilities that may result should the Group be unable to continue as a going concern.

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 of September 30, 2021 and December 31, 2020, the Group's current assets exceeded its current liabilities by P 1.40 billion and P 996.5 million, respectively. Further, the Group launched its own auto vending machines as well as e-commerce platform through its mobile application and ANI Express website 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 and Tully's Coffee in cans for local and export distribution. These developments are expected to contribute to drive positive growth in the future for the Group's revenue and net earnings.

The following are the recent developments to continuous business expansion:

- On November 5, 2021, the Parent Company's BOD approved the authority to register, participate, and appoint a company administrator/s or representative/s in Rice Exchange, which is a digital marketplace for international rice trading. As at reporting date, the Group is completing its application for registration.
- On October 10, 2020 and November 5, 2021, the BOD and the shareholders of the Parent Company, respectively, approved the increase of the Parent Company's authorized capital stock from PhP 2,000,000,000.00 to up to PhP 5,000,000,000.00. The increase is intended for any future capital raising activities. This is also in anticipation of the issuance of warrants and stock rights offer of 288,000,027 common shares from the Parent Company's existing capital stock.
- On October 10, 2020 and November 5, 2021, the BOD and the shareholders of the Parent Company, respectively, approved the authority to acquire additional shareholdings in Fucang Trading Limited from 51% to up to 70%.
- On November 5, 2021, the Parent Company's BOD approved the subscription of Agrinurture Development Holdings, Inc. ("ADHI") of nine hundred ninety nine (999) primary shares of Agrinurture HK Holdings, Ltd. (ANI HK) at par value of USD 1.00. ANI HK is a wholly owned subsidiary of the Parent Company and ADHI is a wholly owned subsidiary of Greenergy Holdings, Inc.
- On December 20, 2019 and September 9, 2020, the BOD and the shareholders of the Parent Company, respectively, have approved the issuance of shares to Plentex Philippines, Inc. (Plentex). Plentex has subscribed for 6,172,800 shares and the Parent Company has agreed to issue the same at a value of ₱ 18 per share which is to be paid through the issuance of 30,000,000 shares of Plentex

Limited.

Plentex is a Philippine Corporation that is developing a substantial large scale agri-business center in Tacloban, Leyte. Plentex is a subsidiary of Plentex Limited, unlisted Australian public company in Victoria, Australia.

As at date of report, the 6,172,800 shares were subscribed and 2,057,600 pesos were paid up.

- On February 1, 2021, the Group entered into a Memorandum of Agreement ("MOA") with the Unified Bagobo-Tagabawa Tribe ("UBTT") and the National Commission on Indigenous Peoples ("NCIP") to promote inclusive agricultural and economic growth by pursuing land productivity thru the development of rice and corn plantation in Bansalan, Davao del Sur. The Group will invest in the development, operation and management of the rice and corn plantation while the UBTT will be entitled to an annual royalty fee Annual Net Profit share in the project. Further, all employment and labor requirements of the project shall be primarily sourced from the UBTT. NCIP shall monitor and evaluate compliance of the parties in the terms and conditions of the MOA. The Group, along with the project shall develop programs on health, skills development and alternative livelihood for the communities. The parties, in collaboration with other national government agencies shall likewise conduct tree planting activities in at least two thousand (2,000) hectares of land.

As at date of report, the parties have complied with the requirements to fully execute the agreement, including but not limited to the Free and Prior Informed Consent (FPIC), as indicated by the issuance of a Certification Precondition by the NCIP.

- On February 23 2021, Ocean Biochemistry Technology Research, Inc. ("OBTI") and Greenergy Holdings, Inc. ("GHI") have entered into a subscription agreement for the issuance of 37,500 common shares of OBTI at par value of ₱100 per share for a total aggregate value of ₱3,750,000. OBTI is a corporation primarily engaged in manufacturing and trading, and is 51% owned by M2000 Imex Company, Inc. ("IMEX") prior to GHI's subscription.

As at date of report, the subscription agreement has been executed and the foregoing transaction completed.

- On May 12, 2021, the Group received a Medium Green Rating from Cicero Shades of Green for its Green Bond offering. Cicero Shades of Green is a subsidiary of the climate research institute CICERO. It provides independent, research-based evaluations of green bond investment frameworks to determine their environmental strength. Their Second Opinions are graded Dark Green, Medium Green, Light Green and Brown to offer investors better insight into the environmental quality of green bonds.

The Group has previously secured the authority to issue long term Green Bonds of up to 75 million euro with maturity of up to 7 years, including the issuance of commercial papers, with terms and conditions to be recommended by management and to be approved by the BOD. The issuance shall fund the agricultural project expansion of the Group geared towards climate change adaptation and minimized environmental footprint.

On September 7, 2021, the Group's BOD approved the authority to incorporate a wholly-owned foreign subsidiary, AgriNuture Financial S.à r.l. in the Grand Duchy of Luxembourg, for the issuance of the long term green bonds of up to 75 million Euros. As at date of report, the Group is in the process of incorporating the foreign subsidiary.

- On May 12, 2021, the Group has entered into a binding Memorandum of Understanding (MOU) with the Department of Agriculture ("DA") and the Authority of Freeport Area of Bataan ("AFAB"). The MOU aims to establish an Agri-Sector Digitalization Program which shall have a "general purpose and objective of facilitating the implementation and rolling out of financial inclusion of all stakeholders in the agricultural sector, particularly the unbanked stakeholders such as the country's farmers and fisherfolk, through a regulated financial technology platform and licensed virtual currency. The clients of and/or participants in the financial technology exchange platform and licensed virtual currency shall be purely Non-Filipinos located outside the Philippines".

Under the binding MOU, the Group undertook to perform the following:

- vi. facilitate, together with the DA and AFAB, the implementation of the 1ANI e-commerce platform as a financial technology (FinTech) ecosystem for the country's farmers and fisherfolks;
- vii. secure a license from AFAB for the issuance and use of Agri Token in the Freeport Area of Bataan ("FAB"), and upon issuance of said license, allow the issuance of the Agri Token to the participants of the FinTech ecosystem;
- viii. cause the establishment of a branch of an affiliate bank within FAB upon approval of the BSP, which shall be the custodian bank for the Agri Token, and which shall likewise service the banking needs of the locators within FAB;
- ix. establish and secure a license for an AgriXchange Commodities and Futures Trading Center ("AgriXchange") with AFAB; and
- x. ensure the capability of the AgriXchange to act as a Virtual Currency Exchange for the conversion of fiat to virtual currencies and vice versa, in accordance with applicable laws, rules and regulations.

The MOU also provided that the Group and the Local Government Units in FAB, with the support of the DA, shall develop and establish a food terminal, cold/dry storages, and logistics hub in FAB to boost the country's food security program. The MOU shall have immediate effect upon signing by the parties.

As at date of report, the Group is in the process of complying with its obligations under the MOU, including but not limited to securing a license from AFAB to use its virtual currency.

- On February 24, 2020, the Group's BOD approved to accept the Letter of Intent (LOI) of Vnesto Capital to finance the expansion project of the Group. Under the LOI, the Group was eligible to avail up to US\$100,000,000 of long-term financing. The financing shall be a long-term loan with interest pegged at treasury bill plus 3%. After the acceptance of the LOI, the formal application process shall commence. As at date of report, the LOI application is in progress.
- On March 20, 2020, the Group's BOD approved the amendment of the terms and conditions of the Stock Rights Offering. It shall have the entitlement ratio of 2.5:1, with every existing shareholder of 2.5 shares shall be entitled to 1 stock

rights share, with the offer price of P1.00 per share.

On August 19, 2021, the Group's BOD confirmed the authority to conduct the Stock Rights Offering of common shares to all eligible shareholders of the Company at the entitlement ratio of 2.5:1 and offer price of P1.00 per share. The number of shares to be offered shall be 288,000,027.

As at date of report, the Group is in the process of application of the Stock Rights Offer of the 288,000,027 common shares which shall be listed and traded on the Philippine Stock Exchange.

- On March 20, 2020, the Group's BOD approved the amendment in the terms and conditions of the following issuances and listing of warrants:
 - a. Issuance and listing of up to 10,000,000 stock warrants in favor of the Group's employees credit cooperative as approved by the BOD on February 12, 2018

The warrants shall have the exercise price of a discounted rate of 5% of the weighted average price of trade 30 days prior to date of expiration, to be exercised after 5 years from date of issuance. The ratio shall be 1 warrant equivalent to 1 underlying common share upon conversion. Expiry date and other relevant terms and conditions shall be determined by the BOD, subject to the approval of the SEC.

- b. Issuance and listing of stock warrants in favor of current directors as approved by the BOD on February 12, 2018

The warrants shall have the exercise price of a discounted rate of 5% of the weighted average price of trade of 30 days prior to date of expiration, to be exercised after 5 years from date of issuance. The ratio shall be 1 warrant equivalent to 1 underlying common share upon conversion. Expiry date and other relevant terms and conditions shall be determined by the BOD. Each director serving at the time of issuance is entitled to up to 100,000 warrants.

- c. Issuance and listing of 10,000,000 stock warrants in favor of ANI Foundation as approved by the BOD on April 30, 2018

The warrants shall have the exercise price of a discounted rate of 5% of the weighted average price of trade 30 days prior to date of expiration, to be exercised after 5 years from date of issuance. The ratio shall be 1 warrant equivalent to 1 underlying common share upon conversion. Expiry date and other relevant terms and conditions shall be determined by the BOD. The issuance and listing of the warrants shall be for the purpose of generating funds for the corporate social responsibility programs of the Group.

- d. Issuance and listing of stock warrants in favor of existing stockholders as of record date as approved by the BOD on February 12, 2018

The warrants shall have the exercise price of a discounted rate of 5% of the weighted average price of trade 30 days prior to date of expiration, to be exercised after 5 years from date of issuance. Existing stockholders owning 10 common shares as of record date, shall be entitled to 1 warrant. The ratio shall be 1 warrant equivalent to 1 underlying common share upon conversion. Record

date, expiry date and other relevant terms and conditions shall be determined by the BOD.

On October 10, 2020 and November 5, 2021, the Group's BOD and shareholders, respectively, approved the amendment/s to the terms and conditions of the issuance of warrants to existing shareholders to be bundled to the Company's Stock Rights Offering. The issuance to shareholders participating in the Stock Rights Offering, with every shareholder availing of three (3) Stock Rights, shall be entitled to one (1) warrant. The ratio shall be one (1) warrant equivalent to one (1) underlying common share upon conversion. The warrants shall have the exercise price of a discounted rate of 5% of the volume weighted average price of trade fifteen (15) days prior to maturity, to be exercised after five (5) years from date of listing.

- On May 5, 2020, the Group has entered into a Memorandum of Agreement with the Department of Agriculture ("DA"). Under the Agreement, the Group shall be an official program partner-participant of DA's e-KADIWA ni Ani at Kita Program. As such, the Group becomes an online seller of agricultural products.

The DA's KADIWA ni Ani at Kita Program is a market system which facilitates the selling of major agricultural goods at reasonably low prices to the consuming public through partnership with Local Government Units and the Private Sectors. To further the services of the KADIWA ni Ani at Kita Program, the DA has launched the e-KADIWA, an online market portal or platform whereby buyers and sellers of agricultural and fishery products can transact online.

As at date of report, the Group is actively participating in the foregoing program through its ANI Express online platform.

- On November 26, 2020, the Group has entered into a Memorandum of Agreement ("MOA") with the Philippine International Trading Corporation ("PITC") to collaborate on the importation of raw materials to provide healthier and more affordable "BigMa" Bigas-Mais (rice-corn) blend to the Filipino consumers. The Group is set to locally produce with its corn contract growers and include in its product portfolio the "BigMa" brand. The "BigMa" or Bigas-Mais blend is a Low Glycemic and rich in dietary fiber staple food alternative for the Filipino consumers. With the production of BigMa, the Group will be able to reduce carbon foot print, provide more livelihood to local farmers as the source of "Mais", help the country achieve food-staple sufficiency faster, while providing a healthier and affordable option to the public.

As at date of report, the Group made its initial shipment through the foregoing collaboration during the 1st quarter of 2021.

- Zongshan Fucang Trade Co. Ltd. (Fucang), a subsidiary, acquired 70% ownership of Guangzhou Lexian Fruit Industry Co., Ltd. (Lexian) in 2018, a foreign entity incorporated in China engaged in wholesale trade.
- 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, 2020 and 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. The parties are in the process of executing the projects under the Joint Venture Agreement (see Note 14).

- On October 25, 2018 the BOD of the Group authorizes the expansion of business operations in Australia through acquisition of existing companies. Accordingly, on December 28, 2018 the Group made a deposit amounting to AU\$172,000 or P 6.3 million to Freshness First Pty Ltd (see Note 14). 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 before end of 2021.
- On November 8, 2018 the Group has signed a P 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.

Due to the health and mobility restrictions brought about by the COVID-19 pandemic, both parties opted to defer the implementation of the agreement in 2020 and plan to finalize the terms thereof in 2021. The parties intend to utilize this deal in the BigMa (rice-corn mix) Project and expansion of banana plantation.

- 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. The proposed joint venture is intended to expand the Group's business through corn production and agri-tourism. As at reporting date, the Bureau of Corrections is awaiting the endorsement of the agreement by the Department of Justice to finalize the transaction. Also, due to the health and mobility restrictions brought about by the COVID-19 pandemic, the implementation of the agreement in 2020 was deferred. However, the parties plan to finalize the terms thereof in 2022 upon securing clearance from DoJ.
- On December 29, 2018, the SEC approved the increase in authorized capital stock of the Group from one billion (P1,000,000,000) divided into one billion (1,000,000,000) common shares to two billion (₱ 2,000,000,000) divided into two billion (2,000,000,000) common shares both with a par value of one peso (₱

1). 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.

- On February 24, 2020, the Board has approved the decrease in the par value of the shares of the Parent Company from One Peso (₱ 1.00) to Ten Centavos (₱ 0.10). The Board has likewise approved the reclassification of 40 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 Parent Company's authorized capital stock will have 1.9 B common shares with par value of 1 peso per share and Preferred shares, consisting of 400,000,000 shares with a par value of ten centavos (P 0.10) per share.

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 Group's earning, cash flows, financial conditions and other factors as the BOD may consider relevant; and
- c. In the liquidation, and 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 Group 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.

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 Group 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 Group's expansion project particularly the creation of the Agricultural Ecosystem to benefit local farmers.

As at reporting date, the approval for the decrease in the par value of the shares was deferred by the stockholders.

On November 5, 2021, the Parent Company's BOD confirmed the approval of the reclassification of the Parent Company's Forty Million (40,000,000) unissued common shares with par value of One Peso (Php 1.00) per share or an aggregate par value of Forty Million Pesos (Php40,000,000.00) to 400,000,000 voting preferred shares with par value of Ten Centavos (Php 0.10) per share or an aggregate par value of Forty Million Pesos (Php 40,000,000.00), to be subscribed by Earthright Holdings, Inc.

The Group's registered principal office address is at No. 54 National Road, Dampol II-A, Pulilan, Bulacan 3005.

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 except for financial assets at fair value through other comprehensive income (FVOCI) that have been measured at fair value, retirement benefit liability which is presented at present value of the retirement obligation, and land classified as property and equipment which is presented using revaluation model. 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.

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 Company 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 Company 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	Effective ownership	2021	2020
		Nature of Business		
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, uses 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 uses 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 (NCI)

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 noncontrolling interest. Total comprehensive income is attributed to the equity holders of the Group and to the noncontrolling 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

Amendments and Improvements in Accounting Standards

The accounting policies adopted by the Group are consistent with those of the previous financial years except for the following applicable amended accounting standards that became effective in the current year. Unless otherwise indicated, the following amended PAS and PFRS that became effective in 2020 did not have any significant impact on the Group's financial statements or are not applicable to the Group.

- 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.

The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. The amendments will likely result in more acquisitions being accounted for as asset acquisitions.

- 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 PFRS and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgments.

The amendments clarify when information is material and incorporate some of the guidance in PAS 1 about immaterial information. In particular, the amendments clarify:

- i. that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and
- ii. the meaning of 'primary users of general-purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of financial information they need.

- Amendments to PFRS 16, *COVID-19 Related Rent Concessions*

As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. An amendment to PFRS 16, *Leases* provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted. Entities applying the practical expedients must disclose this fact, whether the expedient has been applied to all qualifying rent concessions or, if not, information about the nature of the contracts to which it has been applied, as well as the amount recognized in profit or loss arising from the rent concessions.

On adoption of PFRS 16 amendments, the Group applied practical expedients to all its qualifying rent concessions. Three lessors granted a rental discount in 2020 which was recognized as a gain in the consolidated profit or loss. Gain on foregone leases amounted to ₱1,870,017 in 2020 (see Note 26).

- Revised Conceptual Framework for Financial Reporting

The revised conceptual framework will be used in standard-setting decisions with immediate effect. Key changes include (a) increasing the prominence of stewardship in the objective of financial reporting, (b) reinstating prudence as a component of neutrality,

(c) defining a reporting entity, which may be a legal entity, or a portion of an entity, (d) revising the definitions of an asset and a liability, (e) removing the probability threshold for recognition and adding guidance on derecognition, (f) adding guidance on different measurement basis, and, (g) stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in OCI should be recycled where this enhances the relevance or faithful representation of the 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 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.

Effective in 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

The amendments update the standard so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. The amendments also add a requirement that, for transactions and other events within the scope of PAS 37 or IFRIC 21, an acquirer applies PAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination and an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

- Amendments to PAS 16, *Property, Plant and Equipment – Proceeds before Intended Use* The amendments modify the standard to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

- Amendments to PAS 37, *Onerous Contracts – Cost of Fulfilling a Contract*

The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract

can either be incremental costs of fulfilling that contract, examples would be direct labor, materials or an allocation of other costs that relate directly to fulfilling contracts, example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.

Annual Improvements to PFRS Standards 2018-2020 Cycle

- Amendments to PFRS 1, *Subsidiary as a first-time adopter*
The amendment permits a subsidiary to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to PFRSs.

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

- Amendments to PFRS 9, *Fees in the '10 per cent' test for derecognition of financial liabilities*
The amendments clarify which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

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

- Amendments to PFRS 16, *Lease Incentives*
The amendments remove from the illustrative example 13 accompanying PFRS 16 the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

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

- Amendments to PAS 41, *Taxation in fair value measurements*
The amendment removes the requirement in paragraph 22 of PAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in PFRS 13.

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

Effective in 2023

- Amendments to PFRS 1, *Classification of Liabilities as Current or Noncurrent*
The amendments clarify that the classification of liabilities as current or noncurrent should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability. The amendments also clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.
- PFRS 17, *Insurance Contracts*
PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. This will

replace PFRS 4, Insurance Contracts and will to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

This standard is not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

Deferred Effectivity

- 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 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.
- Philippine Interpretations Committee Q&A 2018-12, *PFRS 15 Implementation Issues Affecting the Real Estate Industry* (as amended by PIC Q&As 2020-02 and 2020-04) The SEC issued SEC MC No. 34-2020 which further extended the deferral of certain provisions of this PIC Q&A until December 31, 2023. These deferrals are:
 - Assessing if the transaction price includes a significant financing component as discussed in PIC Q&A 2018-12-D (as amended by PIC Q&A 2020-04)
 - Treatment of land in the determination of the POC discussed in PIC Q&A 2018-12-E
 - Treatment of uninstalled materials in the determination of the POC discussed in PIC Q&A 2018-12-E (as amended by PIC Q&A 2020-02)

- Accounting for CUSA Charges discussed in PIC Q&A No. 2018-12-H

The SEC Memorandum Circulars also provided the mandatory disclosure requirements should an entity decide to avail of any relief. Disclosures should include: a) the accounting policies applied; b) discussion of the deferral of the subject implementation issues in the PIC Q&A; c) qualitative discussion of the impact on the financial statements had the concerned application guidelines in the PIC Q&A been adopted; and d) should any of the deferral options result into a change in accounting policy (e.g., when an entity excludes land and/or uninstalled materials in the POC calculation under the previous standard but opted to include such components under the relief provided by the circular), such accounting change will have to be accounted for under PAS 8, i.e., retrospectively, together with the corresponding required quantitative disclosures.

The Group availed of the deferral of adoption of the above specific provisions of PIC Q&As. Had these provisions been adopted, the exclusion of land and uninstalled materials in the determination of POC would reduce the percentage of completion of real estate projects resulting in a decrease in retained earnings as at January 1, 2018 as well as a decrease in the revenue from real estate sales in 2018. This would result to the land portion of sold inventories together with connection fees, to be treated as contract fulfillment asset.

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 and cash equivalents 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:

- o 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 September 30, 2021 and December 31, 2020 (see Note 10).

o 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 September 30, 2021 and December 31, 2020.

Financial assets at FVPL

The Group classifies the following financial assets at FVPL:

- o debt investments that do not qualify for measurement at either amortized cost or FVOCI,
- o equity investments that are held for trading, and
- o 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 September 30, 2021 and December 31, 2020.

Financial assets at amortized cost

The amortized cost of a financial asset is the present value of future cash receipts discounted at the effective interest rate. The amortized cost of a financial asset is the amount at which the financial asset 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:

- o it is held within a business model whose objective is to hold assets to collect contractual cash flows;
- o 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, trade and other receivables (excluding advances to officers and employees), due from related parties and stockholders, and refundable deposit (see Notes 6, 7, 9, 14 and 20).

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 a stockholder, and refundable 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 a stockholder, and refundable 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 September 30, 2021 and December 31, 2020, 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 and customer deposits), 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 September 30, 2021 and December 31, 2020, this category includes the Group's trade and other payables (excluding government regulated payables and customer deposits), due to related parties, loans payable and lease liability (see Notes 15, 16, 20 and 26).

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 profit or loss.

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.

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.

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.

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 property for sale, NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less estimated costs of completion and the estimated costs of sale. 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.

Cost of property includes:

- Land cost;
- Land improvement cost;
- Amounts paid to contractors for construction and development; and
- Planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs

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 profit or loss in the

period in which the related revenue is recognized.

Prepayments and Other Current Assets 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).
- *Advances to suppliers* represent amount paid in advance for goods or services and for the construction of an asset or combination of assets 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 properties and properties under construction or redevelopments 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. The account is not depreciated until such time that the assets are completed and available for use.

Depreciation and amortization 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 are 25 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 statements of comprehensive income in the year of retirement or disposal.

A transfer is made to investment property when there is a change in use, evidenced by ending of owner-occupation, 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 fair value 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:

<u>Category</u>	<u>Number of Years</u>
Buildings 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 improvements are amortized over five (5) years useful life or the term of the lease, whichever is shorter.

The estimated 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's profit or loss. 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's profit or loss.

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 profit or loss 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 derecognition 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 profit or loss when the asset is derecognized.

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 profit or loss under "Depreciation and amortization" account in the expense category consistent with the function of the intangible asset.

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.

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 consolidated statements of profit or loss. Franchise is amortized on a straight-line basis over its estimated useful life of ten (10) years.

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 consolidated statements of profit or loss. 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 profit or loss in the year of derecognition.

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. 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 comprehensive 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 profit or loss, 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 comprehensive 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 comprehensive income. Impairment losses relating to goodwill cannot be reversed in future periods. The Group performs its impairment test of goodwill annually every December 31.

Combinations of entities under common control

Business combinations of entities under common control are accounted for using the pooling of interests method. The pooling of interests method is generally considered to involve the following:

- The assets and liabilities of the combining entities are reflected in the consolidated financial statements at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, at the date of the combination. The only adjustments that are made are those adjustments to harmonize accounting policies.
- No new goodwill is recognized as a result of the combination. The only goodwill that is recognized is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid or transferred and the equity acquired is reflected within equity.
- The consolidated statement of income reflects the results of the combining

entities for the full year, irrespective of when the combination took place.

- Comparatives are presented as if the entities had always been combined.

The effects of intercompany transactions on current assets, current liabilities, revenues, and cost of sales for the current period presented and on retained earnings at the beginning of the current period presented are eliminated to the extent possible.

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 officers and employees, advances to contractors and suppliers, inventories, prepayments and other current assets (excluding refundable deposits), property and equipment, intangible assets, right-of-use assets, and deposits and other noncurrent assets (except refundable deposits) 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 officers and employees, advances to contractors and suppliers, inventories, prepayments and other current assets (excluding refundable deposits), property and equipment, intangible assets, right-of-use assets, deferred tax asset, and deposits and other noncurrent assets (except refundable deposits) 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 performance 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.
- *Retained earnings (Deficit)* include all current and prior period net income or loss 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 translation reserve* represents exchange differences arising from the translation of financial statements of the foreign operations, whose functional currency is other than Philippine Peso.
- *Revaluation reserve* represents the cumulative balance of revaluation gain or loss on land.

Foreign Currency Transactions

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 profit or loss.

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.

Foreign Currency Translation of Foreign Operations

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

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 statements 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 profit or loss (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 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 it 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 input method. The Group recognizes revenue on the basis of the efforts or inputs to the satisfaction of a performance obligation (resources consumed, labor hours expended, costs incurred) relative to the total expected inputs to the satisfaction of that performance obligation.

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 statements 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 statements 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.

Franchise

Franchise fees may cover the supply of initial and subsequent services, equipment and other tangible assets, and know-how. Accordingly, franchise fees are recognized as revenue on a basis that reflects the purpose for which the fees were charged. Fees charged for the use of continuing rights granted by the agreement, or for other services provided during the period of the agreement, are recognized as revenue as the services are provided or the rights used.

Royalty

Royalty is recognized on an accrual basis in accordance with substance of the relevant agreement.

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 statements of profit or loss.

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

Amortization, derecognition 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. No borrowing costs were capitalized as at September 30, 2021 and December 31, 2020.

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 settled 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

The Group 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 Group 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 Group 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.

Group as a lessee

The Group recognized ROU assets and a lease liability on the consolidated statements of financial position.

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

The Group measures at commencement date the ROU 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 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 amortized over the shorter of the asset's useful life and the lease term on a straight- line basis. If the Group is reasonably certain to exercise a purchase option, the ROU assets are amortized over the underlying asset's useful life. Otherwise, the Group will amortize the right-of-use asset from the commencement date to the earlier of the end of the useful life of each ROU asset or the end of lease term. In addition, the ROU 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 ROU 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.

Company as a lessor

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

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 balance sheet 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 31 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.

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 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 ₱ 16.6 million in 2020, ₱ 84.7 million in 2019 and ₱ 25.7 million in 2018. 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 consolidated 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 September 30, 2021 and December 31, 2020 is shown in Note 28.

- *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 collectability 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. Collectability 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 input 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.

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*

The Group recognized ROU assets and lease liabilities measured at the present value of lease payments to be made over the lease term using the Group's incremental borrowing rate on the lease contracts previously accounted as operating leases.

The Group has elected not to recognize ROU assets and lease liabilities for leases of low-value assets and short-term leases. The Group 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

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 26.

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 26.

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 26.

- *Determining the Lease Term*

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 Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group 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 Group 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.

- *Distinction of Land Between Real Estate Inventories and Investment Properties*
The Group determines whether a property will be classified as real estate inventories or investment properties. In making this judgment, the Group considers whether the property will be sold in the normal operating cycle (real estate inventories). All other properties that are not yet determined to be sold in the normal operating cycle are classified as investment properties.
- *Evaluation of Net Realizable Value of Real Estate Inventories*
The Group adjusts the cost of its real estate inventories to net realizable value based on its assessment of the recoverability of the inventories. NRV for completed real estate inventories is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group in the light of recent market transactions. NRV in respect of real estate inventories under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less estimated costs to sell. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. See Note 8 for the related balances.

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 (POC) 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 (ECL) of cash in banks, nontrade receivables, due from related parties and stockholder, 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 is based on the assumptions about risk of default and expected loss rates. The Group recognized provision for impairment of nontrade receivables amounting to ₱43.3 million in 2020 (see Note 7). No provision for impairment of cash in banks and nontrade receivables were recognized in 2021 and 2020 (see Notes 6 and 7).

The Group applies the 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 is discussed in Note 27.

The Group recognized provision for impairment of trade receivables amounting to ₱5.5 million in 2020, ₱6.9 million in 2019 and ₱52.6 million in 2018 (see Notes 7 and 22).

The Group also recognized provision for impairment of due from related parties amounting to ₱6.3 million in 2019 (see Notes 20 and 22).

The Group wrote-off due from related parties amounting to ₱5.0 million in 2020 (see Notes 20 and 22). The Group also wrote-off advances to officers and employees amounting to ₱428,267 in 2019 and trade receivables amounting to ₱1.1 million in 2018.

Allowance for impairment losses on trade and other receivables as at December 31, 2020 and 2019 amounted to ₱135.3 million and ₱86.5 million, respectively. 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 September 30, 2021 and December 31, 2020 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 September 30, 2021 and December 31, 2020 (see Note 8).

- *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 in 2021, 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 amounting to ₱ 55.3 million was recognized in the consolidated profit or loss (see Notes 13 and 22).

No provision for impairment of goodwill was recognized in 2020.

- *Impairment of Other Nonfinancial Assets*

Impairment review is performed on prepayments and other current assets (except refundable deposits), deposits and other noncurrent assets (except refundable deposits) 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.

Provision for impairment of prepayments and other current assets amounting to ₱185,820 and ₱6,113,433 in 2020 and 2019, respectively, was recognized in the consolidated profit or loss (see Notes 9 and 22).

- *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 24, 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 December 31, 2020 and 2019 is shown in Note 24.

- *Recognition of 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 ₱ 387,049 and ₱102,449 as at December 31, 2020 and 2019, respectively, which relates to lease liability (see Note 25).

- *Estimating Contingencies*
The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense of these matters and is based upon an analysis of potential results. The Group currently does not believe that these proceedings will have a material effect on the Group's consolidated financial statements (see Note 14).

The Group did not recognize any provision in the consolidated statements of comprehensive income for the period September 30, 2021 and 2020.

6. Cash

This account consist of :

	2021	2020
Cash on hand	₱ 4,544,204	₱ 14,942,708
Cash in banks	60,627,055	42,683,672
	<u>₱ 65,171,259</u>	<u>₱ 57,626,380</u>

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 ₱13,151 in 2021 and ₱19,467 in 2020.

The Group has cash in banks denominated in foreign currency such as USD, HKD and RMB. These cash in banks were translated as at September 30, 2021 and December 31, 2020 closing rates (see Note 28).

7. Trade and Other Receivables

This account consists of:

	2021	2020
Trade	₱ 524,446,438	₱ 393,750,405
Advances to officers and employees	90,531,612	64,169,982
Others	221,563,363	239,125,537
	836,541,413	697,045,924
Allowance for doubtful accounts	(72,602,459)	(135,272,392)
	₱ 763,938,953	₱ 561,773,532

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.

Other receivables as at September 30, 2021 and December 31, 2020 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 September 30, 2021 and December 31, 2020 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 September 30, 2021 closing rates (see Note 28).

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

	2021	2020
Balance at beginning of year	₱ 135,272,392	₱ 86,454,046
Provision during the year	-	48,821,235
Reversal of allowance	(62,669,933)	(2,889)
Balance at end of year	₱ 72,602,459	₱ 135,272,392

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

8. Inventories

This account consists of the following at cost:

	2021	2020
Property for sale	P 860,466,195	P 758,205,245
Vegetables, fruits and processed goods	399,775,145	270,808,764
Packaging materials and other supplies	17,376,300	35,557,612
Merchandise, furniture and appliances	1,630,913	14,454,900
	P 1,279,281,553	P 1,079,026,521

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 ₱1.6 billion in 2021 and ₱1.4 billion in 2020 (see Note 21).

The carrying amounts of the total inventories as of September 30, 2021 and December 31, 2020 are lower than their NRVs. There were no purchase commitments and accrued net losses on inventories in the period 2021 and 2020.

No provision for inventory obsolescence or impairment was recognized in 2021 and 2020. Inventories are not pledged as security for any of the Group's liabilities.

9. Prepayments and Other Current Assets

This account consists of:

	2021	2020
Input VAT	P 130,036,712	P 119,577,161
Advances to suppliers and contractors	63,356,319	36,464,387
Prepaid expenses	1,248,419	835,815
Deposits	37,726,172	15,266,591
CWT	2,289,847	1,437,548
Deferred input VAT	455,146	256,546
Materials and supplies	157,255	134,721
	235,269,870	173,972,769
Less allowance for impairment of deposits	(12,586,818)	(12,493,978)
	P 222,683,053	P 161,478,791

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. In 2018, advances to suppliers amounting to ₱96,878 was directly written-off as management believes it will no longer be recovered as at reporting date (see Note 22).

Refundable deposits are made for short-term 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.

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

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

	2021	2020
Balance at beginning of year	₱ 12,493,978	₱ 12,356,001
Provision for impairment	121,072	185,820
Reversal of allowance for impairment	(28,232)	(47,843)
Balance at end of year	₱ 12,586,818	₱ 12,493,978

10. Financial Asset at Fair Value through Other Comprehensive Income (FVOCI)

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 P45.06 million and ₱44.1 million as at September 30, 2021 and December 31, 2020.

11. Property and Equipment

Rollforward analysis of the Group's property and equipment as at September 30, 2021 and December 31, 2020 follows:

	2021								
	Land	Buildings and improvements	Store and warehouse equipments	Delivery and transportation equipment	Machinery and equipment	Office furniture and fixtures	Leasehold improvements	Construction in progress	Total
Cost:									
Balance at beginning of ye	149,152,330	254,144,401	129,067,148	64,496,581	261,492,528	60,743,102	75,222,383	193,400,934	1,187,719,407
Additions			1,662,966	541,916	67,080	0	18,378		2,290,341
Reclassification								10,043,465	10,043,465
Effect of foreign currency translation									-
Disposals									-
Balance at end of the year	149,152,330	254,144,401	130,730,114	65,038,497	261,559,608	60,743,102	75,240,761	203,444,399	1,200,053,213
Accumulated depreciation and amortization:									
Balance at beginning of ye	-	115,940,974	102,782,568	49,840,033	214,215,292	51,249,583	67,167,553	-	601,196,003
Depreciation and amortization		8,041,077	3,744,531	6,794,091	13,760,855	1,036,132	12,218		33,388,904
Reclassification									-
Effect of foreign currency translation									-
Disposals									-
Balance at end of the year	-	123,982,051	106,527,099	56,634,124	227,976,147	52,285,715	67,179,771	-	634,584,907
Revaluation surplus	29,124,170								29,124,170
Net book value	178,276,500	130,162,350	24,203,014	8,404,373	33,583,462	8,457,388	8,060,990	203,444,399	594,592,477

	2020								
	Land	Buildings and improvements	Store and warehouse equipments	Delivery and transportation equipment	Machinery and equipment	Office furniture and fixtures	Leasehold improvements	Construction in progress	Total
Cost:									
Balance at beginning of year	149,152,330	252,293,197	126,168,465	64,308,395	260,119,162	60,149,545	74,071,540	70,209,170	1,056,471,804
Reclassification								122,265,156	122,265,156
Balance at beginning of year	149,152,330	252,293,197	126,168,465	64,308,395	260,119,162	60,149,545	74,071,540	192,474,326	1,178,736,960
Additions			2,455,995	80,650	1,196,269	593,557	1,150,843		5,477,314
Reclassification									-
Effect of foreign currency translation		1,851,204	442,688	107,536	177,097	-	-	926,608	3,505,133
Reclassification									-
Disposals									-
Balance at end of the year	149,152,330	254,144,401	129,067,148	64,496,581	261,492,528	60,743,102	75,222,383	193,400,934	1,187,719,407
Accumulated depreciation and amortization:									
Balance at beginning of year	-	97,001,222	93,216,101	47,145,243	190,663,307	50,344,227	64,313,229	-	542,683,329
Reclassification									-
Balance at beginning of year	-	97,001,222	93,216,101	47,145,243	190,663,307	50,344,227	64,313,229	-	542,683,329
Depreciation and amortization	-	18,019,006	9,189,160	2,617,932	23,397,063	905,318	2,854,324	-	56,982,803
Reclassification									-
Effect of foreign currency translation	-	920,746	377,307	76,858	154,922	38	-	-	1,529,871
Disposals									-
Balance at end of the year	-	115,940,974	102,782,568	49,840,033	214,215,292	51,249,583	67,167,553	-	601,196,003
Revaluation surplus	29,124,170								29,124,170
Net book value	178,276,500	138,203,427	26,284,580	14,656,548	47,277,236	9,493,519	8,054,830	193,400,934	615,647,574

Depreciation of property and equipment were charged to the following:

	2021	2020
Cost of Sales	P 3,768,387	P 59,641,901
General and administrative expenses	36,604,565	48,877,075
Total depreciation	P 40,372,951	P 108,518,976

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 ₱ 201.8 million and ₱ 175.1 million as at September 30, 2021 and December 31, 2020 respectively, are used as collaterals for one of its long-term liabilities under Bank 3 (see Note 16).

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 September 30, 2021 and December 31, 2019 amounted to ₱2.0 million and ₱2.6 million, respectively.

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 September 30, 2021 and December 31, 2020 for any possible impairment. Based on the evaluation, there are no indications that the property and equipment are impaired.

12. Investment Property

This pertains to construction in progress for retail and office spaces intended for lease.

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

	2021	2020
Balance at beginning of year	₱262,348,877	₱301,859,118
Transferred to inventory	(51,100,802)	(68,944,362)
Transferred from advances to contractors		25,450,239
Effect of foreign exchange translation		3,983,882
Gain of FV asset valuation	955,916,916	-
Balance at end of the year	<u>₱1,167,164,991</u>	<u>₱ 262,348,877</u>

The Group's management had reviewed the carrying values of investment property as at December 31, 2020 and 2019 for any possible impairment. Based on the evaluation, there are no indications that the investment property is impaired.

The Group's investment properties are not pledged as security for any of the Group's liabilities. The Group has no contractual commitment to purchase investment property.

13. Intangible Assets

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

	2021				
	Trademark	Goodwill	Franchise	Computer Software	Total
Cost					
Balance at beginning of year	200,000,000	95,014,063	9,049,750	7,457,105	311,520,918
Increase in valuation during the year	184,539	10,254,545		(4,399)	10,434,685
Balance at end of year	200,184,539	105,268,608	9,049,750	7,452,706	321,955,603
Accumulated amortization and impairment					
Balance at beginning of year	62,500,000	58,036,825	9,049,750	7,094,266	136,680,841
Amortization (Note 23)	184,539			1,470.71	186,010
Effect of foreign currency translation		8,335,884			8,335,884
Balance at end of year	62,684,539	66,372,709	9,049,750	7,095,737	145,202,735
Net carrying value	137,500,000	38,895,899	-	356,969	176,752,868

	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
Increase in valuation during the year				330,000	330,000
Balance at end of year	200,000,000	95,014,063	9,049,750	7,457,105	311,520,918
Accumulated amortization and impairment					
Balance at beginning of year	52,500,000	58,384,916	9,049,750	7,094,266	127,028,932
Amortization (Note 23)	10,000,000				10,000,000
Effect of foreign currency translation		(348,091)			(348,091)
Balance at end of year	62,500,000	58,036,825	9,049,750	7,094,266	136,680,841
Net carrying value	137,500,000	36,977,238	-	362,839	174,840,077

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. In 2019, goodwill from the business combination of Fucang and of its subsidiaries was impaired amounting to ₱55.3 million (see Note 22).

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 may be 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

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 for trademark, goodwill and computer software were recognized in 2020, 2019 and 2018.

Total amortization recognized in the consolidated profit and loss for the above intangible asset amounted to ₱10.9 million in 2020, ₱11.0 million in 2019, and ₱11.1 million in 2018 (see Note 22).

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.

14. Deposit and Other Noncurrent Assets

	2021	2020
Advances and deposits	648,845,167	569,585,267
Deposit for future investments	211,775,807	197,589,108
Refundable deposits	185,819	1,960,095
Noncurrent portion of advances to supplier	429,746	1,453,659
	861,236,539	770,588,129
Less : allowance for impairment loss	(6,640,000)	(6,640,000)
	854,596,539	763,948,129

Advances and deposits include the following:

- 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 September 30, 2021 and December 31, 2020. The deposit was increased in 2019 by ₱208.7 million which was advanced by one of its stockholders (see Note 20). As at reporting date, the third party is completing the titling of the whole portion of the property to fully execute the transactions (see Note 1).
- In 2017, FuCang made a deposit amounting to ₱194.7 million to invest in Guangzhou Tianchen Real Estate Development Co., Ltd, a real estate company in China. The balance of this deposit amounted to (CNY 26.8 million) as at September 30, 2021 and December 31, 2020, respectively and shall be converted to equity once the construction projects of Tianchen is completed. As at reporting date, the construction is 60% completed and is expected to be finished on the second quarter of 2022.
- Advances to project amounting to ₱156.9 million as at September 30, 2021 and 120.1 million in December 31, 2020, represents advances for land acquisitions intended for future business prospects. In 2020, the land was sold and the Group authorizes its stockholder to receive the proceeds from sale.
- Advance payment to Tolman Manufacturing Inc. ("Tolman") 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 as at September 30, 2021 and December 31, 2020. The Group has ongoing criminal action against Tolman to recover the advance payment mentioned. In 2019, the Group filed a complaint-affidavit charging the directors, officers and shareholders (respondents) of Tolman, with the crime estafa. The Group alleges

that during the negotiation stage of the Shareholders Agreement, respondents represented to the Group that Tolman is in the process of increasing its authorized capital stock from which the shares of the Group will be issued upon the latter's delivery of cash, equipment and other resources. Relying on such representation, the Group entered into a Shareholders Agreement and delivered to Tolman ₱30,000,000 cash, UHT processing equipment worth ₱134,000,000 and lease payments in the amount of ₱46,000,000. Despite receipt of said cash, equipment and lease payments, respondents failed to issue the Group's shares of stock. Worst, no application to increase the capital stock was ever made before or during the existence of the Shareholders Agreement. In the resolution dated January 29, 2021, the Office of the City Prosecutor of Makati finds and sufficient ground to engender a well-founded belief that the crime of Estafa under Article 315, paragraph 2 (a) was committed by respondent Emmanuel V. Duenas. The amount is guaranteed by a stockholder in the event of an adverse result of the ongoing case. Due to the foregoing, the total outstanding receivables of the Group from Tolman is considered to be fully recoverable as at December 31, 2020. In addition, the assets of Actron Industries, Inc., Jemana Holdings, Inc. and Duenas in Tolman exceeds the claims of the Group against the outstanding receivables. A civil case can now be filed to further pursue for the overall claim of the Group against the concerned parties.

- Advances amounting to ₱9.5 million as at September 30, 2021 for the purpose of conducting fresh mango production by means of fertilizer and pesticide usage and harvesting mango produce relative to an agreement entered into by the Group with various owners of mango farm lots in 2020.
- Deposit amounting to ₱6.3 million to a local rural bank as at September 30, 2021 and December 31, 2020, 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).
- Deposit amounting to ₱6.3 million (172,000 AUD) and ₱6.1 million (172,000 AUD) as at December 31, 2020 and 2019, respectively, to acquire an existing business in Australia to expand business operations.
- Advances to a local company for the processing fees related to an investment with a foreign company amounting to ₱1.6 million in 2020.

Provision for impairment loss amounting to P6.6 million was recognized as at September 30, 2021. Advances and deposits amounting to P 62.8 million previously recorded as deposit for land acquisition was written off in 2019 as management believes that these are no longer recoverable as at reporting date (see Note 22).

Refundable deposits are relative to long-term operating and finance leased properties of the Group (see Note 26).

The balance of refundable deposits as at September 30, 2021 and December 31, 2020 was based on the discounting of future cash flows using the Company's incremental borrowing rate. Accretion income from the discounting of refundable deposits amounted to ₱69,687 and ₱72,141 in 2020 and 2019, respectively (see Note 26).

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

15. Trade and Other Payables

This account consists of:

	2021	2020
Trade payables	₱ 104,049,208	₱ 134,030,375
Nontrade payables	373,499,939	369,719,444
Customers' deposits	115,765,256	121,523,809
Accrued expenses	6,978,453	7,207,945
Government payables	23,154,191	18,676,824
Accrued interest	273,350	3,301,164
	₱ 623,720,398	₱ 654,459,561

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

Nontrade payables mainly include to unsecured and noninterest-bearing payable from Thomas Lloyd 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 non-trade 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 of September 30, 2021, the non-trade payables to GHI are not yet settled.

Non-trade payables also include outstanding liabilities to non-trade 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.

All trade and other payables are non interest-bearing.

16. Loans Payable and Redeemable Convertible Loan

Details of this account follow:

	2021	2020
Long-term:		
<i>Foreign currency</i>		
Bank 1	-	2,161,620
<i>Peso currency</i>		
Bank 2	116,303,571	176,582,143
Bank 3	8,204,874	16,985,920
Others	8,526,755	8,979,034
Total long-term loans	133,035,200	204,708,717
Less noncurrent portion	111,801,698	111,801,698
Current portion	21,233,502	92,907,019
Short-term:		
<i>Peso currency</i>		
Bank 4	263,600,000	279,600,000
Bank 5	-	19,266,667
Bank 6	329,600,000	274,600,000
Others	3,000,000	8,733,333
Total short-term loans	596,200,000	582,200,000

Loan features are summarized below:

Foreign Currency Loans

Bank 1

A USD loan availed using the Group's current loan facility from Bank 1, 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. This was fully settled as at June 30, 2021.

Peso Currency Loans

Bank 2

The Group have various loans from Bank 2, 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 P201.8 million as at September 30, 2021.

Bank 3

The Group has current loan facility with Bank 3 with loans bearing interest rate 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 Group and continuing suretyship of a stockholder.

Bank 4

Various short-term, unsecured loans from Bank 4, 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 5

In 2020, the Group availed unsecured, short-term loan from Bank 5 with interest rate of 1.5% to 2.0% percent per annum, payable within one (1) year. The loan was fully settled as at reporting date.

Bank 6

In 2020, the Group availed unsecured, short-term loan from Bank 6 with interest rate of 6% percent per annum, payable within one (1) year.

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 September 30, 2021 and December 31, 2020 amounted to ₱ 1.6 million and ₱ 1.9 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 2018, the loan was restructuring as a result of the decision made by the ACEF Executive Committee (EXECOM). 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 ₱ 7.1 million as at September 30, 2021 and December 31, 2020 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 ₱ 3.0 million as at September 30, 2021 and December 31, 2020, respectively.

		2021		2020
Due within 1 year	₱	617,433,502	₱	675,107,019
Due beyond 1 year but more than 5 years		111,801,698		111,801,698
	₱	729,235,200	₱	786,908,717

17. Revenue

The table below shows the analysis of revenues of the Group by major sources for the period ended September 30, 2021 and 2020:

	2021	2020
Sale of goods	₱ 3,368,565,116	₱ 2,801,062,186
Sale of real property	254,942,439	199,181,494
	₱ 3,623,507,555	₱ 3,000,243,080

18. 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 December 31, 2019.

Due to the subscription of Plentex on December 23, 2020, the total number of subscribed shares increased to 1,024,446,888 as at December 31, 2020. As at date of report, the 6,172,800 shares were subscribed and 2,057,600 shares were paid up. (see Note 1).

No movement in the Group's authorized number of shares with a par value of ₱1 per share during 2021 and 2020.

	2021	2020
Balance	₱ 2,000,000,000	₱ 2,000,000,000

The movement in the Parent Company's common capital stock during 2021 and 2020 as shown below:

	2021	2020
Balance at beginning of year	₱ 830,774,088	₱ 830,774,088
Issued during the year	2,057,600	-
Balance at end of the year	₱ 832,831,688	₱ 830,774,088

No movement on Parent Company's subscribed capital stock.

	2021	2020
Balance at beginning of year	P 1,024,446,888	P 1,018,274,088
Subscriptions during the year	-	6,172,800
Balance at end of the year	P 1,024,446,888	P 1,024,446,888

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

	2021	2020
Balance at beginning of year	P 3,567,071,761	P 3,567,071,761
Additions during the year	34,979,200	
Balance at end of the year	P 3,602,050,961	P 3,567,071,761

The total number of shareholders of the Group is 43 and 41 as at September 30, 2021 and December 31, 2020, 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 September 30, 2021 and 2020 are as follows:

	2021		2020	
	High	Low	High	Low
First	7.10	6.92	6.60	6.20
Second	6.30	6.09	7.53	7.32
Third	5.08	4.90	7.95	7.80
Fourth	-	-	8.09	7.81

19. 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

	2021	2020
Net income from continuing operations attributable to equity holders of the Parent Company	681,152,244	355,205,015
Net loss from discontinued operations attributable to equity holders of the Parent Company		-
	681,152,244	355,205,015
Weighted average number of common shares	832,831,688	830,774,088
Basic and diluted earnings per share	0.82	0.43
Number of shares beginning of year	832,831,688	830,774,088
Weighted average number of shares issued during the year	-	-
Weighted average number of outstanding common shares	832,831,688	830,774,088

20. 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.

	2021		2020			
Category	Amount/Volume	Balances Asset(Liability)	Amount/Volume	Balance Asset(Liability)	Terms andCondition/ Settlement	Guaranty/ Provision
<u>Stockholders</u>						
1.Receivables		99,787,908		390,307,052	Noninterest-bearing; collectible on demand; to be settled in cash or other assets	Unsecured;no significant warranties and covenants; no impairment
• Advances made			251,295,613			
• Collections	(290,519,144)		(10,834,929)			
2.Payables				-	Noninterest-bearing; collectible on demand; to be settled in cash or other assets	Unsecured;no significant warranties and covenants
• Payments			5,558,486			
• Advances received						
<u>Affiliates</u>						
1.Receivables		296,928,669		147,946,960	Noninterest-bearing; collectible on demand; to be settled in cash or other assets	Unsecured;no significant warranties and covenants; with impairment
• Advances made			29,189,321			
• Collections	148,981,709		(17,525,746)			
• Writeoff			(4,978,014)			
• Allowance for Impairment		(6,460,530)		(6,460,530)		
2.Payables		(53,814,257)		(57,295,175)	Noninterest-bearing; collectible on demand; to be settled in cash or other assets	Unsecured;no significant warranties and covenants
• Advances received	3,480,918		21,850,817			
• Payments			2,818,799			

The roll forward analysis of related party accounts follow:

	2021	2020
Due from:		
Balance at beginning of year	538,254,012	291,107,767
Advances	-	280,484,934
Collections	(202,453,178)	(28,360,675)
	335,800,834	543,232,026
Written-off	-	(4,978,014)
Reversal of allowance	-	
Provision for impairment losses	-	-
Balance at end of year	335,800,834	538,254,012
Due to:		
Balance at beginning of year	57,295,175	43,821,643
Advances	17,824,293	21,850,817
Payments	-	(8,377,285)
Balance at end of year	75,119,468	57,295,175

The summary of the above related party transactions follows:

Due from Stockholder

Due from stockholder is non interest-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 2021 and 2020, 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 2021 and 2020, respectively. There were no other benefits aside from the salaries and other government mandated short term benefits.

21. Cost of Sales

	2021	2020
Cost of goods and services sold		
Inventories, beginning	P 343,950,064	P 229,609,830
Purchases and conversion cost	3,867,272,950	2,498,179,667
Cost of goods available for sale	4,211,223,014	2,727,789,497
Inventories, end	1,279,281,553	343,950,064
	P 2,931,941,461	P 2,383,839,433
Cost of goods sold of real property	225,359,199	122,968,174
	P 3,157,300,660	P 2,506,807,607

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

22. General and Administrative Expenses

Other employee benefits include SSS, HDMF, Philhealth employer contributions and 13th month bonus. Others pertain to trainings and seminars, pest controls, mails and postages and printing.

	2021	2020
Personnel costs	₱ 68,175,927	₱ 49,746,133
Taxes and licenses	51,324,247	115,895,662
Depreciation and amortization	36,604,565	72,490,213
Advertising	35,247,654	36,667,394
Communication, light and water	3,483,669	4,372,089
Freight and handling cost	3,568,759	3,680,507
Representation and entertainment	5,562,995	26,148,145
Professional fees	3,675,699	3,410,184
Repairs and maintenance	2,744,097	2,025,518
Transportation and travel	1,758,550	4,898,303
Contracted services	1,038,731	773,776
Supplies	1,107,813	1,357,578
Rentals	903,171	8,505,093
Insurance	256,129	268,365
Bank charges	252,681	256,975
Commissions		226,645
Others	9,100,087	5,843,879
	₱ 224,804,773	₱ 336,566,459

23. Other Income (Charges)

Notes	2021	2020
Other Income		
Gain on valuation of investment property	955,916,916	
Reversal of allowance for impairment	62,669,932	
Gain on valuation of trademark		285,000,000
Rental income	866,602	1,152,359
Others	3,850,878	1,366,727
	1,023,304,328	287,519,086
Other Charges		
Net foreign exchange loss (income)	(1,357,759)	6,146,419
	₱ 1,024,662,087	₱ 281,372,667

24. 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 September 30, 2021 and December 31, 2020.

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

	2021	2020
Balance at the beginning of the year	₱12,088,815	₱10,534,654
Retirement benefits expense	-	1,554,161
Remeasurement loss	-	-
Balance at end of year	₱12,088,815	₱12,088,815

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 year ended December 31, 2020.

25. Income Taxes

- 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 ₱44.7 million, ₱69.7 million and ₱137.3 million in 2020, and 2019.
- A reconciliation of provision for income tax (benefit from) for 2021, and 2020 applicable to income before income tax computed at the statutory income tax rates follows:

	2021	2020
Income before income tax	P 1,239,979,490	P 53,261,939
Multiplied by statutory rate	25%	30%
Income tax at statutory rate	309,994,873	15,978,582
Income tax effects of :		
Changes in unrecognized deferred tax as	-	34,784,997
Difference in tax rates	(15,927,410)	(5,777,129)
Application of NOLCO		(2,504,887)
Nondeductible expenses		1,881,849
Nontaxable income	(254,646,712)	(22,957)
Interest income subject to final tax		(9,805)
Applied/Expired MCIT		(7,631,725)
Total income tax-current and deferred		36,698,925
Deferred income tax benefit		(8,001,505)
Current income tax expense	P 39,420,751	P 28,697,420

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 recognized deferred tax liabilities on revaluation increment of land amounting to ₱8.7 million as at December 31, 2020 (see Note 11). The Group also recognized deferred tax asset as a result of the excess of lease liability over the ROU assets amounting to ₱387,049 and ₱102,499 as at December 31, 2020 and 2019, respectively.
- d. Net Operating Loss Carry Over (NOLCO)
- a. NOLCO incurred prior to taxable year 2020
- NOLCO incurred prior to taxable year 2020 can be claimed as deduction against regular taxable income within the next three (3) consecutive taxable years immediately following the year of such loss.

Year incurred	Expiration	Expired/Applied	Unapplied	Tax effect
2019	2022	₱231,455	₱27,764,235	₱8,329,271
2018	2021	3,507,427	28,376,579	8,512,884
2017	2020	11,425,441	-	-
		₱15,164,323	₱56,140,814	₱16,842,155

- b. NOLCO incurred in taxable year 2020

Pursuant to Section 4 (bbbb) of Bayanihan II and as implemented under Revenue Regulations (RR) No. 25-2020, the net operating losses of a business or enterprise incurred for taxable years 2020 and 2021 can be carried over as deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

Year incurred	Expiration	Expired/Applied	Unapplied	Tax effect
2020	2025	₱-	₱54,286,230	₱16,285,869

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

Year incurred	Expiration	Expired/Applied	Unapplied
2017	2020	₱5,463,998	₱-
2018	2021	3,789,024	1,131,351
2019	2022	3,387	4,792,271
2020	2023	-	261,412
		₱9,256,409	₱6,185,034

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

26. Lease Agreements

Group as Lessor

The Group has an operating lease arrangement of its property and has a term of one year commencing from January 1, to December 31 each year subject to an annual review and renewable upon mutual agreement of the parties. The lease contract was renewed in 2021 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 December 31, 2021 amounted to ₱1.1 million.

Rental income from the lease amounted to ₱1.0 million in 2020.

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 assets

The balance and movements of ROU assets as at September 30, 2021 and December 31, 2020 relating to the lease of machinery, transportation equipment and store premises is as follows:

	2021		
	Leases	Discount on Rental Deposit	Total
Cost			
Balance at the beginning of year	152,799,108	198,692	152,997,800
Addition during the year			
Balance at end of year	152,799,108	198,692	152,997,800
Accumulated amortization			
Balance at the beginning of year	49,186,608	145,481	49,332,089
Amortization during the year (Note 23)	14,913,139		14,913,139
Balance at end of year	64,099,747	145,481	64,245,228
Net carrying value	88,699,361	53,211	88,752,572

	2020		
	Leases	Discount on Rental Deposit	Total
Cost			
Balance at the beginning of year	150,516,249	191,598	150,707,847
Addition during the year	2,282,859	7,094	2,289,953
Balance at end of year	152,799,108	198,692	152,997,800
Accumulated amortization			
Balance at the beginning of year	24,461,114	76,128	24,537,242
Amortization during the year (Note 23)	24,725,494	69,353	24,794,847
Balance at end of year	49,186,608	145,481	49,332,089
Net carrying value	103,612,500	53,211	103,665,711

II. Refundable Deposit

The balance and movements of refundable deposits as at September 30, 2021 and December 31, 2020.

Relative to the lease, the Group's refundable deposit amounted to ₱7.1 million and P 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 September 30, 2021 and December 31, 2020 (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 September 30, 2021 and December 31, 2020 relating to the lease above follow:

	2021	2020
Balance at the beginning of the year	P 5,892,020	P 11,865,788
Payments of lease liability	-	(7,102,747)
Additions during the year	-	2,282,859
Gain on forgone leases	-	(1,870,017)
Amortization of interest	-	716,137
Net carrying value	5,892,020	5,892,020
Less: current portion	5,282,388	5,282,388
Noncurrent portion	P 609,632	P 609,632

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 September 30, 2021 and December 31, 2020, there are 43 store outlets being held under operating lease agreements.

Future minimum lease payments under these operating leases as at September 30, 2021 and December 31, 2020 cannot be reliably determined as it includes variable factors in determining the lease payments for the short-term leases.

27. 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 September 30, 2021 and December 31, 2020:

		2021		2020
Cash in banks	P	60,627,055	P	57,557,115
Trade and other receivables-net*		677,062,176		501,249,632
Due from related parties		296,928,669		147,946,960
Due from stockholders		99,787,908		365,195,870
Refundable deposits-net		185,819		10,154,862
		1,134,591,626		1,082,104,439
Financial assets at FVOCI		47,246,400		44,081,400
	P	1,181,838,026	P	1,126,185,839

*Excluding nonfinancial assets amounting to P86,876,777 and P60,510,147 as at September 30, 2021 and December 31, 2020.

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 September 30, 2021 and December 31, 2020:

2021					
	Neither past due nor impaired		Past due but not impaired	Impaired	Total
	High grade	Standard grade			
Cash in bank	60,627,055				60,627,055
Trade and other receivables - net*		657,963,702	19,098,474		677,062,176
Due from related parties - net		290,468,139		6,460,530	296,928,669
Due from a stockholder		99,787,908			99,787,908
Financial assets at FVOCI		47,246,400			47,246,400
Refundable deposits - net		185,819			185,819
Total	60,627,055	1,095,651,968	19,098,474	6,460,530	1,181,838,026

2020					
	Neither past due nor impaired		Past due but not impaired	Impaired	Total
	High grade	Standard grade			
Cash in bank	57,523,943	33,172			57,557,115
Trade and other receivables - net*		485,185,477	16,064,155	131,617,558	632,867,190
Due from related parties - net		147,946,960		6,460,530	154,407,490
Due from a stockholder		365,195,870			365,195,870
Financial assets at FVOCI		44,081,400			44,081,400
Refundable deposits - net		10,154,862		6,711,100	16,865,962
Total	57,523,943	1,052,597,741	16,064,155	144,789,188	1,270,975,027

*Excluding nonfinancial assets amounting to P60,510,147 as at December 31, 2020.

- 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 fulfillment of agreement.

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

Trade	30 to 60 days	61 to 90 days	More than 90 days	Total
September 30, 2021	9,790,322	9,308,152		19,098,474
December 31, 2020	8,591,191	7,472,964	-	16,064,155

- 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

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.

2021				
	On demand	Due within one year	Due beyond one year	Total
Cash in bank	60,627,055			60,627,055
Trade and other receivables - net*	671,794,749	5,267,427		677,062,176
Due from related parties - net	296,928,669			296,928,669
Due from a stockholder	99,787,908			99,787,908
Financial assets at FVOCI	47,246,400			47,246,400
Refundable deposits - net	185,819		-	185,819
	1,176,570,599	5,267,427	-	1,181,838,026
Trade payables and other payables**	433,277,103	51,523,847		484,800,950
Due to related parties	53,814,257			71,573,013
Loans payable		617,433,502	111,801,698	762,981,394
Lease liability	5,282,388		609,632	5,892,020
	528,526,929	702,703,543	112,411,330	1,343,641,802

*Excluding non financial assets amounting to P86,876,777

** Excluding nonfinancial liabilities amounting to P138,919,448

2020				
	On demand	Due within one year	Due beyond one year	Total
<i>Financial assets</i>				
Cash in bank	57,557,115			57,557,115
Trade and other receivables - net*	495,982,205	5,267,427		501,249,632
Due from related parties - net	147,946,960			147,946,960
Due from a stockholder	365,195,870			365,195,870
Financial assets at FVOCI	44,081,400			44,081,400
Refundable deposits - net	6,195,905	2,184,681	1,774,276	10,154,862
	1,116,959,455	7,452,108	1,774,276	1,126,185,839
<i>Other financial liabilities</i>				
Trade payables and other payables**	445,728,911	50,386,758		496,115,669
Due to related parties	55,914,973	-		55,914,973
Loans payable	-	675,107,019	111,801,698	786,908,717
Lease liability	-	5,282,388	609,632	5,892,020
	-	730,776,165	112,411,330	1,344,831,379

*Excluding non financial assets amounting to P55,781,840

** Excluding nonfinancial liabilities amounting to P121,346,364

• 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 exchange 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.

- 98 -
2021

	RMB	Peso equivalent	HKD	Peso equivalent	US\$	Peso equivalent	AU\$	Peso equivalent
Financial assets: Cash in banks	1,280,035	10,079,507	12,429	81,706	51,079	2,561,216.71		
Trade and other receivables	21,502,373	169,318,284	53,053	348,760	4,649,350	233,127,723		
Deposits	22,782,408	179,397,791	65,482	430,466	4,700,430	235,688,939	0	0
Financial liabilities:								
Trade and other payables	7,732,212	60,886,527	107,829	708,846				
Loans payable								
Lease liability								
	7,732,212	60,886,527	107,829	708,846	-	-	-	-
Net financial assets (liabilities)	RMB 15,050,196	118,511,264	(HKD 42,347)	-P278,381	\$4,700,429.57	235,688,939		

	RMB	Peso equivalent	HKD	Peso equivalent	US\$	Peso equivalent	AU\$	Peso equivalent
Financial assets: Cash in banks	RMB4,390,392	P 32,255,770	HK\$12,429	P 76,979	US\$44,553	P 2,140,149	AU\$-	P -
Trade and other receivables	40,780,092	299,607,256	53,053	328,584	3,312,822	159,134,696	-	-
Deposits	-	-	-	-	-	-	172,000	6,260,267
	45,170,484	331,863,026	65,482	405,563	3,357,375	161,274,845	172,000	6,260,267
Financial liabilities:								
Trade and other payables	53,285,314	391,481,873	114,450	P708,846			-	-
Loans payable	-	-	-	-	45,000	2,161,620	-	-
Lease liability	-	-	-	-	-	-	-	-
	53,285,314	391,481,873	114,450	708,846	45,000	2,161,620	-	-
Net financial assets (liabilities)	(RMB8,114,830)	(P 59,618,847)	(HK\$48,968)	(P 303,283)	US\$3,312,375	P 159,113,225	AU\$172,000	P 6,260,267

The equivalent exchange rates of one foreign currency in Philippine peso as at September 30, 2021 and December 31, 2020 are as follows:

	2021	2020
RMB	7.874	7.192
HK\$	6.574	6.516
US\$	50.142	50.744
AU\$	37.168	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 September 30, 2021 and December 31, 2020, 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 September 30, 2021 and December 31, 2020, the Group considers the following accounts as capital:

	2021	2020
Capital Stock	P 832,831,688	P 830,774,088
Additional paid in capital	3,602,050,960	3,567,071,760
Due to related parties	53,814,257	57,295,175
Total Capital	P 4,488,696,905	P 4,455,141,023

The Group has no externally imposed capital requirement. No changes were made in the objectives, policies or processes during the years ended September 30, 2021 and December 31, 2020.

28. 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 September 30, 2021 and December 31, 2020:

Going concern basis of accounting

2021

	Notes	Carrying value	Fair value	Significant observable inputs
<i>Financial assets at amortized cost</i>				
Cash in bank		60,627,055	60,627,055	60,627,055
Trade and other receivables - net*		677,062,176	677,062,176	677,062,176
Due from related parties - net		296,928,669	296,928,669	296,928,669
Due from a stockholder		99,787,908	99,787,908	99,787,908
Refundable deposits - net		185,819	185,819	185,819
		1,134,591,626	1,134,591,626	1,134,591,626
Financial assets at FVOCI		47,246,400	47,246,400	47,246,400
		1,181,838,026	1,181,838,026	1,181,838,026
<i>Other financial liabilities at amortized cost</i>				
Trade payables and other payables**		484,800,950	484,800,950	484,800,950
Due to related parties		71,573,013	71,573,013	71,573,013
Loans payable		762,981,394	762,981,394	762,981,394
Lease liability		5,892,020	5,892,020	5,892,020
	-	1,325,247,377	1,325,247,377	1,325,247,377

*Excluding non financial assets amounting to P86,876,777

** Excluding nonfinancial liabilities amounting to P138,919,448

2020

	Notes	Carrying value	Fair value	Significant observable inputs
<i>Financial assets at amortized cost</i>				
Cash in bank		57,557,115	57,557,115	57,557,115
Trade and other receivables - net*		501,249,632	501,249,632	501,249,632
Due from related parties - net		147,946,960	147,946,960	147,946,960
Due from a stockholder		365,195,870	365,195,870	365,195,870
Refundable deposits - net		10,154,862	10,154,862	10,154,862
		1,082,104,439	1,082,104,439	1,082,104,439
Financial assets at FVOCI		44,081,400	44,081,400	44,081,400
		1,126,185,839	1,126,185,839	1,126,185,839
<i>Other financial liabilities at amortized cost</i>				
Trade payables and other payables**		496,115,669	496,115,669	496,115,669
Due to related parties		55,914,973	55,914,973	55,914,973
Loans payable		786,908,717	786,908,717	786,908,717
Lease liability		5,892,020	5,892,020	5,892,020
	-	1,344,831,379	1,344,831,379	1,344,831,379

*Excluding non financial assets amounting to P55,781,840

** Excluding nonfinancial asset amounting to P121,346,364

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 hierarchy during 2020 and 2019.

29. **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:

2021					
		Balance at beginning of year		Comprehensive income (loss)	Balance at end of year
FUCANG	P	726,608,406	P	585,631,606	P 1,312,240,012
ANI HK		114,798,585			114,798,585
TBC		(31,886,805)		(2,924,701)	(34,811,506)
FFCI		(18,631,691)		(348,093)	(18,979,784)
FI		(2,944,544)			(2,944,544)
FGP		1,918,629		-	1,918,629
HEPPY		(766,442)		(8,000)	(774,442)
	P	789,096,138	P	582,350,811	P 1,371,446,949

2020					
		Balance at beginning of year		Comprehensive income (loss)	Balance at end of year
FUCANG	P	670,512,126	P	56,096,280	P 726,608,406
ANI HK		114,491,013		307,572	114,798,585
TBC		(39,853,641)		7,966,836	(31,886,805)
FFCI		(15,214,395)		(3,417,296)	(18,631,691)
FI		(2,944,544)		-	(2,944,544)
FGP		1,871,048		47,581	1,918,629
HEPPY		(556,038)		(210,404)	(766,442)
	P	728,305,569	P	60,790,569	P 789,096,138

30. **Business Combination**

Incorporation of Lexian

As discussed in Note 1, Fucang acquired 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)

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.

31. **Segment Information**

The Group has identified its operating segments based on internal reports that are reviewed and used by the Chief Executive Officer (the chief operating decision maker) in assessing

performance and in determining the allocation of resources. The operating segments identified by the management are as follows:

Exports

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

Distribution

The Distribution segment is responsible for the local sales and distribution of various products that the Group offers to a number of retail outlets, e-commerce sites, and supermarket chain within Luzon.

Retail

The Retail segment is responsible for the management and operation of the Group's retail businesses, e-commerce, and auto vending.

Foreign Trading

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

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 Peso)		September 30, 2021	September 30, 2020
Philippine Operations			
Export	P	1,186,019,719	P 1,488,248,401
Local Distribution and Others		490,929,358	223,524,205
Retail & Franchising		16,941,019	18,009,524
Sub-total	P	1,693,890,096	P 1,729,782,130
Foreign Operations			
Hongkong/China		1,929,752,905	1,270,461,550
Total	P	3,623,643,002	P 3,000,243,680