

**for**  
QUARTERLY 17-Q

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

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N	/	A	
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## COMPANY INFORMATION

[www.ani.com.ph](http://www.ani.com.ph)

**(02) 8997-5184**

N/A
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42

**Third Monday of May**

**DECEMBER 31**

CONTACT PERSON INFORMATION	
NAME	
PHONE	
EMAIL	
ADDRESS	
CITY	
STATE	
ZIP	

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

Kenneth S. Tan

kenneth.tan@ani.com.ph

**(02) 8997-5184**

N/A
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CONTACT PERSON'S ADDRESS	
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**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, 2023**
2. SEC Identification Number **A199701848**
3. BIR Tax Identification Code **200-302-092-000**
4. Name of Issuer as specified in its charter **AGRINURTURE, INC.**
5. **PHILIPPINES**  
Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code: (SEC Use Only)
7. **NO. 54 NATIONAL ROAD, DAMPOL II-A, PULILAN, BULACAN, PHILIPPINES**  
**3005**  
Address of issuer's principal office Postal Code
8. Issuer's telephone number, area code **+63-44-815-6340**
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
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<b>Common Shares</b>	<b>1,024,446,888 shares / Php1,772,092,860</b>
(Authorized 1,600,000,000 shares at P1.00 Par value)	
<b>Preferred Shares</b>	<b>400,000,000 shares</b>
(Authorized 400,000,000 shares at P0.10 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**

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**Part I - FINANCIAL INFORMATION**

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**Item 1. Financial Statements**

The interim consolidated financial statements of AgriNuture, Inc. and subsidiaries (collectively referred to as the "Group") as of and for the period ended September 30, 2023 and with comparative figures as of September 30, 2023 and December 31, 2022 - 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 AgriNuture, Inc. (ANI) and subsidiaries as of and for the nine months ended September 30, 2023.

**Business Overview**

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

ANI eventually diversified into other various agro-commercial businesses, specifically focusing on the export trading of fresh fruits 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 customers in Greater China Region, the Middle East, Japan, Korea and to the different European regions. It also directly operates domestic distribution businesses in the Philippines, Australia, and China.

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

- On December 20, 2019 and September 9, 2020, the BOD and the shareholders of the Group, respectively, have approved the issuance of shares to Plentex Philippines, Inc. (Plentex). Plentex has subscribed for 6,172,800 shares and the Group has agreed to issue the same at a value of P18 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 shares were paid.
- 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. An operation team has been set up to kick off the launch of the said project.

- On February 23 2021, Ocean Biochemistry Technology Research, Inc. ("OBTRI") and Greenery Holdings, Inc. ("GHI") have entered into a subscription agreement for the issuance of 37,500 common shares of OBTRI at par value of P100 per share for a total aggregate value of P3,750,000. OBTRI is a corporation primarily engaged in manufacturing and trading, and is 51% owned by M2000 Imex Company, Inc. ("IMEX") prior to GHI's subscription while M2000 Imex Company, Inc. ("IMEX") is a wholly-owned subsidiary of ANI.

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 May 12, 2021, the Group has entered into a 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 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 still 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 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 par value.

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 final 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. The warrants shall have the exercise price of a discounted rate of 5% of the weighted average volume 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.

- c. 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 volume 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.

- d. 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 volume 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.

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.

- e. 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 volume 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.

- On May 5, 2020, the Group 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 e-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.

- 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.
- On December 28, 2020, the Group's BOD approved the acquisition of additional shareholdings in Fucang Trading Limited (Fucang) from 51% up to 70% for a price to be determined based on the audited net book value of Fucang as of December 31, 2021. As of date of the report, the additional acquisition has been completed (see Note 31).

- On October 13, 2018, the Group entered into a joint venture agreement for the development of a 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, 2022 and 2021, 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 to fully execute the joint venture agreement. The parties are in the process of executing the projects under the Joint Venture Agreement. As of reporting period, the masterplan for the design of the food terminal were already completed (see Note 15).
- 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 BSK PTY LTD (see Note 15). The main activity of the Australian operations is primarily processing of fruit and vegetables for distribution to food processors, schools, restaurants, mining sites and airlines. On September 15, 2023 Freshness First Pty. Ltd., parent company of BSK PTY LTD was already acquired by the Group. Revenue shall be consolidated effective Q4 of 2023.
- 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 2023.
- On October 10, 2020 and November 5, 2021, the BOD and the shareholders of the Group, respectively, approved the increase of the Group's authorized capital stock from ₱2,000,000,000 to up to ₱5,000,000,000. 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 Group's existing capital stock.
- On November 5, 2021, the Group'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. ANI HK is a wholly owned subsidiary of the Group and ADHI is a wholly owned subsidiary of Greenergy Holdings, Inc.
- 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 long-term green bonds of up to 75 million Euros. As of date, the Group has completed the incorporation process and awaiting the right timing to proceed to next step.

On February 24, 2020, the Board has approved the decrease in the par value of the shares of the Group from one peso (₱1.00) to ten centavos (₱0.10). The Board has likewise approved the reclassification of 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) to 400,000,000 voting preferred shares with par value of ten centavos

(P0.10) per share or an aggregate par value of forty million pesos (P40,000,000) subject to the approval of the SEC.

Upon approval of the SEC, the Group's authorized capital stock will increase to twenty billion (20,000,000,000) shares for a total par value of two billion pesos (P2,000,000,000) which shall be divided into the following:

- a. Common shares, consisting of 19,600,000,000 shares with a par value of ten centavos (P0.10) per share for a total par value of P1,960,000,000;
- b. Preferred shares, consisting of 400,000,000 shares with a par value of ten centavos (P0.10) per share for a total par value of P40,000,000;

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;
- c. In the liquidation, dissolution and winding up of the Group, whether voluntary or otherwise, the right to be paid in full or ratably, insofar as the assets of the 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; and
- d. 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 Group's BOD confirmed the approval of the reclassification of the Group's Forty Million (40,000,000) unissued common shares with par value of One Peso (P1.00) per share or an aggregate par value of Forty Million Pesos (P40,000,000) to 400,000,000 voting preferred shares with par value of P0.10 per share or an aggregate par value of Forty Million Pesos (P40,000,000), to be subscribed by Earthright Holdings, Inc. The reclassification of shares was filed, and approved by the SEC on November 16, 2022.

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.

<b>REVENUE</b>				
(Philippine Peso)				
	<b>September 30, 2023</b>		<b>September 30, 2022</b>	
<b>Philippine Operations</b>				
Export	P	<b>721,106,827</b>	P	1,053,559,295
Local Distribution and Others		<b>332,854,303</b>		208,965,571
Retail & Franchising		<b>54,953,271</b>		36,992,309
<b>Sub-total</b>	<b>P</b>	<b>1,108,914,401</b>	<b>P</b>	<b>1,299,517,175</b>
<b>Foreign Operations</b>				
China		<b>1,537,556,728</b>		1,519,580,051
Australia*		-		-
<b>Total</b>	<b>P</b>	<b>2,646,471,128</b>	<b>P</b>	<b>2,819,097,226</b>

\* Australia operations will be included in the 4th Qtr of 2023

### **Results of Operations**

Nine Months ended September 30, 2023 versus September 30, 2022

#### **Net Sales**

The ANI Group generated a consolidated sale of goods and services of Php 2.65 billion for the nine months ended September 30, 2023 almost the same as the same period last year. For the first nine months of 2023, Philippine operations contributed 42%, while sales from foreign operations accounted for 58% of consolidated sales. Sale of goods and services by business segment are as follows:

- Export of bananas and various fresh and processed goods decreased which resulted in the Group's export sales decline of P721.11 million, 32% lower compared to the same period in 2022. The decrease is brought about by China market's demand slowing down and increasing competition from other Southeast Asian suppliers.
- Local distribution sales posted an increase of 59% to Php 332.85 million for the nine months ended September 30, 2023 from Ph 208.97 million for the same period in 2022. Sales increase significantly due to an increase in the number of outlets opened, higher pricing, and stronger demand for rice and fresh produce.
- Retail and franchising sales registered an increase of 49% amounting to Php 54.95 million for the third quarter of 2023 from Ph36.99 million for the same period in 2022 due to the opening of new company-owned and franchise stores during the quarter.
- Foreign trading operations posted only a 1% increase in sales in the third quarter of 2023 from 1.52 billion in 2022 to Php 1.54 billion in 2023. The Queensland, Australia revenue shall be consolidated effective Q4 this year.



## **Cost of Sales**

Cost of sales consists of:

- Cost of purchasing fruits and vegetables and raw materials from growers and other traders/suppliers including freight in charges;
- Cost of real estate includes development cost for all properties to be sold, including shops, hotel & office buildings located in Xuzhou, JiangSu, 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, 2023, ANI Group's cost of sales amounted to Php2.65 billion, a decrease of 6% from Ph2.82 billion for the same period in 2022, due to the drop in purchase cost during the quarter.

## **Gross Profit**

Consolidated gross profit down by Php 54.84 million or 50% from Php 109.73 million to Php 54.89 million for the nine months ended September 30, 2023 for the same period last year. The decrease was mainly due to a significant decrease in revenue from export operations to China and USA markets.

## **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 third quarter of 2023 amounted to Php 259.68 million decreased from Php 266.71 million for the same period last year despite increase in wages and freight was due to continuous cost cutting efforts of the management.

## **Finance Costs**

Finance Costs for the third quarter of 2023 amounted to P31.93 million compared to P36.73 million for the previous year due to savings from reduction of short term loans.

## **Net Profit**

Consolidated net profit is down by Php 54.84 million or nearly 50% from Php 109.73 million to Php 54.89 million for the nine months ended September 30, 2023 for same period last year. The decrease was due to unexpected drop in export revenue to China and USA, recently increase in wages as mandated by law, rising logistic costs, and non-recognition of change in fair value of biological assets for the period.

## **Financial Condition**

### **Assets**

ANI Group's consolidated total assets as of September 30, 2023 amounted to P5.49 billion a slight decrease of 6% from P 5.86 billion at December 31, 2022. The following explains the movements in the asset accounts:

- The Group's cash balance decreased by P48.08 million from P 98.77 million in 2022 to P50.70 million in 2023 primarily due to payment of maturing short term loans and due to related parties.
- Receivables increased by P21.35 million during the quarter from P669.84 million in 2022 to P691.19 million in 2023 due to delayed collections from various clients.
- Advances to related parties decreased by P294.60 million in 2023 from P508.97 to P214.37 million due to liquidation and settlement made during the quarter.
- Inventory balance decreases from P1.37 billion to P1.36 billion in 2023.
- Deposits for future investments include deposits made by Fucang to acquire 60% ownership of the subscriptions to Guangzhou Tianchen Real Estate Development Co., Ltd.
- Property, plant and equipment including intangibles, investment property and right-of-use assets increased from P2.07 billion in December 31, 2022 to P2.80 billion in September 30, 2023.

### **Liabilities**

Consolidated liabilities amounted to 1.77 billion as of September 30, 2023.

Total current liabilities amounted to P1.71 billion and P 1.60 billion as of September 30, 2023 and December 31, 2022, respectively. The decrease is mainly due to payments of maturing loans and borrowings and trade payables.

### **Equity**

Consolidated stockholders' equity amounted to P3.72 billion as of September 30, 2023. The decrease is due to adjustments in foreign currency translation and non-controlling interest.

## **Liquidity and Capital Resources**

Net cash provided by operating activities for the first nine months of 2023 was 315.88 million

Net cash flow used by investing activities is P266.20 million during the period.

Net cash used in financing activities is P97.76 million which is due to payments of loans 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 INDICATOR

FINANCIAL KEY PERFORMANCE INDICATOR	DEFINITION	FOR THE PERIOD ENDED SEPTEMBER 30	
		2023	2022
Liquidity:			
Current ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	1.47	1.81
Quick ratio	$\frac{\text{Current Assets}-\text{Inventory}-\text{Prepayments}}{\text{Current Liabilities}}$	0.56	0.79
Financial Leverage:			
Debt-to-equity ratio	$\frac{\text{Total Liabilities}}{\text{Stockholder's Equity}}$	0.48	0.38
Asset to Equity Ratio	$\frac{\text{Total Assets}}{\text{Total Equity}}$	1.48	1.38
Interest Coverage Ratio	$\frac{\text{Earnings before Interest and Taxes}}{\text{Interest Expense}}$	0.87	1.37
Profitability:			
Return on equity	$\frac{\text{Net Income}}{\text{Average Stockholder's Equity of the company}}$	0.01	0.12
Return on Assets	$\frac{\text{Net Income}}{\text{Average Total Asset}}$	0.004	0.020
Operating efficiency:			
Revenue growth	$\left[ \frac{\text{Current period Net Sales}}{\text{Prior period Net Sales}} \right] - 1$	2.48	0.22
Operating Margin	$\frac{\text{Net Operating Income}}{\text{Net sales}}$	0.02	0.04

Pursuant to the requirements of the Securities Regulations Code, the Issuer has duly caused

## **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.**

A handwritten signature in black ink, appearing to read 'Antonio L. Tiw', written over a horizontal line.

Signature and Title

**ANTONIO L. TIU**  
Chairman / President

Date

November 6, 2023

A handwritten signature in black ink, appearing to read 'Kenneth S. Tan', written over a horizontal line.

Signature and Title

**KENNETH S. TAN**  
Treasurer/CFO

Date

October 26, 2023



**AGRINURTURE, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2023 AND DECEMBER 31, 2022**

*(Amounts in Philippine Pesos)*

	Notes	2023	2022
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	6	<b>50,699,116</b>	98,774,860
Trade and other receivables – net	7	<b>691,190,598</b>	669,837,508
Due from related parties – net	21	<b>214,369,903</b>	508,966,626
Inventories	8	<b>1,363,191,993</b>	1,369,818,823
Prepayments and other current assets – net	9	<b>191,965,122</b>	175,767,888
Total Current Assets		<b>2,511,416,732</b>	2,823,165,705
<b>Noncurrent Assets</b>			
Financial assets at fair value through other comprehensive income (FVOCI)	10	<b>46,734,000</b>	48,223,200
Property and equipment – net	11	<b>494,951,412</b>	458,431,117
Investment property	12	<b>1,336,033,142</b>	1,349,544,703
Intangible assets – net	13	<b>156,894,607</b>	157,359,377
Right-of-use assets	27	<b>44,608,933</b>	59,522,071
Biological assets	14	<b>54,335,337</b>	54,335,337
Deferred tax asset	26	<b>11,772,444</b>	11,772,444
Deposits and other noncurrent assets – net	15	<b>831,232,789</b>	898,750,863
Total Noncurrent Assets		<b>2,976,562,664</b>	3,037,939,112
		<b>5,487,979,396</b>	5,861,104,817
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Trade and other payables	16	<b>861,002,765</b>	605,444,951
Borrowings	17	<b>752,818,864</b>	822,970,630
Lease liabilities	27	<b>318,472</b>	318,472
Due to related parties	21	<b>94,621,999</b>	170,809,688
Income tax payable		<b>2,233,794</b>	2,467,226
Total Current Liabilities		<b>1,710,995,894</b>	1,602,010,967
<b>Noncurrent Liabilities</b>			
Borrowings- net of current portion	17	<b>4,324,555</b>	-
Retirement benefit liability	25	<b>22,723,726</b>	22,723,726
Deferred tax liabilities	26	<b>34,048,684</b>	31,269,733
Total Noncurrent Liabilities		<b>61,096,965</b>	53,993,459
Total Liabilities		<b>1,772,092,859</b>	1,656,004,426

*(Forward)*

(Carryforward)

	Notes	2023	2022
<b>Equity</b>			
Capital stock P1 par value			
Common shares-P1 par value	19	<b>832,831,688</b>	832,831,688
Authorized – 1,600,000,000 shares in 2023 and 2022			
Subscribed – 1,024,446,888 shares in 2023 and 2022 (net of subscriptions receivable at par value of P191,615,200 in 2022 and 2023)			
Preferred shares- P0.10 par value		<b>40,000,000</b>	40,000,000
Authorized – 400,000,000 shares and nil in 2022 and 2021, respectively			
Subscribed – 400,000,000 shares and nil in 2022 and 2021, respectively			
Additional paid-in capital	19	<b>1,974,005,425</b>	3,602,050,960
Deficit		<b>(304,014,465)</b>	(1,847,102,815)
Net cumulative remeasurement gain on retirement benefits	25	<b>855,438</b>	855,437
Foreign currency translation reserve		<b>250,586,194</b>	269,183,351
Revaluation surplus - net of deferred tax	11	<b>123,327,626</b>	76,060,652
Noncontrolling interest	30	<b>798,294,631</b>	1,231,221,118
<b>Total Equity</b>		<b>3,715,886,537</b>	4,205,100,391
		<b>5,487,979,396</b>	5,861,104,817

See accompanying Notes to Consolidated Financial Statements.

**AGRINURTURE, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022**

(Amounts in Philippine Pesos)

	Notes	For the Quarter-ended September 30 2023	2022	For the Nine months-ended Sept 30 2023	2022
<b>NET REVENUE</b>	18	<b>761,227,457</b>	860,915,279	<b>2,646,471,128</b>	2,819,097,226
<b>COST OF SALES</b>	22	<b>669,600,356</b>	756,965,524	<b>2,331,899,992</b>	2,442,654,646
<b>GROSS PROFIT</b>		<b>91,627,101</b>	103,949,755	<b>314,571,136</b>	376,442,580
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	23	<b>67,625,987</b>	85,461,338	<b>259,681,010</b>	266,709,886
<b>OPERATING PROFIT</b>		<b>24,001,114</b>	18,488,417	<b>54,890,126</b>	109,732,694
<b>OTHER INCOME (CHARGES)</b>					
Gain on change in fair value of investment property	12	-	-	-	-
Gain on change in fair value of biological assets	14	-	40,698,516	-	62,349,401
Finance costs	17,27	(7,571,945)	(11,190,638)	(31,934,461)	(36,729,749)
Interest income	6	1,236	3,539	6,228	11,505
Other income – net	24	669,699	880,221	4,830,769	1,933,523
		<b>(6,901,010)</b>	30,391,638	<b>(27,097,463)</b>	27,564,681
<b>PROFIT BEFORE INCOME TAX</b>		<b>17,100,104</b>	48,880,055	<b>27,792,663</b>	137,297,375
<b>INCOME TAX EXPENSE</b>					
Current		<b>4,181,264</b>	3,897,151	<b>5,663,001</b>	21,356,655
Deferred		-	10,174,629	-	15,587,350
		<b>4,181,264</b>	14,071,780	<b>5,663,001</b>	36,944,005
<b>NET PROFIT</b>		<b>12,918,840</b>	34,808,275	<b>22,129,662</b>	100,353,370
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>					
<i>Reclassifiable to profit or loss</i>					
Exchange differences on translation of foreign operations		<b>48,319,079</b>	4,354,145	<b>(26,567,367)</b>	96,491,757
<i>Not reclassifiable to profit or loss</i>					
Revaluation increment – net of deferred tax	11	-	-	-	-
Remeasurement loss on retirement benefits	25	-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>61,237,919</b>	39,162,419	<b>(4,437,705)</b>	196,845,126
<b>Net profit (loss) attributable to:</b>					
Equity holders of the Parent Company		<b>9,562,135</b>	30,647,759	<b>15,398,526</b>	88,395,398
Noncontrolling interest		<b>3,356,705</b>	4,160,516	<b>6,731,135</b>	11,957,972
		<b>12,918,840</b>	34,808,275	<b>22,129,662</b>	100,353,370
<b>Total comprehensive income (loss) attributable to:</b>					
Equity holders of the Parent Company		<b>43,362,805</b>	33,292,705	<b>(3,185,056)</b>	138,391,523
Noncontrolling interest		<b>17,875,114</b>	5,869,714	<b>(1,252,649)</b>	58,453,603
		<b>61,237,919</b>	39,162,419	<b>(4,437,705)</b>	196,845,126
<b>Basic and diluted earnings (loss) per share attributable to equity holders of the Parent Company</b>					
	20	<b>0.01</b>	0.04	<b>0.02</b>	0.11

See accompanying Notes to Consolidated Financial Statements.

**AGRINURTURE, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022**

*(Amounts in Philippine Pesos)*

	Notes	2023	2022
<b>CAPITAL STOCK</b>			
<i>Common shares- P1 par value</i>	24		
Balance at beginning of year		<b>832,831,688</b>	832,831,688
Paid-up during the year		-	-
		<b>832,831,688</b>	832,831,688
<i>Preferred shares-P0.10 par value</i>			
Balance at beginning of year		<b>40,000,000</b>	-
Paid-up during the year		-	-
		<b>40,000,000</b>	-
<b>ADDITIONAL PAID-IN CAPITAL</b>			
	24		
Balance at beginning of year		<b>3,602,050,960</b>	3,602,050,960
Equity restructuring		<b>(1,628,045,535)</b>	-
Balance at end of year		<b>1,974,005,425</b>	3,602,050,960
<b>DEFICIT</b>			
Balance at beginning of year		<b>(1,847,102,815)</b>	(1,848,388,705)
Equity restructuring		<b>1,628,045,535</b>	-
Acquisition of new company		<b>(100,355,712)</b>	
Net profit (loss)		<b>15,398,526</b>	88,395,398
Balance at end of year		<b>(304,014,465)</b>	(1,759,993,307)
<b>NET CUMULATIVE REMEASUREMENT GAIN ON RETIREMENT BENEFITS</b>			
Balance at beginning of year		<b>855,437</b>	1,785
Remeasurement loss		-	-
Balance at end of year	25	<b>855,437</b>	1,785
<b>FOREIGN CURRENCY TRANSLATION RESERVE</b>			
Balance at beginning of year		<b>269,183,351</b>	236,545,517
Exchange differences during the year		<b>(18,597,156)</b>	49,213,533
Balance at end of year	25	<b>250,586,195</b>	285,759,050
<b>REVALUATION SURPLUS - NET OF DEFERRED TAX</b>			
	11	<b>123,327,626</b>	84,611,960
<b>NONCONTROLLING INTEREST</b>			
	30		
Balance at beginning of year		<b>1,231,221,118</b>	1,240,481,612
Share in:			
Net profit during the year		<b>6,731,135</b>	11,957,972
Exchange difference on translation of foreign operations		<b>(7,970,210)</b>	47,278,223
Additional subscription		<b>(431,687,412)</b>	-
Balance at end of year		<b>798,294,631</b>	1,299,717,807
<b>TOTAL EQUITY</b>		<b>3,715,886,537</b>	4,344,979,943

See accompanying Notes to Consolidated Financial Statements.

**AGRINURTURE, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022**

*(Amounts in Philippine Pesos)*

	Notes	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before income tax		<b>27,792,663</b>	137,297,375
Adjustments for:			
Depreciation and amortization	11,13,27	<b>36,724,176</b>	39,054,992
Finance cost	17,27	<b>31,934,461</b>	36,729,749
Unrealized foreign exchange losses – net	28	<b>694,758</b>	48,541,354
Interest income	6,27	<b>(6,228)</b>	(11,505)
Gain on change in fair value of biological asset	14,24	-	(62,349,401)
Operating profit before working capital changes		<b>97,139,829</b>	199,262,563
Decrease (increase) in:			
Trade and other receivables	7	<b>(21,353,090)</b>	(91,721,534)
Inventories	8	<b>6,626,830</b>	(85,195,396)
Prepayments and other current assets	9	<b>(16,197,234)</b>	3,293,877
Increase (decrease) in trade other payables		<b>255,557,814</b>	(10,522,199)
Net cash provided by (used in) operations		<b>321,774,149</b>	15,117,310
Income taxes paid		<b>(5,896,433)</b>	(4,784,220)
Interest received	6	<b>6,228</b>	11,505
Net cash flows provided by (used in) operating activities		<b>315,883,944</b>	10,344,595
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Increase (decrease) in:			
Related parties	21	<b>(231,494,527)</b>	265,019,643
Other noncurrent assets	15,33	<b>67,518,074</b>	(12,083,055)
Additions to:			
Property and equipment	11	<b>(57,866,563)</b>	
Investment property	13	<b>13,511,561</b>	(80,749,636)
Biological assets	14	<b>1</b>	(20,000,000)
Proceeds from sale of property and equipment	11	<b>(57,866,563)</b>	6,375,628
Net cash flows provided by (used in) investing activities		<b>(266,198,017)</b>	121,068,776
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from:			
Loan availments	17	<b>173,000,000</b>	
Payments of:			
Loans payable	17	<b>(238,827,211)</b>	(105,967,347)
Interest	17,27	<b>(31,934,461)</b>	(36,729,749)
Net cash flows provided by (used in) financing activities		<b>(97,761,672)</b>	(142,697,096)
<b>NET INCREASE (DECREASE) IN CASH</b>		<b>(48,075,745)</b>	(11,283,724)
<b>CASH AT BEGINNING OF YEAR</b>	6	<b>98,774,860</b>	80,195,232
<b>CASH AT END OF YEAR</b>	6	<b>50,699,115</b>	68,911,508

See accompanying Notes to Consolidated Financial Statements.



**AGRINURTURE, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*(Amounts in Philippine Pesos)*

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**1. Corporate Information and Status of Operations**

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

In March 2009, the SEC approved the change in the Group'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 Group'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 Group.

The Group 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 P1,847,102,815 and P1,848,388,705 as at December 31, 2022 and 2021, however, on March 27, 2023, the Parent Company's application for equity restructuring to wipe out the deficit as of December 31, 2021 in the amount of P1,628,045,535 against the additional paid-in capital (APIC) of P3,602,050,960 was approved considering that all the requirements have been complied with provided that the remaining APIC of P1,974,005,425 cannot be applied for future losses that may be incurred by the Parent Company without prior approval of the SEC. The Group's management assessed that the going concern assumption remains to be appropriate since the Group has been continuously growing revenue and improving profitability and is continuing to expand its core business and increase the distribution (fruits, vegetables, and rice) and export sales channels. Its retail arm is expanding the franchise network with steps to cover not only the Philippines on a national basis but overseas as well. The Group has started an active campaign to gain new and recover clients through marketing and selling activities in the Philippines and overseas. Part of these activities include looking for more opportunities in the greater China, Middle East and Asian 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 at December 31, 2022 and 2021, the Group's current assets already exceeded its current liabilities by P1,221,154,738 and P1,174,568,813, respectively. Further, the Group launched its own 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 in cans for local and export distribution. These developments are expected to contribute to a positive growth in the future for the Group's revenue and net earnings.

On March 27, 2023, the Parent Company's application for equity restructuring to wipe-out the deficit as of December 31, 2021 in the amount of P1,628,045,535 against the additional paid-in capital (APIC) of P3,602,050,960 was approved considering that all the requirements have been complied with provided that the remaining APIC of P1,974,005,425 cannot be applied for future losses that may be incurred by the Parent Company without prior approval of the SEC.

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### **3. 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 certain financial instruments carried at either amortized cost or at fair value, inventories which is carried at lower of cost or net realizable value, biological assets which is presented using the fair value less estimated cost to sell, investment property which is presented using the fair value method and property and equipment which is presented using revaluation model. These consolidated financial statements are presented in Philippine Peso (P), 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.

#### Functional Currency

Items included in the consolidated financial statements of the Group are measured using the Philippine Peso (P), the currency of the primary economic environment in which the Group operates (the "functional currency") and all values are rounded to the nearest peso except when otherwise indicated.

Each entity in the Group determines its own functional currency and items included in the

financial statements of each entity are measured using that functional currency. The respective functional currencies of the subsidiaries and associates are presented in Note 1.

The Group chose to present its consolidated financial statements using the Group's functional currency.

#### Current and Non-current Presentation

The Group classifies an asset as current when:

- It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- It holds the asset primarily for the purpose of trading;
- It expects to realize the asset within twelve (12) months after the reporting period; or
- The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve (12) months after the reporting period.

The Group classifies all other assets as non-current.

The Group classifies a liability as current when:

- It expects to settle the liability in its normal operating cycle;
- It holds the liability primarily for the purpose of trading;
- The liability is due to be settled within twelve (12) months after the reporting period; or
- It does not have an unconditional right to defer settlement of the liability for at least twelve (12) months after the reporting period.

The Group classifies all other liabilities as non-current.

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

#### Principles of Consolidation

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

Specifically, the Parent controls an investee if it has:

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

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

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

The Parent 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.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Intercompany balances and transactions, including intercompany profits and unrealized profits and losses are eliminated.

When the Parent loses control over a subsidiary, at the date when control is lost, it: (a) derecognizes the assets (including any goodwill) and liabilities of the subsidiary at their carrying amount; (b) derecognizes the carrying amount of any non-controlling interests including any components of other comprehensive income attributable to them; (c) recognizes the fair value of the consideration received; (d) recognizes the fair value of any investment retained in the former subsidiary at its fair value; (e) 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 (f) recognizes any resulting difference as gain or loss in profit or loss attributable to the Parent.

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

Non-controlling interests represent interests in certain subsidiaries not held by the Parent Company and are presented separately in the consolidated statements of comprehensive income (loss) and consolidated statements of changes in equity and within equity in the consolidated statements of financial position, separately from equity attributable to the equityholders of Parent Company.

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.

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

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

Investee	Country of Incorporation	Principal Activity	Functional Currency	Ownership interest	
				2023	2022
First Class Agriculture Corporation (FCAC)	Philippines	Trading (Agricultural goods)	Philippine Peso (PHP)	100%	100%
M2000 IMEX Company, Inc. (IMEX)	Philippines	Toll and manufacturing	Philippine Peso (PHP)	100%	100%
Best Choice Harvest Agricultural Corp. (BCHAC)	Philippines	Farm management	Philippine Peso (PHP)	100%	100%
Fresh and Green Harvest Agricultural Company, Inc. (FGH*)	Philippines	Trading (agricultural goods)	Philippine Peso (PHP)	100%	100%
Lucky Fruit & Vegetable Products, Inc. (LFVPI)*	Philippines	Trading (agricultural goods)	Philippine Peso (PHP)	100%	100%
Fruitilicious Company, Inc. (FCI)	Philippines	Manufacturing/processing/trading frozen agricultural products	Philippine Peso (PHP)	100%	100%
Farmville Farming Co., Inc. (FFCI)	Philippines	Trading (agricultural goods)	Philippine Peso (PHP)	51%	51%
Fresh and Green Palawan Agriventures, Inc. (FGP)*	Philippines	Farm management	Philippine Peso (PHP)	51%	51%
The Big Chill, Inc. (TBC)	Philippines	Food and beverage retailing	Philippine Peso (PHP)	80%	80%
Heppy Corporation (HC)*	Philippines	Food and beverage retailing	Philippine Peso (PHP)	80%	80%
Goods and Nutrition for All, Inc. (GANA)*	Philippines	Retail and wholesale	Philippine Peso (PHP)	100%	100%
Agrinurture HK Holdings Ltd. (ANI HK)	Hong Kong	Holding Company	Hong Kong Dollar (HKD)	100%	100%
Agrinurture Int'l Ltd. (ANI IL) *	Hong Kong	Trading and retail	Hong Kong Dollar (HKD)	100%	100%
Joyful Fairy (Fruits) Limited (JFF) *	British Virgin Islands	Trading (agricultural goods)	US Dollar (USD)	51%	51%
Zongshan Fucang Trade Co. Ltd. (Fucang)	China	Trading and real estate	Chinese Yuan (CNY)	70%	51%
Freshness First Pty. Ltd. (FF)	Australia	Holding Company	Australian Dollar (AUD)	100%	-
Michsul Pty. Ltd.*	Australia	Toll and manufacturing	Australian Dollar (AUD)	100%	-
BSK Pty. Ltd. (BSK)*	Australia	Toll and manufacturing	Australian Dollar (AUD)	100%	-

\* Direct and indirect ownership

#### 4. Adoption of New and Revised Accounting Standards

The Philippine Financial Reporting Standards Council (FRSC) approved the issuance of new and revised Philippine Financial Reporting Standards (PFRS). The term "PFRS" in general includes all applicable PFRS, Philippine Accounting Standards (PAS), and Interpretations issued by the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the FRSC and adopted by SEC.

These new and revised PFRS prescribe new accounting recognition, measurement and disclosure requirements applicable to the Company. When applicable, the adoption of the new standards was made in accordance with their transitional provisions, otherwise the adoption is accounted for as change in accounting policy under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.



### **3.01 New and Revised PFRSs Applied with No Material Effect on the Consolidated Financial Statements**

The following new and revised PFRSs have been adopted in these consolidated financial statements. The application of these new and revised PFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendments to PFRS 16, *COVID-19-Related Rent Concessions beyond June 30, 2021*

The following are the amendments to PFRS 16:

- permit a lessee to apply the practical expedient regarding COVID-19-related rent concessions to rent concessions for which any reduction in lease payments affects only payments originally due on or before September 30, 2022 (rather than only payments originally due on or before June 30, 2021);
- require a lessee applying the amendment to do so for annual reporting periods beginning on or after April 1, 2021;
- require a lessee applying the amendment to do so retrospectively, recognizing the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment; and
- specify that, in the reporting period in which a lessee first applies the amendment, a lessee is not required to disclose the information required by paragraph 28(f) of PAS 8.

The amendments are effective for annual reporting periods beginning on or after April 1, 2021.

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

The following are the amendments in reference to the conceptual framework:

- update PFRS 3 so that it refers to the 2018 Conceptual Framework instead of 1989 Framework;
- add to PFRS 3 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
- add to PFRS 3 an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

The amendments are effective for annual periods beginning on or after January 1, 2022, permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

- Amendments to PAS 16, *Property, Plant and Equipment - Proceeds before Intended Use*

The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.

The amendments are effective for annual periods beginning on or after January 1, 2022. An entity applies the amendments retrospectively only to items of property, plant and equipment that are brought to the location and condition necessary for them to be

capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

- 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 (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments are effective for annual periods beginning on or after January 1, 2022. Entities apply the amendments to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated.

- Annual Improvements to PFRS Standards 2018-2020 Cycle

Amendments to PFRS 1, *Subsidiary as a first-time adopter* - The amendment permits a subsidiary that applies paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to PFRSs.

Amendments to PFRS 9, *Fees in the '10 per cent' test for derecognition of financial liabilities* - The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of PFRS 9 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.

Amendments to PFRS 16, *Lease Incentives* - The amendment to Illustrative Example 13 accompanying PFRS 16 removes from the example 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.

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 are effective for annual reporting periods beginning on or after January 1, 2022.

### **3.02 New and Revised PFRSs in Issue but Not Yet Effective**

The Company will adopt the following standards and interpretations enumerated below when they become effective. Except as otherwise indicated, the Company does not expect the adoption of these new and amended PFRS, to have significant impact on the consolidated financial statements.

#### 3.02.01 Standard Adopted by FSRSC and Approved by the Board of Accountancy (BOA)

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*



The amendments to PAS 1 are the following:

- clarify that the classification of liabilities as current or non-current 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;
- 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.

The amendments defer the effective date of the January 2020 Classification of Liabilities as Current or Non-Current (Amendments to PAS 1) to annual reporting periods beginning on or after January 1, 2023. Earlier application of the January 2020 amendments continues to be permitted.

- Amendments to PAS 8, *Definition of Accounting Estimates*

The definition of accounting estimates has been amended as follows: accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

The amendment also clarifies the following:

- Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.
- A change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.
- A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognized as income or expense in the current period. The effect, if any, on future periods is recognized as income or expense in those future periods.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period.

## Amendments to PAS 1 and PFRS Practice Statement 2, Disclosure Initiative – Accounting Policies

The amendments to PAS 1 are the following:

- an entity is now required to disclose its material accounting policy information instead of its significant accounting policies;
- several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material;

The amendments also clarify the following:

- accounting policy information may be material because of its nature, even if the related amounts are immaterial;
- accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and
- if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

In addition, PFRS Practice Statement 2 has been amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information in order to support the amendments to PAS 1.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023.

- Amendment to PAS 12, *"Deferred tax related to assets and liabilities arising from a single transaction"*

The amendments introduce an exception to the initial recognition exemption (IRE) in PAS 12. Additional exclusions have been added to the IRE, detailed in paragraphs 15(b)(iii) and 24(c) for deferred tax liabilities and assets respectively. The effects of these amendments essentially mean that the IRE is not available for transactions which involve the recognition of both an asset and liability – which in turn leads to equal and opposite temporary differences – such that deferred taxes are calculated and booked for both temporary differences, both at initial recognition and subsequently. Applying this exception, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

The initial recognition exemption was initially included within PAS 12 to prevent a lack of reporting transparency for transactions which are not business combinations and, at the time of the transaction, do not affect either accounting or taxable profits. Under this exemption, deferred tax assets/liabilities would neither be recognized at initial recognition of the underlying asset/liability, nor subsequently.

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, the amendments also apply to taxable and deductible temporary differences associated with right-of-use assets and lease liabilities, and decommissioning obligations and corresponding amounts recognized as assets at the beginning of the earliest comparative period presented.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early application of the amendments is permitted.

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

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

PFRS 17 incorporating the amendment is effective for annual reporting periods beginning on or after January 1, 2025.

- PFRS 17, *Insurance Contracts*

PFRS 17 sets out the requirements that an entity should apply in reporting information about insurance contracts it issues and reinsurance contracts it holds. It requires an entity that issues insurance contracts to report them on the balance sheet as the total of the fulfilment cash flows and the contractual service margin. It requires an entity to provide information that distinguishes two ways insurers earn profits from insurance contracts: the insurance service result and the financial result. It requires an entity to report as insurance revenue the amount charged for insurance coverage when it is earned, rather than when the entity receives premium. It requires that insurance revenue to exclude the deposits that represent the investment of the policyholder, rather than an amount charged for services. Similarly, it requires the entity to present deposit repayments as settlements of liabilities rather than as insurance expense.

PFRS 17 is effective for annual periods beginning on or after January 1, 2025. Early application is permitted for entities that apply PFRS 9 Financial Instruments and PFRS 15 Revenue from Contracts with Customers on or before the date of initial application of PFRS 17.

An entity shall apply PFRS 17 retrospectively unless impracticable, except that an entity is not required to present the quantitative information required by paragraph 28(f) of PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and an entity shall not apply the option in paragraph B115 for periods before the date of initial application of PFRS 17. If, and only if, it is impracticable, an entity shall apply either the modified retrospective approach or the fair value approach.

- Amendments to PFRS 17, *Insurance Contracts*

The amendments cover the following areas:

- Insurance acquisition cash flows for renewals outside the contract boundary;
- Reinsurance contracts held—onerous underlying insurance contracts;
- Reinsurance contracts held—underlying insurance contracts with direct participation features; and
- Recognition of the contractual service margin in profit or loss in the general model.

The amendments are effective to annual reporting periods beginning on or after January 1, 2025.

### 3.02.02 Deferred

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

The amendments clarify the treatment of the sale or contribution of assets between an investor and its associate and joint venture. This requires an investor in its financial statements to recognize in full the gains and losses arising from the sale or contribution of

assets that constitute a business while recognize partial gains and losses if the assets do not constitute a business (i.e. up to the extent only of unrelated investor share).

On January 13, 2016, the FSRSC decided to postpone the original effective date of January 1, 2016 of the said amendments until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

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#### **4. Summary of Significant Accounting and Financial Reporting Policies**

Principal accounting and financial reporting policies applied by the Group in the preparation of its consolidated financial statements are enumerated below and are consistently applied to all the years presented, unless otherwise stated.

##### **4.01 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.

When measuring fair value the Group takes into consideration the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement assumes that the transaction to sell the asset or liability is exchanged in an orderly transaction between market participants to sell the asset or transfer the liability at the measurement date under current market conditions. In addition, it assumes that the transaction takes place either: (a) in the principal market; or (b) in the absence of a principal market, in the most advantageous market.

The Group considers the fair value of an asset or a liability 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 non-financial 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.

A fair value measurement assumes that a financial or non-financial liability or an entity's own equity instruments (e.g. equity interests issued as consideration in a business combination) is transferred to a market participant at the measurement date. The transfer of a liability or an entity's own equity instrument assumes the following:

- A liability would remain outstanding and the market participant transferee would be required to fulfil the obligation. The liability would not be settled with the counterparty or otherwise extinguished on the measurement date.
- An entity's own equity instrument would remain outstanding and the market participant transferee would take on the rights and responsibilities associated with the instrument. The instrument would not be cancelled or otherwise extinguished on the measurement date.

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.

The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

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

- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

#### **4.02 Segment Information**

An operating segment is a component of the Group: (a) that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with other components of the Group; (b) whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and (c) for which discrete financial information is available.

The Group reports separately, information about an operating segment that meets any of the following quantitative thresholds: (a) its reported revenue, including both sales to external customers and inter-segment sales or transfers, is 10% or more of the combined revenue, internal and external, of all operating segments, provided that; (b) the absolute amount of its reported profit or loss is 10% or more of the greater, in absolute amount, of the combined reported profit of all operating segments that did not report a loss and the combined reported loss of all operating segments that reported a loss; and (c) its assets are 10% or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if management believes that information about the segment would be useful to users of the consolidated financial statements.

The Group is currently organized into four (4) segments namely as: Exports, Local Distribution, Retail and Foreign Trading. These divisions are the basis on which the Group reports its primary segment information.

#### **4.03 Financial Assets**

##### 4.03.01 Initial Recognition and Measurement

The Group recognizes a financial asset in its consolidated statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument.

Except for trade receivables that do not have a significant financing component, at initial recognition, the Group measures a financial asset at its fair value plus, in the case of financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset.

At initial recognition, the Group measures trade receivables that do not have a significant financing component at their transaction price.

##### 4.03.02 Classification

###### ➤ Financial Asset at Amortized Cost

A financial asset shall be measured at amortized cost if both of the following conditions are met:

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

The Group's financial assets measured at amortized cost include cash in banks, trade and other receivable (except advances to officers and employees), due from related parties, due from stockholders, refundable deposits presented under 'prepayments and other current assets' and deposits and other non-current assets.



a) Cash in Banks

Cash in banks include cash deposits held at call with bank that are subject to insignificant risk of change in value. This shall be measured at the undiscounted amount of the cash or other consideration expected to be paid or received.

b) Trade and Other Receivables and Due from Related Parties

Trade and other receivables (except advances to officers and employees) and due from related parties are recognized initially at the transaction price and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of the foregoing receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

c) Refundable Deposits

Refundable deposits pertain to the amount surrendered to the Group's lessor as part of the lease agreement. This amount will be refunded upon termination of the contract. This is measured at amortized cost using the effective interest method, less any impairment.

➤ Financial Asset at Fair Value through Other Comprehensive Income

The Group makes an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value through other comprehensive income.

The Group's financial assets measured at FVOCI pertains to equity securities.

The Group does not have financial assets measured at fair value through profit and loss in both years.

4.03.03 Reclassification

When, and only when, the Group changes its business model for managing financial assets, it shall reclassify all affected financial assets in accordance with Note 4.03.02. If the Group reclassifies financial assets, it shall apply the reclassification prospectively from the reclassification date. The Group shall not restate any previously recognized gains, losses (including impairment gains or losses) or interest.

4.03.04 Effective Interest Method

Interest income is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for: purchased or originated credit-impaired financial assets and financial assets that are not purchased or originated credit-impaired but subsequently have become credit-impaired.

4.03.05 Impairment

The Group measures expected losses of a financial instrument in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable assumption that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

The Group adopted the following approaches in accounting for impairment.

- Simplified Approach

The Group always measures the loss allowance at an amount equal to lifetime expected credit losses for trade receivables. The Group determines that a financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the counterparty;
- A breach of contract, such as a default or past due event;
- The lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider; and
- It is becoming probable that the counterparty will enter bankruptcy or other financial reorganization.

- General Approach

The Group applies general approach to cash in banks, other receivables (except advances to officers and employees), due from related parties, refundable deposit presented under 'prepayments and other current assets' and deposits and other non-current assets. At each reporting date, the Group measures the loss allowance for a financial asset at an amount equal to the lifetime expected credit losses if the credit risk on that financial asset has increased significantly since initial recognition. However, if the credit risk has not increased significantly, the Group measures the loss allowance equal to 12-month expected credit losses.

The Group compares the risk of default occurring as at the reporting date with the risk of a default occurring as at the date of initial recognition and consider the macro-economic factors such as GDP, interest, and inflation rates, the performance of the counterparties' industry, that is available without undue cost or effort, to determine whether there is a significant increase in credit risk or not since initial recognition.

The Group determines that there has been a significant increase in credit risk when there is a significant decline in the factors. The Group assumes that the credit risk on cash in banks has not increased significantly since initial recognition because the financial instrument is determined to have low credit risk at the reporting date.

The Group did not apply the 30 days past due rebuttable presumption because based on the Company's historical experience, credit risk has not increased significantly even the amounts are past due for more than 30 days.

If the Group has measured the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date, that the credit quality improves (i.e. there is no longer a significant increase in credit risk since initial recognition), then the Company shall measure the loss allowance at an amount equal to 12-month expected credit losses at the current reporting date.

The Group recognizes in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date.

The Group performs the assessment of significant increases in credit risk on an individual basis by considering information that is indicative of significant increases in credit risk.



The Group did not apply the 90 days past due rebuttable presumption in determining whether a financial asset is credit impaired and 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.

The Group determines that a financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the counterparty;
- A breach of contract, such as a default or past due event;
- The lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; and
- It is becoming probable that the counterparty will enter bankruptcy or other financial reorganization.

#### 4.03.06 Derecognition

The Group derecognizes a financial asset when, and only when the contractual rights to the cash flows of the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition. The difference between the carrying amount and the consideration received is recognized in profit or loss.

#### 4.03.07 Write-off

The Group directly reduces the gross carrying amount of a financial asset when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event.

### **4.04 Prepayments and Other Current Assets**

#### 4.04.01 Prepayments

Prepayments represent expenses not yet incurred but already paid in cash. These are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as they are consumed in operations or expire through passage of time.

These are classified in the consolidated statements of financial position as current assets when the expenses are expected to be incurred within one (1) year or the Group's normal operating cycle, whichever is longer. Otherwise, these are classified as other non-current assets.

#### 4.04.02 Input VAT

Input VAT arises from the purchase of goods or services.

For regular sales, input VAT is applied against output VAT. The remaining balance is recoverable in future periods. This is carried at cost less allowance for impairment loss, if any. Impairment loss is recognized when input VAT can no longer be recovered.

For zero rated sales, input VAT is initially recorded as an asset and measured at the amount of cash paid. Subsequently, the Group may apply within two (2) years after the close of the taxable quarter when such sale was made for the tax refund of creditable input tax due or paid attributable to sales that are zero-rated or effectively zero-rated.

#### 4.04.03 Advances to Suppliers

Advances to suppliers represent amount paid in advance for goods or services that are yet to be delivered and from which future economic benefits are expected to flow to the Group within the normal operating cycle or within twelve (12) months from the financial reporting date. These are initially recorded at actual cash advanced and are subsequently applied against subsequent asset purchases, costs or expenses incurred.

#### **4.05 Interests in Joint Arrangement**

A joint arrangement is a contractual arrangement whereby the Group and other parties have agreed sharing of control of an arrangement, which exist only when decisions about relevant activities require the unanimous consent of the parties sharing. The sharing of control is also known as joint control. A joint arrangement can either be a joint venture or a joint operation.

##### 4.05.01 Joint Venture

A joint venture is a joint arrangement whereby the Group and other parties that have joint control of the arrangement have rights to the net assets of the arrangement. The Group reports its interests in a joint venture using equity method, except when the investment is classified as held for sale, in which case it is accounted for in accordance with PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*.

The Group accounts the investment under the cost method. The Group recognizes as income the dividends received that are distributed from net accumulated earnings of the investee since the date of acquisition by the investor. Dividends received that are in excess of the earnings subsequent to the date of acquisition are not income and therefore considered as return or reduction of investment.

The requirements of PFRS 9 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with PAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with PAS 36 to the extent that the recoverable amount of the investment subsequently increases.

#### **4.06 Inventories**

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

Property for sale	- at construction cost
Merchandise, furniture and appliances	- at purchase price on a first-in, first-out (FIFO) method
Agricultural produce, beverages and vegan products	- at purchase price on a FIFO method
Packaging materials and other supplies	- at purchase cost on a FIFO method

NRV of inventories 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 for sale 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.

When the circumstances that previously caused inventories to be impaired no longer exist or when there is clear evidence of an increase in selling price less costs to complete and sell because of changed economic circumstances, a reversal of the impairment is recognized so that the new carrying amount is the lower of the cost and the revised selling price less costs to complete and sell. Any impairment reversal is recognized in profit or loss but is limited to the amount of the original impairment loss recognized.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized.

#### **4.07 Business Combination**

The Group applies the standard on business combination under PFRS 3 as amended and adopted in 2009. The standard outlines the accounting when an acquirer obtains control of a business (e.g. acquisition or merger). Such business combinations are accounted for using the "acquisition method", which generally requires assets acquired and liabilities assumed to be measured at their fair values at date of acquisition.

PFRS 3 seeks to enhance the relevance, reliability and comparability of information provided about business combinations (e.g. acquisition and mergers) and their effects. It sets out the principles on the recognition and measurement of acquired assets and liabilities, the determination of goodwill and the necessary disclosures.

In determining whether a transaction is a business combination, PFRS 3 provides additional guidance on determining whether a transaction meets the definition of a business combination and accounted for in accordance with its requirements. This guidance includes:

- Business combinations can occur in various ways such as by transferring cash, including liabilities, issuing equity instrument (or any combination thereof), or by not issuing consideration at all (i.e. by contract alone); and
- Business combinations can be structured in various ways to satisfy legal, taxation or other objectives, including one entity becoming a subsidiary of another, the transfer of net assets from one entity to another or to new entity;

The business combination must involve the acquisition of a business, which generally has three elements:

- Inputs – an economic resource (e.g. non-current assets, intellectual property) that creates outputs when one or more processes are applied to it;
- Process – a system standard, protocol, convention or rule that when applied to an input or inputs, creates outputs (e.g. strategic management, operational processes, resource management); and
- Output – the result of inputs and processes applied to those input.

#### 4.07.01 Acquisition Method

In every acquisition of business, the Group determines the acquisition date, recognize and measures all identifiable assets acquired, the liabilities assumed and non-controlling interest (NCI, formerly called minority interest) in the acquiree, and determines if there is goodwill or gain from a bargain purchase if applicable.

The Group recognizes the acquisition date as the date on which the Group obtains control over the acquiree. Generally, this is the date on which the Group legally transfer the consideration, acquires the assets and assumes the liabilities of the acquiree – the closing date. However, the Group as the acquirer may obtain control on a date that is either earlier or later than the closing date depending on what was agreed upon with the acquiree.

In recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree, the Group observes the definition of assets and liabilities in accordance with the Framework for the Preparation and Presentation of Financial Statements at the acquisition date. Identifiable assets acquired and liabilities assumed are measured at their acquisition-date fair values.

On income taxes, the Group recognizes and measures a deferred tax asset or liability arising from the assets acquired and liabilities assumed in accordance with PAS 12 while the standard under PAS 19 is relied on for employee benefits.

The Group recognizes and measures goodwill in accordance with PFRS 3, as the difference between:

- Aggregate of (1) the value of the consideration transferred (generally at fair value), (2) the amount of any non-controlling interest in the acquiree, and (3) in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree, and
- The net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed (measured in accordance with PFRS 3).

#### 4.07.02 Consolidation

The consolidated financial statements include the financial statements of the Group and its subsidiaries.

The consolidated financial statements incorporate the financial statements of the Parent and the entities controlled by the Parent (its subsidiaries) up to December 31 of each year. Control is achieved when the Parent has exposure or rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over an investee. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account.

Subsidiary is consolidated from the date when control is transferred to the Parent and ceases to be consolidated from the date when control is transferred out of the Parent.

#### 4.07.03 Measurement

The assets and liabilities and the contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the assets acquired is recognized as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the profit and loss in the period of acquisition.

#### 4.07.04 Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of fair value of the consideration transferred and the amount recognized for non-controlling interest 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 profit or loss.

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 (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

#### 4.07.05 Inter-group Balances

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Inter-group balances and transactions, including inter-group profits and unrealized profits and losses, are eliminated. When necessary, adjustments are made to the financial statements of the subsidiary to bring the accounting policies used in line with those used by the Group. All inter-group transactions, balances, income and expenses are eliminated during consolidation.

#### 4.07.06 Loss of Control

Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of controls is recognized in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date the control is lost. Subsequently, it is accounted for as entity-accounted investee or as financial assets at FVTPL or FVOCI depending on the level of influence retained.

### **4.08 Investment Property**

Investment property comprises 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. These are measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at its fair value.

Investment property is accounted for under the fair value model. Fair value is supported by market evidence and is determined by independent appraisers with sufficient experience with respect to both the location and the nature of the investment property.

Any gain or loss resulting from either a change in the fair value or the sale or retirement of an investment property is immediately recognized in profit or loss as fair value gains (losses) from investment property under the other income in the consolidated statements of comprehensive income.

Investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefits are expected from its 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.



#### 4.09 Property and Equipment

Property and equipment are initially measured at cost. The cost of an asset consists of its purchase price and costs directly attributable to bringing the asset to its working condition for its intended use. Subsequent to initial recognition, property and equipment are carried at revalued amount (except for certain property and equipment carried at cost) less accumulated depreciation and accumulated impairment losses.

Subsequent expenditures relating to an item of property and equipment that have already been recognized are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditures are recognized as expenses in the period in which those are incurred.

Property and equipment are stated in the consolidated statements of financial position at their revalued amounts, being the fair value at the date of revaluation, determined from market-based evidence by appraisal undertaken by professional appraisers, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from that which would be determined using fair values at the end of the reporting period.

Any revaluation increase arising on the revaluation of such property and equipment is credited to the properties revaluation surplus, except to the extent that it reverses a revaluation decrease for the same asset previously recognized as an expense, in which case the increase is credited to the profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such revalued assets is charged as an expense to the extent that it exceeds the balance, if any, held in the revaluation surplus relating to a previous revaluation of those assets. Revaluation surplus is transferred directly to retained earnings as the asset is being used by the Group.

Land is not depreciated. Depreciation is computed on the straight-line method based on the estimated useful lives of the assets as follows:

Building	15 years
Delivery and transportation equipment	3 to 12 years
Machinery and equipment	3 to 12 years
Office furniture and fixtures	3 to 12 years
Store and warehouse equipment	3 to 5 years

Leasehold improvements are depreciated over the shorter between the improvements' useful life of five (5) years or the lease term.

Properties in the course of construction for production are carried at cost less any recognized impairment loss. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Bearer plants are living plants that are used in the production or supply of agricultural produce over a several periods and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

The property and equipment's residual values, useful lives and depreciation method are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

Depreciation on revalued assets is charged to profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings.

An item of property and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

#### **4.10 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.

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.

##### **4.10.01 Trademark**

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 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.

##### **4.10.02 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.

#### 4.10.03 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.

#### 4.10.04 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.

### **4.11 Deposits and Investments**

#### 4.11.01 Deposit for Land Acquisition

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

#### 4.11.02 Deposit for Business Acquisitions

Deposit for business acquisitions which are paid in view of call for the future investments are initially stated at actual amount paid and subsequently recognized at cost less any impairment.

#### 4.11.03 Advances to Producers

Advances to producers pertain to advances made for the initial cost of cultivation and development of farm lots owned by third-party. This is initially stated at actual amount paid and subsequently recognized at cost less any impairment.

#### 4.11.04 Advances to Projects

Advances to projects pertains to unliquidated expenditures made for the processing fees in connection with the investment of the Group to a foreign company. This is initially stated at actual amount paid and subsequently recognized at cost less any impairment.

#### **4.12 Impairment of Assets**

At each reporting date, the Group assesses whether there is any indication that any assets other than inventories, biological assets, deferred tax assets, investment properties and financial assets that are within the scope of PFRS 9, *Financial Instruments* may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

When a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible asset with indefinite useful life is tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs 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 the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized as an expense.

When an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income.

#### **4.13 Biological Assets**

Biological assets or agricultural produce are recognized only when the Group controls the assets as a result of past events, it is probable that future economic benefits associated with the assets will flow to the entity; and the fair value or cost of the assets can be measured reliably.

The Group measures its biological assets on initial recognition and at each reporting date at their fair value less estimated costs to sell. Estimated costs to sell include commissions to brokers and dealers, levies by regulatory agencies and commodity exchanges, and transfer taxes and duties.

Harvested agricultural produce are also carried at fair value less estimated costs to sell at the point of harvest.

The Group classifies its biological assets between consumable and bearer biological assets. Consumable biological assets are those that are to be harvested as agricultural produce or sold as biological assets. The Group further classifies its bearer biological assets between mature or immature biological assets.

Gains or losses arising on initial recognition of a biological asset at fair value less estimated costs to sell and from a change in fair value less estimated costs to sell of a biological asset are included in profit or loss for the period in which they arise.

#### **4.14 Borrowing Costs**

Borrowing costs are recognized in profit or loss in the period in which they are incurred.

#### **4.15 Financial Liabilities**

##### **4.15.01 Initial Recognition and Measurement**

The Group shall recognize a financial liability in its consolidated statements of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument.

At initial recognition, the Group shall measure a financial liability at its fair value minus, in the case of financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the liability.

##### **4.15.02 Classification**

The Group shall classify all financial liabilities as subsequently measured at amortized, except for:

- financial liabilities at fair value through profit or loss;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;
- financial guarantee contracts;
- commitments to provide a loan at a below-market interest rate;
- contingent consideration recognized by an acquirer in a business combination.

The Group's financial liabilities measured at amortized cost include trade and other payables (excluding customers' deposits and government payables), borrowings, lease liabilities and due to related parties.

The Group does not have financial liabilities at fair value through profit or loss in both years.

##### **4.15.03 Derecognition**

The Group removes a financial liability (or part of a financial liability) from its consolidated statements of financial position when, and only when, it is extinguished (i.e., when the obligation in the contract is discharged or cancelled or expired).

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

#### **4.16 Contract Liability**

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.

##### **4.16.01 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.

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

#### 4.16.02 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, judgment 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 judgments are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.

### **4.17 Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Ordinary shares are classified as equity.

#### 4.17.01 Additional Paid-in Capital

Additional paid-in capital represents the proceeds and/or fair value of consideration received in excess of the par value of the shares issued.

### **4.18 Employee Benefits**

#### 4.18.01 Short-term Benefits

The Group recognizes a liability, net of amounts already paid and an expense for services rendered by employees during the accounting period. Short-term benefits given by the Group to its employees include salaries and wages, SSS, HDMF, PhilHealth employer contributions and 13<sup>th</sup> month pay.

#### 4.18.02 Post-employment Benefits

The Group has an unfunded, non-contributory defined benefit retirement plan. This benefit defines an amount of pension benefit that an employee will receive on retirement,

usually dependent on one or more factors such as age, years of service and compensation.

The cost of providing benefits is determined using the Projected Unit Credit Method (PUCM) which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries. Post-employment expenses include current service cost, past service cost, and net interest on defined benefit asset/liability. Remeasurements which include cumulative actuarial gains and losses return on plan assets, and changes in the effects of asset ceiling are recognized directly in other comprehensive income and are also presented under equity in the consolidated statements of financial position.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognized immediately in profit or loss.

The liability recognized in the consolidated statements of financial position in respect of defined benefit pension plans is the present value of the accrued retirement benefits at the end of the reporting period. The accrued retirement benefits is calculated annually by an independent actuary using the PUCM. The present value of the accrued retirement benefits is determined by discounting the estimated future cash outflows using interest rates based on the market yields on government bonds as of the valuation dates that have terms to maturity approximating to the terms of the related pension obligation.

The Group's retirement plan is still unfunded, benefit claims under the plan are paid directly by the Group when they become due.

#### **4.19 Provisions and Contingent Asset**

##### **4.19.01 Provisions**

Provisions are recognized when the Group has a present obligation, whether legal or constructive, as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

##### **4.19.02 Contingent Liabilities and Assets**

Contingent liabilities and assets are not recognized because their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities are disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are disclosed only when an inflow of economic benefits is probable.



## **4.20 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/costs 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.

The Group recognizes revenue when (or as) the Group satisfies a performance obligation by transferring a promised good or service (i.e. asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

### **4.20.01 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 (5) 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.

### **4.20.02 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.

### **4.20.03 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.

#### 4.20.04 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.

#### 4.20.05 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.

#### 4.20.06 Royalty

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

#### 4.20.07 Rental Income

Rental income is recognized in the profit or loss on a straight-line basis over the lease term (See note 4.22.01).

#### 4.20.08 Gain from Sale of Property and Equipment

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

#### 4.20.09 Interest Income

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

#### 4.20.10 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.

#### 4.20.11 Principal versus Agent Considerations

The Group should determine whether it is a principal or an agent in a transaction through the nature of its promise in a performance obligation.

The Group determines whether the nature of its promise is a performance obligation to provide a specified service itself (i.e. the Group is an agent).



The Group is a principal if it controls a promised service before it transfers the service to a customer. It recognizes revenue in the gross amount of consideration to which it expects to be entitled in exchange for those services transferred.

The Group is an agent if its performance obligation is to arrange for the provision of services by another party. It recognizes revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the other party to provide its services.

#### **4.21 Expense Recognition**

Expense encompasses losses as well as those expenses that arise in the course of the ordinary activities of the Group.

The Group recognizes expenses in the consolidated statements of comprehensive income when a 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.

#### **4.22 Leases**

##### 4.22.01 The Group as a Lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

##### 4.22.02 The Group as a Lessee

A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- a. the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- b. the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- c. the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

##### Right-of-Use (ROU) Asset

At the commencement date, the Group measures the ROU asset at cost, which comprises of:

- initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any incentives received;
- any initial direct costs incurred by the Group;
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period.

Subsequent to initial recognition, ROU asset is carried at cost less accumulated depreciation and accumulated impairment losses.

The Group depreciates the ROU asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term. The Group also assesses the ROU asset for impairment when such indicators exist.

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

ROU asset is presented as a separate line item on the consolidated statements of financial position.

#### Lease Liability

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or if not, the Group uses the incremental borrowing rate.

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- fixed payments (including in-substance fixed payments), less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under the residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Group measures the lease liability by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect in-substance fixed lease payments.

The Group recognizes the amount of remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is further reduction in the measurement of the lease liability, the Group recognizes any remaining amount of the remeasurement in profit or loss.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

Lease liabilities are presented as a separate line item on the consolidated statements of financial position.

#### **4.23 Foreign Currency Transactions and Translation**

In preparing the consolidated financial statements of the Group, transactions in currencies other than the Parent's functional currency, i.e., foreign currencies, are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, financial accounts which include cash in banks, trade receivable and deposits denominated in foreign currencies are revalued using the reference foreign exchange rates provided by the Bangko

Sentral ng Pilipinas (BSP) on the date of reporting. Exchange differences are recognized in profit or loss as unrealized foreign exchange gain or loss at the end of each reporting period.

Exchange differences are recognized in profit or loss in the period in which they arise except for exchange differences arising on non-monetary assets and liabilities where the gains and losses of such non-monetary items are recognized directly in equity.

Assets and liabilities from foreign operation are translated at exchange rates at the end of the reporting period. Exchange differences are recognized initially in OCI and reclassified from equity to profit or loss on disposal of the net investment. On the other hand, income and expenses for each consolidated statements presenting profit or loss and OCI are translated at the average exchange rate for the period. All the resulting exchange differences are recognized in the OCI.

#### **4.24 Related Parties and Related Party Transactions**

A related party is a person or entity that is related to the Group that is preparing its consolidated financial statements. A person or a close member of that person's family is related to Group if that person has control or joint control over the Group, has significant influence over the Group, or is a member of the key management personnel of the Group or of a parent of the Group.

An entity is related to the Group if any of the following conditions applies:

- The entity and the Group are members of the same group (which means that a parent, subsidiary and fellow subsidiary are related parties to each other); or
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member); or
- Both entities are joint ventures of the same third party; or
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity; or
- The entity holds a post-employment benefit plan for the benefit of the employees of either the Group or an entity related to the Group; or
- The entity is controlled or jointly controlled by a person identified above; or
- A person identified above has significant influence over the entity or is a member of the key management personnel of the entity (or of an entity); or
- Management entity providing key management personnel services to a reporting entity.

Close members of the family of a person are those family members, who may be expected to influence, or be influenced by, that person in their dealings with the Group and include that person's children and spouse or domestic partner; children of that person's spouse or domestic partner; and dependents of that person or that person's spouse or domestic partner.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

#### **4.25 Taxation**

Income tax expense represents the sum of current and deferred taxes.

##### **4.25.01 Current Tax**

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

Current tax for the current and prior periods is recognized as a liability to the extent that it has not been settled, and as an asset to the extent that the amounts already paid exceeds the amount

due.

#### 4.25.02 Deferred Tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax assets are generally recognized for all deductible temporary differences, carry forward of unused tax credits from excess Minimum Corporate Income Tax (MCIT) over Regular Corporate Income Tax (RCIT) and unused Net Operating Loss Carry-over (NOLCO), to the extent that it is probable that taxable profits will be available against which those deductible temporary differences and carry forward of unused MCIT and unused NOLCO can be utilized. Deferred tax asset however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction that affects neither the accounting profit nor taxable profit or loss. Deferred tax assets arising from deductible temporary differences are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities are recognized for all taxable temporary differences except in three cases as follows:

- Liabilities arising from the initial recognition of goodwill;
- Liabilities arising from the initial recognition of asset/liability other than in a business combination which, at the time of the transaction, does not affect either the accounting profit or the taxable profit;
- Liabilities arising from temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint arrangements, but only to the extent that the entity is able to control the timing of the reversal of the differences and it is probable that the reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

#### 4.25.03 Current and Deferred Tax for the Period

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside profit or loss, whether in OCI or directly in equity, in which case the tax is also recognized outside profit or loss.

#### 4.25.04 Impact of Change in Tax Regime

Components of tax expense include any adjustments recognized in the period for current tax of prior period and the amount of deferred tax expense (income) relating to changes in tax rates. The provision for current income tax during the year include the difference between income tax per prior year financial statements and prior year income tax return.

Deferred tax assets and liabilities as of reporting period is remeasured using the new tax rates. The impact of remeasurement is recognized in profit or loss (i.e., provision for/benefit from deferred income tax), unless it can be recognized in other comprehensive income or another equity account.

#### **4.26 Earnings per Share**

The Group computes its basic earnings per share by dividing net income or loss attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding during the period.

#### **4.27 Events after the Reporting Period**

The Group identifies subsequent events as events that occurred after the reporting date but before the date when the consolidated financial statements were authorized for issue. Any subsequent events that provide additional information about the Group's position at the reporting period, adjusting events, are reflected in the consolidated financial statements, while subsequent events that do not require adjustments, non-adjusting events, are disclosed in the notes to consolidated financial statements when material.

#### **4.28 Changes in Accounting Policies**

The adoption of the new and revised standards and as disclosed in Notes 3.01 was made in accordance with their transitional provisions, otherwise the adoption is accounted for as change in accounting policy under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

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### **5. Critical Accounting Judgement and Key Sources of Estimation Uncertainties**

In the application of the Group's accounting policies, which are described in Note 4, Management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

#### **5.01 Critical Judgments in Applying Accounting Policies**

The following are critical judgments, apart from those involving estimations that Management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognized in financial statements.

##### 5.01.01 Assessment of Going Concern Issue

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 P2,500,323 in 2022, P1,057,861,300 in 2021 and P16,563,014 in 2020. 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.

##### 5.01.02 Functional Currency

PAS 21 requires Management to use its judgment to determine the Group's functional currency



such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the Group. In making this judgment, the Group considers the following:

- the currency that mainly influences sales prices for financial instruments and services (this will often be the currency in which sales prices for its financial instruments and services are denominated and settled);
- the currency in which funds from financing activities are generated; and
- the currency in which receipts from operating activities are usually retained.

Functional currency is the currency of the primary economic environment in which the Group operates. The Group has determined that its functional currency is the Philippine Peso. The Group's functional currency is evidenced by its costs of labor, and other costs of providing services and majority of its remittance transactions are settled in Philippine Peso.

The Group determined its functional currency to be Philippine peso being 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.

#### 5.01.03 Uniform Accounting Policies

Consolidated financial statements are prepared under line-by-line basis for consolidation. Full amount of subsidiaries' accounts, irrespective of the percentage of ownership, are combined with those of the Group on a line-by-line bases by adding together similar or like items of assets, liabilities, revenues and expenses. Application of line-by-line basis for consolidation requires judgment in determining that the Parent and its subsidiaries have uniform accounting policy for like transactions and events in similar circumstances between the Parent and the subsidiaries. While the Group regularly conducts review of the subsidiaries' accounting policy to ensure the uniformity in accounting policy, there would be instances that the policy over these transactions would be different from that of the Parent. In the event that significant differences in the accounting policy for a given transaction exist between the Parent and its subsidiaries, the Parent makes appropriate adjustment in the financial statements of the subsidiary to conform to the Group's policy for the purpose of consolidation.

The consolidated financial statements are prepared under PFRS. Management assessed that the accounting policies of the Parent and its subsidiaries are substantially similar for like transactions and events, thus, no adjustment has been made in the consolidated financial statements.

#### 5.01.04 Assessment of Control

The Group determines whether an entity qualifies as a subsidiary when it has control over an entity. The Group controls an entity when it has the three elements of control as disclosed in Note 4. In making its judgments, the Group considers all facts and circumstances when assessing control over an investee. A reassessment of control is conducted when there are changes to one or more of the three elements of control. Any changes from at least one of the elements would result to lose or gain of control over an entity.

The Group having fifty-one percent (51%) to one hundred percent (100%) ownership and voting interest, assessed that it has control over all of its subsidiaries since it has power over the subsidiaries, exposure or rights to variable returns from its involvement and ability to use its power to affect the component of its returns.

#### 5.01.05 Aggregation of Operating Segments

In accordance with the provisions of PFRS 8, *Operating Segments*, the Group's reporting segment is based on the management approach with regard to the segment identification, under which information regularly provided to the chief operating decision maker for decision-making purposes is considered as decisive. The segments are also evaluated under the management approach.



The Group reports its segment based on geographic areas. The Management identifies its operating segments as generally based on nature and location of its customers. The Group has four (4) reportable segments: Exports, Distribution, Retail and Foreign Trading. The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of net trading gains (losses), other income, equity in net earnings, operating expenses and income tax.

#### 5.01.06 Assessment of Contractual Terms of a Financial Asset

The Group determines whether the contractual terms of a financial asset give rise on a specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding. In making its judgements, the Group considers whether the cash flows before and after the changes in timing or in the amount of payments represent only payments of principal and interest on the principal amount outstanding.

Management assessed that the contractual terms of its financial assets are solely payments of principal and interest and consistent with basic lending arrangement.

The Group's financial asset at FVTOCI is an equity instrument and its contractual terms do not give rise on specified dates to cash flows that are solely payments of principal and interest.

#### 5.01.07 Existence of a Contract Sales 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.

#### 5.01.08 Assessment of Timing of Satisfaction of Performance Obligations

An entity satisfies a performance obligation by transferring control of a promised good or service to the customer, which could occur over time or at a point in time.

##### 5.01.08.01 Sale of Real Estate

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 ten percent (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.

#### 5.01.08.02 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.

#### 5.01.09 Assessment of the Allocation of Transaction Price to Performance Obligations

A performance obligation is a vendor's promise to transfer a good or service that is 'distinct' from other goods and services identified in the contract.

Management assessed that allocation of transaction price to performance obligation is not applicable because each performance obligation has stand-alone transaction price which is distinct from one another.

#### 5.01.10 Assessment of 30 days Rebuttable Presumption

The Group determines when a significant increase in credit risk occurs on its financial assets based on the credit Management practice of the Group.

Management believes that the 30 days rebuttable presumption on determining whether there is a significant increase in credit risk in financial assets is not applicable because based on the Group's historical experience, credit risk has not increased significantly even the amounts are past due for more than 30 days.

#### 5.01.11 Assessment of 90 days rebuttable presumption

The Group determines when a default occurs on its financial assets based on the credit management practice of the Group.

Management believes that the 90 days rebuttable presumption on determining whether financial assets are credit impaired is not applicable based on the Group's historical experience the Group determines that past due amounts even over 90 days are still collectible.

#### 5.01.12 Distinction Between Property and Equipment and Investment Properties

The Group determines whether a property qualifies as investment properties. In making its judgments, the Group considers whether the property generates cash flows largely independent of the other assets held by the entity. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease), the Group accounts for the portions separately. If the portion cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

The Group classified the construction in progress for retail and office spaces as investment properties because these are intended for lease.

#### 5.01.13 Assessment of Frequency of Revaluation of Property and Equipment and Deductibility of Depreciation Thereon

After recognition as an asset, an item of property and equipment whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

The frequency of revaluation depends upon the changes in fair values of the items of property and equipment being revalued. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is required. Some items of property and equipment experience significant and volatile changes in fair value, thus necessitating annual revaluation. Such frequent revaluations are unnecessary for items of property and equipment with only insignificant changes in fair value. Instead, it may be necessary to revalue the item only every three (3) to five (5) years.

The revaluation surplus included in equity in respect of an item of property and equipment may be transferred directly to retained earnings when the asset is derecognized. This may involve transferring the whole amount of surplus when the asset is retired or disposed of. However, some of the surplus may be transferred as the asset is used by an entity. In such a case, the amount of the surplus transferred would be the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Transfers from revaluation surplus to retained earnings are not made through profit or loss.

In making its judgment on the frequency of revaluation, management considered the significant changes in the fair value of its revalued assets. Hence, a new revaluation was adopted as of reporting periods. The Group also determined whether depreciation of its fixed assets relates to property and equipment subsequently measured using cost model and revaluation model. In doing so, Management considered the tax effect of the depreciation of the revaluation surplus which corresponds to the revalued amount of property and equipment. Since transfers from revaluation surplus to retained earnings resulting from piecemeal amortization are not made through profit or loss but are transferred directly to equity, depreciation related to revalued assets is not deductible for tax purposes.

#### 5.01.14 Determining whether or not a Contract Contains a Lease

Management assessed that the lease of machinery, transportation equipment and store premises qualified as a lease since each contract contains an identified asset, the Group has the right to obtain substantially all of the economic benefits, and the Group has the right to direct the use of the identified asset throughout the period of use.

#### 5.01.15 Determining whether or not it is Reasonably Certain that an Extension Option will be Exercised and Termination Option will not be Exercised

Lease term is the non-cancellable period for which the Group has the right to use an Lease term is the non-cancellable period for which the Group has the right to use an underlying asset including optional periods when the Group is reasonably certain to exercise an option to extend (or not to terminate) a lease. The Company considers all relevant facts and circumstances that create an



economic incentive for the lessee to exercise the option when determining the lease term and the enforceability of the option. The option to extend the lease term should be included in the lease term if it is reasonably certain that the lessee will exercise the option and the option is enforceable. The Group is required to reassess the option when significant events or changes in circumstances occur that are within the control of the lessee.

For lease contracts entered into in both years, most are renewable by mutual agreement, except for contracts which does not contain a provision on renewal option. Management assessed that these lease contracts cannot be extended beyond the non-cancelable lease period since such are not enforceable under the Philippine law.

In both years, the Management used the lease term of four (4) to seven (7) years in the computation of right-of-use-assets and lease liabilities.

#### 5.01.16 Assessment of Principal-Agency Arrangement

When another party is involved in providing goods or services to a customer, the entity shall determine whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e., the entity is a principal) or to arrange for the other party to provide those goods or services (i.e., the entity is an agent).

### **5.02 Key Sources of Estimation Uncertainties**

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

#### 5.02.01 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).

#### 5.02.02 Estimating Allowances for Expected Credit Losses (ECL)

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.

The Group applies general approach for determining the ECL of cash in banks, other receivables (except advances to officers and employees), due from related, refundable deposits presented under 'prepayments and other current assets' and 'deposits and other non-current assets'. An expected credit losses 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.

In 2022, 2021 and 2020, the Group recognized provision for expected credit losses on other receivables amounting to nil, nil and P43,316,857, respectively. The Group also made a reversal of allowance for expected credit losses amounting to nil, P43,316,857 and nil, in 2022, 2021 and 2020, respectively. As of December 31, 2022 and 2021, allowance for expected credit losses on other receivables amounted to P3,516,118, as disclosed in Notes 7, 23 and 24.

In 2022, 2021 and 2020, the Group made a direct write-off of the allowance for expected credit losses amounting to nil, nil and P4,978,013, respectively. As of December 31, 2022 and 2021, allowance for expected credit losses on due from related parties and stockholders amounted to P6,460,530, as disclosed in Notes 21, 23 and 24.

As of December 31, 2022 and 2021, allowance for expected credit losses on refundable deposits presented under 'prepayments and other current assets' and 'deposits and other non-current assets' amounted to P6,711,100, as disclosed in Notes 9 and 15

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 28.

In 2022, 2021 and 2020, the Group recognized provision for expected credit losses on trade receivables amounting to nil, nil and P5,504,378, respectively. The Group also made a reversal of allowance for expected credit losses amounting to nil, P36,728,895 and nil, in 2022, 2021 and 2020, respectively. As of December 31, 2022 and 2021, allowance for expected credit losses on trade receivables amounted to P48,055,688, as disclosed in Notes 7, 23 and 24.

#### 5.02.03 Estimating Inventories at Net Realizable Values

Net realizable values of inventories are assessed regularly based on the prevailing selling prices of inventories less estimated costs to sell. The Group recognizes expense and provides allowance for decline in value of inventories whenever net realizable value of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, changes on price levels or other causes.

Inventory items identified to be obsolete and unusable is written off and charged against allowance account. Increase in the net realizable values will increase the carrying amount through reduction of allowance for decline but only to the extent of original acquisition cost.

In both years, Management believes the net realizable value of inventories approximate their costs, thus, no allowance for decline in value was recognized. As of September 30, 2023 and December 31, 2022, inventories amounted to P1,321,816,306 and P1,369,818,823, respectively, as disclosed in Note 8.

#### 5.02.04 Fair Value of Investment Property

The Group has adopted the fair value approach in determining the carrying value of its investment property. While the Group has opted to rely on independent appraisers to determine the fair value of its investment properties, such fair value was determined based on recent prices of similar properties, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices. The amounts and timing of recorded changes in fair value for any period would differ if the Group made different judgments and estimates or utilized different basis for determining fair value.

In 2021, the Management recognized gain on change in fair value of investment property based on the valuation report dated December 27, 2020 by Guangdong Tianshun Land Real Estate Asset Appraisal Co., Ltd. amounting to P908,745,817 as disclosed in Note 12. The Royal Chartered Surveyor has thoroughly and meticulously analyzed the characteristics and actual conditions project, and has studied the information provided by the client. On the basis of market research, the property to be assessed is commercial (agricultural commodity trading center) and leasing in nature. In order to make the valuation results scientific, accurate and objective, the appraiser use the market comparison method and the income method to evaluate their value. The comparative method is to compare the real estate of the object of valuation with the similar real estate that has been traded recently at the time of value, and to make appropriate amendments to the transaction price of these similar real estate. The income method is a method to convert the net income of the expected valuation object real estate in the future period into the present value of the value point by using the appropriate reduction interest rate, and to find the sum of its present value to determine the real estate price.

As of September 30, 2023 and December 31, 2022, the carrying amount of investment property amounted to P1,376,609,049 and P1,349,544,703, respectively, as disclosed in Note 12.

#### 5.02.05 Fair Value of Biological Assets

The Group has adopted the fair value approach in determining the carrying value of its biological assets. The Group determines its fair value based on recent prices of similar assets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices. The amounts and timing of recorded changes in fair value for any period would differ if the Group made different judgments and estimates or utilized different basis for determining fair value.

The fair value of biological assets was derived using the market approach. In 2022, 2021 and 2020, the Management recognized gain on change in fair value of biological assets based on the valuation amounting to P2,020,294, P17,612,321 and nil, as disclosed in Note 14. As of September 30, 2023 and December 31, 2022, the carrying amounts of biological assets amounted to P54,335,337 as disclosed in Note 14.

#### 5.02.06 Fair Value of Property and Equipment

The valuation has been carried out on January 6, 2021, in accordance with the Santos Knight Frank, Inc. incorporating the International Valuation Standards of the International Valuation Standards Council (IVSC), and the Philippine Valuation Standards (PVS). In valuing the land, Market Approach was used which is the most common technique for valuing land, and is the most preferred method when comparable sales are available. With this method, sales of similar property or parcels of land are analyzed, compared, and adjusted to provide a value indication for the property being appraised. The comparison process is based on an analysis of the similarity or dissimilarity of the comparable. Cost Approach was used for the improvements while a combination



of the Market and Cost Approach was used for the machinery and equipment. The Cost Approach generally involves the following steps: (a) The value of the subject land is normally estimated by the Market Data or Sales Comparison Approach. In instances where available market data is sufficient, the Income Approach (Residual Method) can be used, (b) The depreciated cost of the subject improvement is estimated by calculating the direct cost of reproducing or replacing the improvement, deducting accrued depreciation from all sources, and adding the indirect costs attributed to the improvement. Combining the estimates shown above results in the indicated value of the subject property by the Cost Approach.

#### 5.02.07 Reviewing Residual Values, Useful Lives and Depreciation Method of Property and Equipment

The residual values, useful lives and depreciation method of the Group's property and equipment are reviewed at least annually, and adjusted prospectively if appropriate, if there is an indication of a significant change in, how an asset is used; significant unexpected wear and tear; technological advancement; and changes in market prices since the most recent annual reporting date. The useful lives of the Group's property and equipment are estimated based on the period over which the assets are expected to be available for use. In determining the useful life of property and equipment, the Group considers the expected usage, expected physical wear and tear, technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output and legal or other limits on the use of the Group's assets.

In addition, the estimation of the useful lives is based on Company's collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

A reduction in the estimated useful lives of property and equipment would increase the recognized expenses and decrease non-current assets. The Group uses a depreciation method that reflects the pattern in which it expects to consume the property and equipment's future economic benefits. If there is an indication that there has been a significant change in the pattern used by which the Group expects to consume the property and equipment's future economic benefits, the entity shall review its present depreciation method and, if current expectations differ, change the depreciation method to reflect the new pattern.

In both years, Management assessed that there are no indications that there has been any change in pattern used by the Group in consuming its property and equipment's future economic benefits.

#### 5.02.08 Reviewing Residual Value, Useful Life and Amortization Method of Intangible Assets

The residual value, useful life and amortization method of the Group's intangible assets are reviewed at least annually, and adjusted prospectively if appropriate, if there is an indication of a significant change in, how an asset is used; technological advancement; and changes in market prices since the most recent annual reporting date. Amortization begins when the intangible asset is available for use, i.e., when it is in the location and condition necessary for it to be usable in the manner intended by Management. Amortization ceases when the intangible asset is derecognized. The Group uses a straight-line method of amortization since it cannot determine reliably the pattern in which it expects to consume the intangible asset's future economic benefits.

In both years, Management assessed that there are no indications that there has been any change in pattern used by the Group in consuming its intangible assets' future economic benefits.

#### 5.02.09 Asset Impairment

The Group performs an impairment review when certain impairment indicators are present. Determining the fair value of advances to officers and employees, prepayments and other current assets (except refundable deposits), property and equipment, right-of use assets, intangible assets and deposits and other non-current assets (except refundable deposits), which require the

determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect the financial statements. Future events could cause the Group to conclude that aforementioned assets are impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations.

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

In 2022, 2021 and 2020, the Group recognized provision for impairment on prepayments and other current assets amounting to nil, nil and P185,820, respectively, as disclosed in Notes 9 and 23.

In 2022, 2021 and 2020, the Group recognized provision for impairment on deposits and other non-current assets (except refundable deposits) amounting to nil, nil and P6,640,000, respectively.

In both years, Management assessed that no indicators of impairment had existed on property and equipment, investment property, right-of use assets and intangible assets.

As of December 31, 2022 and 2021, the aggregate carrying amounts of advances to officers and employees, prepayments and other current assets (except refundable deposits), property and equipment, investment property, right-of use assets, intangible assets and deposits and other non-current assets (except refundable deposits) amounted to P3,150,907,753 and P3,187,800,734, respectively, as disclosed in Notes 7, 9, 11, 12, 13 and 15.

#### 5.02.10 Deferred Tax Assets

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

As of December 31, 2022 and 2021, the Group recognized deferred tax assets from effect of PFRS 16, retirement obligation and allowance for impairment losses amounting to P11,772,444 and P10,009, respectively, as disclosed in Note 26. In both years, Management believes that future taxable profits will be available to allow all or part of deferred tax assets to be utilized prior to expiration.

#### 5.02.11 Post-employment Benefits

The determination of the retirement obligation and cost and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include among others, discount rates, mortality of plan members and rates of compensation increase. In accordance with PFRS, actual results that differ from the assumptions and the effects of changes in actuarial assumptions are recognized directly as remeasurements in other comprehensive income and therefore, generally affect related obligation.

While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension and other retirement obligations.

#### 5.02.12 Assessment of Joint Control

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. An entity has a control when it is exposed, or has rights to variable returns from involvement with the arrangement and has the ability to affect those returns through their power over the arrangement.

In both years, Management assessed that the contractual arrangement with a third party and the landowners gives both parties joint control since decision about the relevant activities requires the unanimous consent of both parties sharing control.

#### 5.02.13 Classification of Joint Arrangement as a Joint Venture

The joint arrangement is classified into joint operations and joint ventures. The joint operations are a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement while the joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The joint arrangement agreed by the Group and a third party and the landowners was mutually classified by both parties as a joint venture.

Management believes that a joint venture arrangement will maintain the parties' rights to net assets.

#### 5.02.14 Estimation of Impairment of Goodwill

The Group reviews the carrying value of goodwill for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. 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 goodwill, the goodwill shall be regarded as not impaired.

No provision for impairment of goodwill was recognized in 2022, 2021 and 2020.

#### 5.02.15 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 Notes 7 and 37).

## **6. Cash**

	<b>2023</b>	<b>2022</b>
Cash on hand	<b>1,140,247</b>	973,683
Cash in banks	<b>49,558,869</b>	97,801,177
	<b>50,699,116</b>	98,774,860

Cash in banks earn interest at the prevailing bank deposit rates of less than 1.0% annually. Interest income earned from cash in banks, net of final taxes withheld, amounted to ₱6,228 in 2023 and ₱11,505 in 2022.

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, 2023 and December 31, 2022 closing rates (see Note 28).

## 7. Trade and Other Receivables

This account consists of:

	2023	2022
Trade	555,766,766	465,913,170
Advances to employees	69,726,283	65,579,047
Others	120,924,188	193,571,931
	<b>746,417,238</b>	725,064,148
Less allowance for impairment losses:		
Trade	48,055,688	48,055,688
Advances to officers and employees	3,654,834	3,654,834
Others	3,516,118	3,516,118
	<b>55,226,640</b>	55,226,640
	<b>691,190,598</b>	669,837,508

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

Advances to officers and employees are noninterest bearing and subject to liquidation.

Other receivables as at September 30, 2023 and December 31, 2022 include non-interest-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 also include receivable from a third party amounting to P64,655,714 which is included in an ongoing criminal action initiated by the Group to recover the said receivable among others (see Note 15). The amount is guaranteed by a stockholder in the event of an adverse result of the ongoing case and is provided with an allowance for impairment amounting to P43,316,857 as at December 31, 2020. In 2021, the allowance was reversed since the Management believes that it can still recover the amount since it is guaranteed by the stockholders.

Movements in allowance for expected credit losses pertaining to trade receivables, advances to officers and employees and other receivables follows:

	Note	2023	2022
Balance at beginning of year		<b>P55,226,640</b>	P55,226,640
Reversal during the year	24	-	-
Balance at end of year		<b>P55,226,640</b>	P55,226,640

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

All receivables are unsecured and noninterest-bearing.



## 8. Inventories

This account consists of the following at cost:

	2023	2022
Property for sale	970,929,568	870,601,344
Merchandise, furniture and appliances	197,074,799	348,197,927
Agricultural produce, beverages and vegan products	163,445,187	117,994,394
Packaging materials and other supplies	31,742,439	33,025,158
	<b>1,363,191,993</b>	<b>1,369,818,823</b>

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 P1,662,299,633 in 2023 and P1,685,689,122 in 2022.(see Note 22).

The carrying amounts of the total inventories as at September 30, 2023 and December 31, 2022 approximate their NRVs. There were no purchase commitments and accrued net losses on inventories in 2022, 2021 and 2020.

No provision for inventory obsolescence or impairment was recognized in 2023 and 2022

Inventories are not pledged as security for any of the Group's liabilities.

The inventories are expected to be recovered within the Group's normal operating cycle.

## 9. Prepayments and Other Current Assets

This account consists of:

	2023	2022
Input VAT	146,767,486	136,044,959
Advances to suppliers	36,994,645	33,282,975
Refundable deposits	15,390,434	15,329,303
Creditable withholding taxes (CWTs)	2,692,137	934,747
Prepaid expense	2,433,514	2,238,473
Deferred input VAT	-	335,925
Materials and supplies	180,885	95,484
	<b>204,459,100</b>	<b>188,261,866</b>
Less allowance for impairment losses:		
Refundable deposits	6,711,100	6,711,100
Input VAT	5,251,353	5,251,353
CWTs	531,525	531,525
	<b>12,493,978</b>	<b>12,493,978</b>
	<b>191,965,122</b>	<b>175,767,888</b>

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

Input VAT arises from purchase of goods and services. Purchase of goods include packaging and other supplies while purchase of services include but not limited to tolling and professional fees and other contracted services.

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

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

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

	<b>2023</b>	2022
Balance at beginning of year	<b>12,493,978</b>	12,493,978
Provision for impairment during the year		
Reversal during the year		
Balance at end of year	<b>12,493,978</b>	<b>12,493,978</b>

#### **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 financial assets at FVOCI amounting to P47,529,000 (CNY6,000,000) and P48,223,200 (CNY6,000,000) as at September 30, 2023 and December 31, 2022, respectively.

This account was translated as at September 30, 2023 and December 31, 2022 at closing rates.

On June 13, 2018, the Group made a deposit amounting 6,250,000 to Agricultural Bank of the Philippines Inc (ABPI) common shares of another company representing 12.5 % ownership. As of reporting period the investment was already approved by the BSP.



## 11. Property and Equipment

Rollforward analysis of the Group's property and equipment as at September 30, 2023 and December 31, 2022 follows:

	2023									
	Land	Building	Store and warehouse equipment	Delivery and transportation equipment	Machinery and equipment	Office furniture and fixtures	Leasehold improvement	Construction in progress	Bearer Plants	Total
Balance, January 1, 2023										
Cost	149,152,330	237,763,213	130,630,568	64,403,148	261,509,501	62,380,303	75,544,728	55,295,471	4,162,375	1,040,841,637
Revaluation surplus	29,124,170	42,901,145	4,666,459	1,290,761	31,163,062	1,888,297	263,196	-	9,225,570	120,522,661
Accumulated depreciation										-
Cost	-	(137,008,422)	(108,160,126)	(59,677,400)	(248,793,477)	(55,262,296)	(72,616,990)	-	-	(681,518,711)
Revaluation surplus	-	(2,200,058)	(933,292)	(1,290,761)	(12,927,718)	(1,179,640)	(175,464)	-	(2,707,537)	(21,414,470)
Carrying amount	178,276,500	141,455,878	26,203,609	4,725,748	30,951,368	7,826,664	3,015,470	55,295,471	10,680,408	458,431,117
Movements during the 2023										
Additions			133,144	6,641,007	90,106,451	4,613,681	1,141,761	48,759		102,684,802
Revaluation surplus										-
Reclassification										-
Disposal										-
Accumulated depreciation										-
Cost		(9,859,104)	(3,430,985)	(3,899,803)	(27,021,946)	(13,349,379)	(2,072,225)	-	-	(59,633,442)
Revaluation surplus		(825,022)	(349,985)	-	(4,847,894)	(442,365)	(65,799)			(6,531,065)
Effect of foreign balance translation										-
Balance, September 30, 2023	178,276,500	130,771,752	22,555,783	7,466,952	89,187,979	(1,351,399)	2,019,207	55,344,230	10,680,408	494,951,412
September 30, 2023										
Cost	149,152,330	237,763,213	130,763,712	71,044,155	351,615,952	66,993,984	76,686,489	55,344,230	4,162,375	1,143,526,439
Revaluation surplus	29,124,170	42,901,145	4,666,459	1,290,761	31,163,062	1,888,297	263,196	-	9,225,570	120,522,661
Accumulated depreciation										-
Cost	-	(146,867,526)	(111,591,111)	(63,577,203)	(275,815,423)	(68,611,675)	(74,689,215)	-	-	(741,152,153)
Revaluation surplus	-	(3,025,080)	(1,283,277)	(1,290,761)	(17,775,612)	(1,622,005)	(241,263)	-	(2,707,537)	(27,945,535)
Carrying amount	178,276,500	130,771,752	22,555,783	7,466,952	89,187,979	(1,351,399)	2,019,207	55,344,230	10,680,408	494,951,412

2022										
	Land	Building	Store and warehouse equipment	Delivery and transportation equipment	Machinery and equipment	Office furniture and fixtures	Leasehold improvement	Construction in progress	Bearer Plants	Total
Balance, January 1, 2022										
Cost	149,152,330	260,995,647	129,193,734	64,630,638	261,509,501	61,399,777	75,097,848	134,222,023	4,162,375	1,140,363,873
Revaluation surplus	29,124,170	42,901,145	4,666,459	1,290,761	31,163,062	1,888,297	263,196		9,375,310	120,672,401
Accumulated depreciation										-
Cost	-	(121,862,950)	(103,250,636)	(55,182,824)	(232,648,180)	(53,989,852)	(69,991,944)		-	(636,926,386)
Revaluation surplus	-	(1,100,029)	(466,646)	(860,507)	(6,463,859)	(589,820)	(87,732)		-	(9,568,593)
Carrying amount	178,276,500	180,933,813	30,142,911	9,878,068	53,560,524	8,708,402	5,281,368	134,222,023	13,537,685	614,541,295
Movements during the 2022										
Additions			1,436,834	71,339		1,103,652	446,880			3,058,705
Revaluation surplus									(149,740)	(149,740)
Reclassification								(78,442,892)		(78,442,892)
Disposal										-
Depreciation										-
Cost		(15,145,472)	(4,909,490)	(4,494,576)	(16,145,297)	(1,272,444)	(2,625,046)			(44,592,325)
Revaluation surplus	-	(1,100,029)	(466,646)	(430,254)	(6,463,859)	(589,820)	(87,732)		(2,707,537)	(11,845,877)
Effect of foreign balance translation		(23,232,434)		(298,829)		(123,126)		(483,660)		(24,138,049)
Balance, December 31, 2022	178,276,500	141,455,878	26,203,609	4,725,748	30,951,368	7,826,664	3,015,470	55,295,471	10,680,408	458,431,117
December 31, 2022										
Cost	149,152,330	237,763,213	130,630,568	64,403,148	261,509,501	62,380,303	75,544,728	55,295,471	4,162,375	1,040,841,637
Revaluation surplus	29,124,170	42,901,145	4,666,459	1,290,761	31,163,062	1,888,297	263,196	-	9,225,570	120,522,661
Accumulated depreciation										-
Cost	-	(137,008,422)	(108,160,126)	(59,677,400)	(248,793,477)	(55,262,296)	(72,616,990)	-	-	(681,518,711)
Revaluation surplus	-	(2,200,058)	(933,292)	(1,290,761)	(12,927,718)	(1,179,640)	(175,464)	-	(2,707,537)	(21,414,470)
Carrying amount	178,276,500	141,455,878	26,203,609	4,725,748	30,951,368	7,826,664	3,015,470	55,295,471	10,680,408	458,431,117

Certain assets such as delivery and transportation equipment, buildings and machinery equipment are covered by insurance. In 2018, three (3) delivery trucks under transportation equipment of the Group, amounting to P3,022,800, is mortgaged as collateral for its own auto-loan (see Note 17). The carrying value of the trucks as at December 31, 2022 and 2021 amounted to P562,246 and P1,236,994, 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 at December 31, 2022 and 2021 for any possible impairment. Based on the evaluation, there are no indications that the property and equipment are impaired.

The remaining property and equipment of the Group are not pledged as security to any of the Group's liabilities.

## 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:

	2023	2022
Balance at beginning of year	<b>1,349,544,703</b>	1,188,425,936
Transferred to inventory		(6,243,546)
Transferred from advances to contractors		156,875,631
Effect of foreign exchange translation	<b>(13,511,561)</b>	10,486,682
Balance at end of the year	<b>1,336,033,142</b>	1,349,544,703

The Group's Management had reviewed the carrying values of investment property as at December 31, 2022 and 2021 for any possible impairment. Based on the evaluation, there are no indications that the investment property is impaired.

In 2021, the Management recognized gain on change in fair value of investment property based on the valuation report dated December 27, 2020 by Guangdong Tianshun Land Real Estate Asset Appraisal Co., Ltd. amounting to P908,745,817. The Royal Chartered Surveyor has thoroughly and meticulously analyzed the characteristics and actual conditions of the project, and has studied the information provided by the client. On the basis of market research, the property to be assessed is commercial (agricultural commodity trading center) and leasing in nature. In order to make the valuation results scientific, accurate and objective, the appraiser use the market comparison method and the income method to evaluate their value. The comparative method is to compare the real estate of the object of valuation with the similar real estate that has been traded recently at the time of value, and to make appropriate amendments to the transaction price of these similar real estate. The income method is a method to convert the net income of the expected valuation object real estate in the future period into the present value of the value point by using the appropriate reduction interest rate, and to find the sum of its present value to determine the real estate price.

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:

<b>2023</b>					
	Trademark	Goodwill	Franchise	Computer Software	Total
Cost:					
Balance at beginning of year	200,000,000	95,014,063	9,049,750	7,670,797	311,734,610
Additions during the year	184,539			489,000	673,539
Balance at end of the year	200,184,539	95,014,063	9,049,750	8,159,797	312,408,149
Accumulated amortization and impairment:					
Balance at beginning of year	82,500,000	55,526,017	9,049,750	7,299,466	154,375,233
Amortization	184,539			51,000	235,539
Effect of foreign currency translation		902,770		-	902,770
Balance at end of the year	82,684,539	56,428,787	9,049,750	7,350,466	155,513,542
Net carrying value	117,500,000	38,585,276	-	809,331	156,894,607
<b>2022</b>					
	Trademark	Goodwill	Franchise	Computer Software	Total
Cost:					
Balance at beginning of year	200,000,000	95,014,063	9,049,750	7,614,761	311,678,574
Additions during the year				56,036	56,036
Disposals during the year					-
Balance at end of the year	200,000,000	95,014,063	9,049,750	7,670,797	311,734,610
Accumulated amortization and impairment:					
Balance at beginning of year	72,500,000	55,781,716	9,049,750	7,172,321	144,503,787
Impairment					-
Effect of foreign currency translation		(255,699)			(255,699)
Amortization	10,000,000			127,145	10,127,145
Disposals during the year					-
Balance at end of the year	82,500,000	55,526,017	9,049,750	7,299,466	154,375,233
Net carrying value	117,500,000	39,488,046	-	371,331	157,359,377

#### Trademark

The trademark is 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 P200,000,000 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.

The calculations of value in use are most sensitive to the following assumptions:

- **Gross Margins.** Gross margins are based on average values achieved in the period immediately before the budget period. These are increases over the budget period for anticipated efficiency improvements. Values assigned to key assumptions reflect past experience, except for efficiency improvement.

- **Discount Rates.** The Group uses the weighted-average cost of capital as the discount rate, which reflects management's estimate of the risk specific to each unit. This is the benchmark used by management to assess operating performance and to evaluate future investments proposals.
- **Raw Material Price Inflation.** Consumer price forecast is obtained from indices during the budget period from which raw materials are purchased. Values assigned to key assumptions are consistent with external sources of information.

No impairment loss for goodwill was recognized in all years.

#### *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 (10) years but may be extended for another ten (10) years. Under the agreement, the Group paid \$200,000 equivalent to P9.05 million as a sign-up fee.

In 2021, the term of the franchise is extended for another 10 years.

#### *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 and computer software were recognized in all years.

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.

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## **14. Biological Assets**

Consumable biological assets include corns, bokchoy, italian parsley, green ice lettuce, romaine, kailaan and coriander. These are located in agricultural farms in Luzon and Mindanao region.

The movements in the carrying amounts of the biological assets are shown below:

	2023	2022
Balance , January 1, 2023	54,335,337	59,301,732
Harvest during the year		(6,986,689)
Gain arising from changes in fair value less cost to sell		2,020,294
<b>Balance as of September 30, 2023</b>	<b>54,335,337</b>	<b>54,335,337</b>



## 15. Deposits and Other Noncurrent Assets – net

This account consists of:

	2023	2022
Advances and deposits	626,619,472	687,462,402
Deposit for future investment	209,479,041	216,154,185
Refundable deposits	1,774,276	1,774,276
Subtotal	837,872,789	905,390,863
Less : Allowance for impairment loss	(6,640,000)	(6,640,000)
	831,232,789	898,750,863

Details of advances and deposits include the following:

### 15.01.01 Deposit for Land Acquisition

On December 28, 2018, the Group 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 P300,000,000 to acquire a portion of the 859 hectares, or a corresponding portion thereof, of titled and untitled parcels of land.

In 2019, the Group made additional deposit amounting to P208,700,000 which was advanced by one of its stockholders. The parties are in the process of executing the projects under the Joint Venture Agreement. The joint venture shall include but not limited to the formation of the following: Phase 1 - Transportation Hub, Phase 2 – Food Terminal and Phase Property Development Corporation. As of reporting period, the masterplan for the design of the food terminal were already completed.

As of September 30, 2023 and December 31, 2022, deposit for land acquisition amounted to P508,700,000.

### 15.01.02 Deposit for Business Acquisition

Breakdown of deposit for business acquisition is as follows:

	2023	2021
2Freshness First Pty Ltd. (Note 15.01.02.01)	P-	P27,817,501
Plentex Philippines, Inc. (Note 15.01.02.02)	73,376,800	73,376,800
	P73,376,800	P101,194,301

Details of deposit for business acquisition include the following:

#### 15.01.02.01 Freshness First Pty Ltd.

On December 28, 2018, the Group made a deposit amounting to AUD172,000 or P6,349,435 to acquire existing business operation in Australia.

In 2021, the Group made additional deposit amounting to AUD563,866 or P20,824,104.

On September 15, 2023 acquisition of Freshness First Pty. Ltd. was already finalized.

#### 15.01.02.02 Plentex Philippines, Inc.

On December 20, 2019 and September 9, 2020, the BOD and the shareholders of the Group, respectively, have approved the issuance of shares to Plentex Philippines, Inc. (Plentex). Plentex has subscribed for 6,172,800 shares and the Group has agreed to issue the same at a value of P18 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.

The subscription agreements have no definite timeline and are based on the mutual agreement of both parties.

In 2021, the first batch of the issuance of shares pertaining to the subscription agreement with Plentex Philippines, Inc. were made resulting to an increase in subscribed and paid-up capital amounting to P2,057,600 and additional paid-in capital amounting P34,979,199, as disclosed in Note 19.

As of December 31, 2022 and 2021, deposit amounted to P73,376,800.

#### 15.01.03 Advances to Farm Growers

In 2020, the Group has agreements with various owners of mango farm lots to provide farm inputs in the growing mangoes such as fertilizers and pesticides, in exchange for share in the produce. Advances as of December 31, 2022 and 2021 amounted to P34,068,101.

#### 15.01.04 Advances to Tolman

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 amounted to P30.6 million as at December 31, 2022 and 2021. 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 P30,000,000 cash, UHT processing equipment worth P134,000,000 and lease payments in the amount of P46,000,000. 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 of Prosecutor of Makati finds a 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, 2022. 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 has been filed to further pursue for the overall claim of the Group against the concerned parties.

#### 15.01.05 Advances to Project

Provision for impairment loss amounting to P6,640,000 was recognized in 2020 (see Note 23).

### **15.02 Deposit for Future Investments**

In 2017, Fucang made a deposit amounting to P194.7 million to invest in Guangzhou Tianchen Real Estate Development Co., Ltd, a real estate company in China. The balance of this deposit amounted to P197.6 million (CNY 26.8 million) and P197.6 million (CNY 26.8 million) as at December 31, 2022 and 2021, respectively and shall be converted to equity once the construction projects of Tianchen is completed. As at reporting

date, the construction is 90% completed and is expected to be finished on the fourth quarter of 2023. As at September 30, 2023 and December 31, 2022, deposit for future investments amounted to P199,173,393 and P216,154,185 , respectively.

### 15.03 Refundable Deposits

Refundable deposits are related to long-term operating and finance lease properties of the Group (see Note 27).

The balance of refundable deposits as at December 31, 2022 and 2021 was based on the discounting of future cash flows using the Group's incremental borrowing rate. Accretion income from the discounting of refundable deposits amounted to nil, nil, and P69,687 in 2022, 2021 and 2020, respectively (see Note 27). As of December 31, 2022 and 2021, refundable deposits amounted to P1,774,276.

## 16. Trade and Other Payables

This account consists of:

	2023	2022
Trade payables	108,742,433	148,154,764
Nontrade payables	626,309,602	394,098,260
Customers' deposits		
Real estate	101,362,556	29,210,056
Sale of goods	10,856,054	12,820,371
Government payables	6,214,813	5,703,654
Accrued expenses	7,440,236	11,678,096
Accrued interest	77,070	3,779,750
	<b>861,002,765</b>	<b>605,444,951</b>

Trade payables are unsecured, non-interest bearing and are generally settled within one (1) month.

Non-trade payables mainly include unsecured and non-interest bearing payable to ThomasLloyd Cleantech Infrastructure Fund GMHB (TLCIF) subsequently assigned by TLCIF to Greenergy Holdings Inc. (GHI), as consented by GHI on December 29, 2014, 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 non-trade payables will be paid with non-cash assets, the appraised value thereof shall be determined by an independent appraiser mutually acceptable to the Group and GHI.

As at September 30, 2023 and December 31, 2022, non-trade payables to GHI amounting to P250,118,737 are not yet settled. Non-trade payables also include outstanding liabilities to nontrade suppliers.

Customers' deposits pertain to advanced collections from customers for goods to be delivered and excess of collections over the progress of work for sale of real estate projects under pre-completion stage.

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 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.

The Group's payables amounting to P2,742,091, P4,000,521, and P22,929,353 as at December 31, 2022, 2021 and 2020, respectively, representing old balances and with no follow-ups for claims, and also pertains to excess accruals, were derecognized in the same years, after Management has determined that these are no longer part of the Group's obligations (see Note 24)

### 17. Loans Payable and Redeemable Convertible Loan

Details of this account follows:

	September 30, 2023	2022
Peso Currency		
Bank 1	-	29,053,571
Others	7,201,220	8,415,922
	7,201,220	37,469,493
Less noncurrent portion	4,324,556	-
Current portion	2,876,664	37,469,493

#### Short term:

Peso Currency		
Bank 2	276,200,079	290,942,137
Bank 3	221,600,000	231,600,000
Bank 4	90,000,000	110,000,000
Bank 5	110,300,000	99,959,000
Bank 6	48,842,122	50,000,000
Others	3,000,000	3,000,000
	749,942,201	785,501,137

The rollforward analysis of borrowings follows:

Balance at beginning of the year	822,970,630	967,367,124
Availments during the year	173,000,000	187,300,000
Payments during the year	(238,827,209)	(331,696,494)
Foreign exchange adjustments	-	-
Balance at end of year	757,143,421	822,970,630

### 18.01 Long-term Borrowings

#### Bank 1

The Group has various loans, 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.

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 P237,713,874, and P241,205,182 as at December 31, 2022 and 2021, respectively (see Note 11). The loan has been fully settled during the period.

## **18.02 Short-term Borrowings**

### Bank 2

In both years, the Group availed various short-term, unsecured loans, bearing an interest rate of 8.50% per annum, with the interest payable on a monthly basis. The loan is to be repriced every 30 to 180 days upon mutual agreement of both parties

### Bank 3

In both years, the Parent Company availed unsecured, short-term loans with interest rate of 7.75% per annum, payable in three (3) months.

### Bank 4

In both years, the Parent Company availed unsecured, short-term loans with interest rate ranging from 8.25% to 8.50% per annum, payable in six (6) months.

### Bank 5

In 2022, the Parent Company availed unsecured, short-term loans with interest rate of 6.50% per annum, payable in six (6) months.

### Bank 6

In 2022, the Parent Company availed unsecured, short-term loans with interest rate of 6.80% per annum, payable in six (6) months.

Other loans include the following:

- In 2018, TBC availed a loan from a local bank, amounting to P3,022,800 for acquisition of three units of delivery trucks, with an interest rate of 9.4% per annum, payable in five (5) years. Outstanding balance of loan as at December 31, 2022 and 2021 amounted to P562,246 and P1,236,994, respectively, which are secured by a chattel mortgage (see Note 11).
- In May 2004, the previous owners of FCI obtained a noninterest-bearing, unsecured loan amounting to P13,650,000 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 P30,000 starting October 2007. The Company also has the option to pay the loan at P100,000 quarterly. The DA subsequently approved the proposal in September 2012.

The loan was restructured as a result of the decision made by the ACEF Executive Committee (EXECOM) with FCI proposed for deferment of 10% outstanding balance amounting to P1,046,000 to be paid on January 31, 2019. The corresponding balance to be paid at P831,570, quarterly, for three (3) years, starting on March 31, 2019, amount inclusive of fixed annual interest of 2%. Interest of P47,070 is payable on a quarterly basis, upon payment of principal. Outstanding balance of the loan amounted to P7,060,500 as at September 30, 2023 and December 31, 2022.

- ANI availed short-term, unsecured loans from third-party individuals which bear interest ranging from 1% to 2% and have terms of 1-12 months. Outstanding balance of these

loans amounted to P5.7 million as at December 31, 2020. The loan was settled in 2021. 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 P3,000,000 as at September 30, 2023 and December 31, 2022.

The maturity profile for the Group's loans payable as at September 30, 2023 and December 31, 2022 is as follows:

Due within one year	<b>758,532,092</b>	<b>822,970,630</b>
Due beyond one year but not more	<b>4,324,556</b>	<b>-</b>
	<b>762,856,648</b>	<b>822,970,630</b>



## 19. REVENUE

The table below shows the analysis of revenues of the Group by major sources for the period ended September 30, 2023 and 2022:

Category	2023				
	Export	Local distribution	Retail	Foreign trading	Total
<i>Geographical</i>					
China	710,767,047			1,537,556,728	2,248,323,775
Philippines		330,760,057	54,953,271		385,713,328
Macau	7,236,657				7,236,657
Canada	369,581				369,581
Middle East	337,407				337,407
Japan	1,110,591				1,110,591
Others	1,285,544	2,094,246			3,379,789
Total	721,106,827	332,854,303	54,953,271	1,537,556,728	2,646,471,128
<i>Major Goods/ Services Line</i>					
Banana	690,322,465				690,322,465
Fruits and vegetables	337,407	143,375,699		1,537,556,728	1,681,269,833
Tolling		2,023,619			2,023,619
Coconut water	244,383	7,770,338			8,014,721
Restaurants food and beverages			54,953,271		54,953,271
Puree	29,832,991	41,017,647			70,850,638
Rice		129,624,627			129,624,627
Sales commission		9,009,333			9,009,333
Others	369,581	33,040			402,621
Total	721,106,827	332,854,303	54,953,271	1,537,556,728	2,646,471,128

Category	2022				
	Export	Local Distribution	Retail	Foreign Trading	Total
Geographical					
China	1,004,286,893			1,519,580,051	2,523,866,944
Philippines		208,965,571	36,992,309		245,957,879
USA	16,002,417				16,002,417
HongKong	23,560,421				23,560,421
Middle east	1,495,222				1,495,222
Macau	5,240,775				5,240,775
Japan	1,009,398				1,009,398
Others	1,964,170				1,964,170
<b>Total</b>	<b>1,053,559,296</b>	<b>208,965,571</b>	<b>36,992,309</b>	<b>1,519,580,051</b>	<b>2,819,097,226</b>
Major Goods/Services Line					
Banana	998,741,712				998,741,712
Merchandise		10,837			10,837
Fruits and vegetables	2,652,189	86,057,891		1,519,580,051	1,608,290,131
Tolling		1,684,401			1,684,401
Rice		70,452,353			70,452,353
Coconut water	16,302,626	2,110,238			18,412,864
Restaurant food and beverages			36,992,309		36,992,309
Puree	35,862,768	43,977,690			79,840,459
Sales Commission		4,356,103			4,356,103
Others (Vegan)		316,057			316,057
<b>Total</b>	<b>1,053,559,296</b>	<b>208,965,571</b>	<b>36,992,309</b>	<b>1,519,580,051</b>	<b>2,819,097,226</b>

### Performance Obligations

Information about the Group's performance obligations are summarized below:

#### Export and local distribution

The Group delivers the best quality produce by exporting and locally distributing all kinds of fruits and vegetables and other fresh produce fruits and vegetables and other agri-products such as bananas, mangoes, coconut water and puree. The performance obligation of the Group is satisfied at a point in time upon delivery and sale of the goods.

#### Retail

- *Restaurants' and kiosks' food and beverage – finished and prepared products.*  
The performance obligation is satisfied when the refreshments and other products are delivered and sold.
- *Franchise and royalty income*  
Recognition of franchise fees is based on the purpose of charging the specific fees. Fees relating to performance obligations are recognized when substantial obligations were already performed. Royalty fees are recognized on a monthly basis at a certain percentage of sales of the franchisees.

#### Foreign trading

- *Sale of real estate property*  
The Group recognized revenue on the sale of real estate projects under pre-completed contract over time during the course of construction. Sale of completed real property is recognized in full at a point in time upon transfer of control of the asset to the customer.
- *Sale of merchandise, fruit and vegetables, building materials, furniture and gadgets, seafood - finished and prepared products*  
The performance obligation is satisfied at a point in time when the goods are delivered and sold.

## 20. Equity

The issued capital of the Group are as follows:

		<b>2023</b>		<b>2022</b>
Capital stock	<b>P</b>	<b>872,831,688</b>	<b>P</b>	832,831,688
Additional paid-in capital		<b>1,974,005,425</b>		3,602,050,960
	<b>P</b>	<b>2,806,837,113</b>	<b>P</b>	4,434,882,648

Components of capital stock are as follows:

		<b>2023</b>		<b>2022</b>
Preferred shares (Note 19.01)	<b>P</b>	<b>40,000,000</b>	<b>P</b>	40,000,000
Ordinary shares (Note 19.02)		<b>832,831,688</b>		832,831,688
	<b>P</b>	<b>872,831,688</b>	<b>P</b>	872,831,688

The movement in the Group's subscribed and paid-up capital is shown below:

		<b>2023</b>		<b>2022</b>
Balance at beginning	<b>P</b>	<b>872,831,688</b>	<b>P</b>	832,831,688
Paid-up during the year				40,000,000
Balance at end of year	<b>P</b>	<b>872,831,688</b>	<b>P</b>	872,831,688

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

	2023		2022
Balance at beginning of year	<b>P 1,024,446,888</b>	P	1,024,446,888
Subscription during the year	<b>40,000,000</b>		40,000,000
Balance at end of year	<b>P 1,064,446,888</b>	P	1,064,446,888

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

	2023		2022	
Balance at beginning of year	<b>P 3,602,050,960</b>	P	3,567,071,761	
Equity restructuring	<b>(1,628,045,535)</b>		-	*The
Additions during the year				
(net of subscriptions receivable of				
P307,481,882 in 2023 and 2022)*	-		34,979,199	
Balance at end of year	<b>P 1,974,005,425</b>	P	3,602,050,960	

subscription receivable will be credited to additional paid-in capital upon collection.

## 20.01 Preference Shares

The movements in the carrying amount of the Group's preference shares are shown below.

	2023		2022	
	Shares	Amount	Shares	Amount
Authorized				
P0.10 par value	<b>400,000,000</b>	<b>P 40,000,000</b>	<b>400,000,000</b>	<b>P 40,000,000</b>
Issued and fully paid				
Balance, January 1	-	-	-	-
Paid up during the				
year	-	-	400,000,000	<b>40,000,000</b>
Balance, December				
31	<b>400,000,000</b>	<b>P 40,000,000</b>	<b>400,000,000</b>	<b>P 40,000,000</b>

At the annual meeting of the stockholders, held at its principal offices on September 9, 2022, at which meeting a quorum was present and acted throughout, the stockholders representing at least two-thirds (2/3) of the outstanding capital stock approved the reclassification of the Corporation's Forty Million (40,000,000) unissued common shares with par value of One Peso (P1.00) per share, or an aggregate par value of Forty Million Pesos (P40,000,000), into Four Hundred Million (400,000,000) voting preferred shares with par value of Ten Centavos (P0.10) per share, or an aggregate par value of Forty Million Pesos (P40,000,000), with the following features:

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:

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

The reclassification of shares was filed, and approved by the SEC on November 16, 2022.



## 20.02 Ordinary Shares

Shown below are the details on the movements of ordinary shares.

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

	2023		2022
Balance at beginning	<b>P 1,600,000,000</b>	P	2,000,000,000
Reclassification to preferred shares	-		(400,000,000)
Balance at end of year	<b>P 1,600,000,000</b>	P	1,600,000,000

The movement in the Group's subscribed and paid-up capital is shown below:

	2023		2022
Balance at beginning	<b>P 832,831,688</b>	P	832,831,688
Paid-up during the year	-		-
Balance at end of year	<b>P 832,831,688</b>	P	832,831,688

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

	2023		2022
Balance at beginning and end of year	<b>P 1,062,446,888</b>	P	1,024,446,888

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

	2023		2022
Balance at beginning of year	<b>P 3,602,050,960</b>	P	3,602,050,960
Equity restructuring	<b>(1,628,045,535)</b>		-
Additions during the year (net of subscriptions receivable of P307,481,882 in 2023 and 2022)*	-		-
Balance at end of year	<b>P 1,974,005,425</b>	P	3,602,050,960

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

### 20.02.01 Subscription Agreement with Plentex Philippines, Inc.

In 2020, Plentex Philippines, Inc. and the Group entered into a subscription agreement in which the former agreed to subscribe for and the latter has agreed to issue a total of 6,172,800 common shares of the Group's authorized capital stock. The parties have agreed that Plentex will subscribe for the shares in three (3) separate batches each of 2,057,600 common shares at a price of P18 per share. The subscription agreements have no definite timeline and are based on the mutual agreement of both parties.

In 2021, the first batch of the issuance of shares pertaining to the subscription agreement with Plentex Philippines, Inc. were made resulting to an increase in subscribed and paid-up capital amounting to P2,057,600 and additional paid-in capital amounting P34,979,199.

The total number of shareholders of the Group is 42 as at September 30, 2023 and December 31, 2022.

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, 2023 and December 31, 2022 are as follows:

	<b>2023</b>		<b>2022</b>	
	<b>High</b>	<b>Low</b>	High	Low
First	<b>7.55</b>	<b>7.35</b>	5.35	P6.20
Second	<b>7.09</b>	<b>6.45</b>	4.99	7.32
Third	<b>3.24</b>	<b>3.21</b>	5.84	7.80
Fourth			7.15	7.81

## 21. 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

Basic/Diluted Earnings (Loss) Per Share

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

	<b>2023</b>	2022
Net income (loss) from continuing operations attributable to equity holders of the Parent Company	<b>15,398,526</b>	88,395,398
Weighted average number of common shares – subscribed and paid up	<b>832,831,688</b>	832,831,688
Basic and diluted earnings (loss) per share	0.02	0.11

Number of shares beginning of year	<b>832,831,688</b>	832,831,688
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Weighted average number of shares issued during the year and paid up	-	-
	<b>832,831,688</b>	832,831,688

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

Net income (loss) from continuing operations attributable to equity holders of the Parent Company	<b>15,398,526</b>	<b>88,395,398</b>
Weighted average number of common shares – subscribed and paid up	<b>832,831,688</b>	832,831,688
Basic and diluted earnings (loss) per share	0.02	0.11

## 22. 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.

	2023	2022
Due from:		
Stockholders	130,266,341	255,683,304
Affiliates/Entity under common ownership	90,564,092	259,743,852
	220,830,433	515,427,156
Allowance for impairment	(6,460,530)	(6,460,530)
	214,369,903	508,966,626
Due to:		
Stockholders	71,713,888	166,466,647
Affiliates/Entity under common ownership	22,908,111	4,343,041
	94,621,999	170,809,688

The rollforward analysis of related party accounts follow:

	2023	2022
Balance at beginning of year	508,966,626	551,900,966
Advances made		91,539,289
Collections/liquidation	(294,596,723)	(134,473,629)
Balance at end of year	214,369,903	508,966,626
Direct write-off	-	
Net carrying value	214,369,903	508,966,626
Due to related parties:		
Balance at beginning of year	170,809,688	154,989,542
Advances received		24,330,110
Payments made	(76,187,689)	(8,509,964)
Balance at end of year	94,621,999	170,809,688

c. Details of the related party balances follow:

The summary of the above related party transactions follows:

Category	2023		2022		Terms and condition/settlement	Guaranty/Provision
	Amount	Balance - Asset (Liability)	Amount	Balance - Asset (Liability)		
Stockholders						
Receivable		130,266,341		255,683,304	Non-interest bearing; payable on demand; to be	Unsecured; no significant warranties
Advances made			44,146,321		settled in cash or other	and covenants; no
Collections	(125,416,963)		(64,196,459)		asset	
Payable		(71,713,888)		(166,466,647)	Non-interest bearing; payable on demand; to be	Unsecured; no significant warranties
Advances received			(16,958,947)		settled in cash or other	and covenants; no
Payments made	94,752,759		65,550		asset	
Other common control						
Receivable		90,564,092		259,243,852	Non-interest bearing; payable on demand; to be	Unsecured; no significant warranties
Advances made			44,952,785		settled in cash or other	and covenants; no
Collections	(168,679,760)		(67,836,987)		asset	
Allowance for impairment		(6,460,530)		(6,460,530)		
Payable		22,908,111		4,343,041	Non-interest bearing; payable on demand; to be	Unsecured; no significant warranties
Advances received	18,565,070		(7,371,163)		settled in cash or other	and covenants; no
Payments made			8,444,414		asset	

#### Due from Stockholder

Due from stockholder is noninterest-bearing advances, unsecured, not guaranteed and no impairment and are generally collectible in cash and other assets through liquidation or offsetting with corresponding payable. In 2023 and 2022, the balances due from the stockholder are all current.

#### Compensation of Key Management Personnel

The Group considers its President/CEO, Chief Finance Officer, Vice Presidents 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" and "Retirement Benefits" in the general and administrative expenses in profit or loss.

Details on the remuneration of key management personnel, as disclosed in Note 23, are as follows:

	2022	2021	2020
Short-term employee benefits	<b>₱10,370,052</b>	₱11,864,508	₱9,617,424
Post employment benefits	<b>390,634</b>	340,737	148,132
	<b>₱10,760,686</b>	₱12,205,245	₱9,765,556

There are no other related party transactions in 2023 and 2022.

## 23. Cost of Sales

	2023	2022
Inventories at beginning of year	1,369,818,823	1,317,725,194
Purchases and conversion of costs	2,325,273,162	2,527,850,042
Cost of goods available for sale	3,695,091,985	3,845,575,236
Less inventories at end of year	1,363,191,993	1,402,920,590
Cost of goods and services sold	2,331,899,992	2,442,654,646

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

## 24. General and Administrative Expenses

	2023	2022
Personnel costs	84,871,179	73,292,124
Taxes and licenses	64,562,256	86,197,937
Depreciation and amortization	36,724,176	35,732,554
Rentals	16,545,983	1,072,084
Communication, light and water	13,561,557	3,881,907
Transportation and travel	11,849,390	1,739,976
Representation and entertainment	6,319,906	9,446,242
Advertising	4,321,904	27,550,643
Freight and handling cost	3,706,218	2,680,414
Repairs and maintenance	3,455,233	4,017,342
Supplies	2,690,313	2,719,344
Contracted services	2,120,098	2,274,254
Bank charges	851,965	559,578
Professional fees	491,543	2,309,915
Insurance	305,378	199,093
Others	7,303,913	13,036,478
	259,681,010	₱266,709,885

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



## 25. Other income (Charges)

	2023	2022
Other income		
Gain (loss) on reversal of allowance for impairment		186,471
FV gain on bio assets		62,349,401
Rental Income	650,066	824,613
Others	4,651,698	1,947,883
	<b>5,301,764</b>	<b>65,308,368</b>
Other expenses:		
Realized foreign exchange loss (	470,995	1,025,444
Others	470,995	1,025,444
	<b>4,830,769</b>	<b>64,282,924</b>

## 25. Retirement Liability

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

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

Retirement benefits are based on employees' years of service and compensation levels during their employment period. Actuarial valuations are made with sufficient regularity.

The last actuarial valuation was made as at and for the years ended March 31, 2021 and December 31, 2020.

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

	2023	2022
Balance at beginning of year	<b>22,723,723</b>	19,275,038
Retirement benefits expense		3,566,127
Remeasurement loss		(117,442)
Balance at end of year	<b>22,723,723</b>	<b>22,723,723</b>

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

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

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

The estimated average remaining working lives of employees is 14 years for the years ended September 30, 2023 and December 31, 2022.

## 26. Income Taxes

- The Group 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 P15,594,340, P35,796,748, and P44,700,430 in 2022, 2021, and 2020 respectively.
- A reconciliation of provision for income tax expense (benefit) for 2022, 2021 and 2020 applicable to income before income tax computed at the statutory income tax rates follows:

	2022	2021	2020
Income before income tax	<b>P10,343,443</b>	P1,094,664,173	P53,261,939
Multiplied by statutory rate	<b>25%/20%</b>	25%/20%	30%
Income tax at statutory rate @ 30%	-	-	15,978,582
Income tax at statutory rate @ 25%	<b>15,333,658</b>	276,377,583	-
Income tax at statutory rate @ 20%	<b>(10,198,238)</b>	(2,169,232)	-
Income tax effects of:			
Changes in unrecognized deferred tax assets	<b>8,787,952</b>	(9,523,093)	34,784,997
Difference in tax rates	<b>2,292,696</b>	(222,504,739)	(5,777,119)
Nondeductible depreciation from piecemeal revaluation	<b>2,581,886</b>	2,469,859	-
Nondeductible expenses	<b>829,738</b>	169,347	1,881,849
Provision for retirement expense	<b>175,546</b>	-	-
Interest income subject to final tax	-	(5,765)	(9,805)
Amortization of security deposit	-	10,642	-
Effect of change in tax rate	-	(1,045,961)	-
Reversal of allowance	-	(2,235,600)	-
Nontaxable income	<b>(3,665)</b>	-	(22,957)
Unrealized foreign exchange gain	-	(665)	-
Application of NOLCO	<b>(608,721)</b>	(1,133,378)	(2,504,887)
Recognition of deferred tax assets	<b>(11,110,819)</b>	-	-
Applied/Expired MCIT	<b>(236,913)</b>	(3,606,125)	(7,631,725)
Total income tax – current and deferred	<b>7,843,120</b>	36,802,873	36,698,935
Deferred income tax expense (benefit)	<b>(7,751,220)</b>	1,006,125	(8,001,505)
Current income tax expense	<b>P15,594,340</b>	P35,796,748	P44,700,430

- 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.

- The Group have recognized deferred tax asset from the following:

	Retirement benefit obligation	PFRS 16	Allowance for impairment losses	Total
Balance at January 1, 2021	P-	P387,049	P-	<b>P387,049</b>
Recognized in profit or loss	-	(248,024)	-	<b>(248,024)</b>
Effect of change in tax rate	-	(129,016)	-	<b>(129,016)</b>
<b>Balance at December 31, 2021</b>	-	<b>10,009</b>	-	<b>10,009</b>
Recognized in profit or loss	3,156,745	(2,273)	7,871,747	<b>11,026,219</b>
Recognized in other comprehensive income	736,216	-	-	<b>736,216</b>
<b>Balance at December 31, 2022</b>	<b>P3,892,961</b>	<b>P7,736</b>	<b>P7,871,747</b>	<b>P11,772,444</b>

- The Group has unrecognized deferred taxes from the following:

	Notes	2022	2021	2020
Allowance for impairment losses	7, 9, 15	<b>P72,231,359</b>	P71,169,018	P46,321,911
NOLCO		<b>25,126,814</b>	5,733,030	33,128,024
Retirement liability	25	<b>1,254,831</b>	4,505,052	3,626,645
MCIT		<b>495,145</b>	1,731,776	6,185,034
Unrealized foreign exchange loss		-	96,489	78,129
		<b>P99,108,149</b>	P83,235,365	P89,339,743

- d. The Group recognized deferred tax liabilities from the following;

	Revaluation increment	Gain on change in fair value of biological assets	Unrealized foreign exchange gain	Total
Balance at January 1, 2021	P8,737,251	P-	P-	<b>P8,737,251</b>
Recognized in profit or loss	-	5,989,783	-	<b>5,989,783</b>
Recognized in other comprehensive income	17,335,743	-	-	<b>17,335,743</b>
Effect of change in tax rate	(1,456,208)	-	-	<b>(1,456,208)</b>
<b>Balance at December 31, 2021</b>	<b>24,616,786</b>	<b>5,989,783</b>	-	<b>30,606,569</b>
Recognized in profit or loss	-	1,374,478	1,900,520	<b>3,274,998</b>
Recognized in other comprehensive income	(2,611,834)	-	-	<b>(2,611,834)</b>
<b>Balance at December 31, 2022</b>	<b>P22,004,952</b>	<b>P7,364,261</b>	<b>P1,900,520</b>	<b>P31,269,733</b>

- e. The deferred income tax expense (benefit) amounted to (P7,751,220), P1,006,125, and (P8,001,505) in 2022, 2021 and 2020. Income tax benefit in 2022, 2021 and 2020 also includes applied MCIT whose corresponding deferred tax asset was previously not recognized amounting to nil, P3,485,638 and P7,716,905, respectively.
- f. Net Operating Loss Carry-Over (NOLCO)
- Details of NOLCO from 2018, 2019 and 2022 are as follows:

Year Incurred	Amount	Applied Previous Year	Applied Current Year	Expired	Unapplied	Expiry Date
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2018	P13,360,109	P2,899,773	P-	P10,460,336	P-	2021
2019	27,881,057	231,455	-	27,649,602	-	2022
2022	44,258,106	-	-	-	44,258,106	2025
	<b>P85,499,272</b>	<b>P3,131,228</b>	<b>P-</b>	<b>P38,109,938</b>	<b>P44,258,106</b>	

- Details of NOLCO covered by Revenue Regulation No. 25-2020 is as follows:

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	Amount	Applied Previous Year	Applied Current Year	Expired	Unapplied	Expiry Date
2020	P55,404,032	P1,023,724	P3,130,158	P-	P51,250,150	2025
2021	30,125,820	-	-	-	30,125,820	2026
	<b>P85,529,852</b>	<b>P1,023,724</b>	<b>P3,130,158</b>	<b>P-</b>	<b>P81,375,970</b>	

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

Year Incurred	Amount	Applied Previous Year	Applied Current Year	Expired	Unapplied	Expiry Date
2019	P1,310,020	P-	P141,494	P1,168,526	P-	2022
2020	335,504	-	97,920	-	237,584	2023
2021	223,601	-	82,679	-	140,922	2024
2022	116,639	-	-	-	116,639	2025
	<b>P1,985,764</b>	<b>P-</b>	<b>P322,093</b>	<b>P1,168,526</b>	<b>P495,145</b>	

- g. The Group opted for the itemized deduction scheme for its income tax reporting in 2022, 2021 and 2020.

## 5. Lease Agreements

### Group as a Lessor

The Group has an operating lease arrangement of its property to a third-party construction company.

The lease has a term of one year commencing from January 1, 2018 subject to an annual review and renewable upon mutual agreement of the parties. The lease contract was renewed in 2022 and 2021 for another twelve (12) months from date of renewal. Refundable deposit pertaining to this lease amounted to P121,511 (see Note 16).

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 receipts to be collected to lessee not later than one (1) year as at December 31, 2022 and 2021 amounted to P1,234,669 and P1,155,469, respectively.

Rental income from the lease amounted to P1,228,069 in 2022, P1,155,469 in 2021 and P1,039,923 in 2020, respectively (see Note 24).

### Group as a Lessee

The Group leases machinery, transportation equipment and store premises from third parties under finance lease agreements ranging from four (4) to seven (7) years.

*I. Right-of-use assets*

The balance and movements of ROU assets relating to the lease of machinery, transportation equipment and store premises is as follows:

		<b>2022</b>	
	<b>Leases</b>	<b>Discount on rental deposit</b>	<b>Total</b>
Cost			
Balance	<b>P152,799,108</b>	<b>P198,692</b>	<b>P152,997,800</b>
Accumulated depreciation			
Balance at the beginning of year	<b>73,113,059</b>	<b>198,692</b>	<b>73,311,751</b>
Depreciation during the year (Note 22)	<b>20,163,978</b>	<b>-</b>	<b>20,163,978</b>
Balance at end of year	<b>93,277,037</b>	<b>198,692</b>	<b>93,475,729</b>
Net carrying value	<b>P59,522,071</b>	<b>P-</b>	<b>P59,522,071</b>
		<b>2021</b>	
	<b>Leases</b>	<b>Discount on rental deposit</b>	<b>Total</b>
Cost			
Balance	P152,799,108	P198,692	P152,997,800
Accumulated depreciation			
Balance at the beginning of year	49,186,609	145,481	49,332,090
Depreciation during the year (Note 22)	23,926,450	53,211	23,979,661
Balance at end of year	73,113,059	198,692	73,311,751
Net carrying value	P79,686,049	P-	P79,686,049

*II. Refundable Deposit*

The balance and movements of refundable deposits as at December 31, 2022 and 2021 follow:

	<b>Note</b>	<b>2022</b>	<b>2021</b>
Carrying value as at beginning of year		<b>P9,712,625</b>	P10,728,536
Deposits made during the year		<b>394,169</b>	-
Refund on deposits received during the year		<b>-</b>	(1,015,911)
Total refundable deposits		<b>10,106,794</b>	9,712,625
Refundable deposits on short term leases	9	<b>(8,211,446)</b>	(7,817,277)
Noncurrent refundable deposits		<b>1,895,348</b>	1,895,348
Refundable deposits other than leases	15	<b>(698,724)</b>	(698,724)
Carrying value as at end of year of refundable deposits related to leases	9	<b>P1,196,624</b>	P1,196,624

Relative to the leases, the Group's refundable deposit amounted P17,103,579 and P16,664,768, respectively, as at December 31, 2022 and 2021, which is equivalent to one month lease rental based on rental rate applicable on the last year of the lease term. The refundable deposit is presented under "Prepayments and other current assets" and "Other noncurrent assets" account in the consolidated statements of financial position as at December 31, 2022 and 2021 (see Notes 9 and 15).

Accretion income on refundable deposits amounted to nil, nil and P69,687, respectively.



### III. Lease Liabilities

The balance and movements of lease liabilities as at December 31, 2022 and 2021 relating to the leases above follow:

	2022	2021
Balance at the beginning of year	<b>P609,632</b>	P5,892,020
Payments of lease liability	<b>(334,211)</b>	(5,466,702)
Amortization of interest	<b>43,051</b>	184,314
Net carrying value	<b>318,472</b>	609,632
Less: current portion	<b>318,472</b>	291,160
Noncurrent portion	<b>P-</b>	P318,472

At each reporting date, the Company had outstanding commitments for future minimum lease payments under non-cancelable operating leases, which fall due as follows:

	2022	2021
Not later than one (1) year	<b>P334,210</b>	P334,211
Later than one (1) year but not later than five (5) years	-	334,210
	<b>P334,210</b>	P668,421

### IV. Short-term Leases

The Group leases office spaces, warehouses, residential units, warehouse equipment under lease agreements usually for a period of one (1) year, renewable subject to the mutual consent of the lessor and the lessee without any escalation clause.

### V. Amounts recognized in profit or loss:

	Note	2022	2021	2020
Cost of services:	22			
Amortization of ROU		<b>P20,163,978</b>	P23,979,661	P24,794,847
Rent expense relating to short-term lease		<b>14,861,923</b>	1,411,738	5,533,672
Operating expenses:	23			
Rent expense relating to short-term lease		<b>1,525,480</b>	2,232,654	2,441,208
Other income:				
Interest cost on lease liability		<b>43,051</b>	184,313	716,137
Rental income	24	<b>1,228,069</b>	1,155,469	1,039,923
Gain on foregone leases	24	-	-	1,870,017
Accretion income on discount on refundable deposit		-	-	69,687

As a result of the COVID-19 pandemic, the lessors provided rent concessions to the Group in the form of rent-free periods and discounts. The Group accounted these rent concessions as not a lease modification. The rent concessions resulted to a decrease of lease liabilities amounting to P1,870,017 as at December 31, 2020 and to the recognition of gain on forgone leases in 2020 of the same amount.

Income tax benefit amounting to P2,273, P248,025 and P284,600 in 2022, 2021 and 2020, respectively, relates to the adoption of PFRS 16 (see Note 26).

## 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.

	2023	2022
<i>Financial assets at amortized costs:</i>		
Cash in bank	49,558,869	97,791,247
Trade and other receivables – net	625,119,148	607,909,542
Due from related parties – net	214,369,903	508,966,626
Due from a stockholder	90,564,092	231,032,240
Refundable deposits – net	1,774,276	1,774,276
	<b>981,386,288</b>	<b>1,447,473,931</b>

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, 2023 and December 31, 2022

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 of September 30, 2023 and December 31, 2022:

	2023				
	Neither past due nor impaired		Past due but not		Total
	High grade	Standard grade	impaired	Impaired	
Cash	49,558,869	1,140,247	-	-	50,699,116
Trade and other receivabl	-	458,174,905	166,944,244	51,571,806	676,690,954
Due from related parties	-	156,376,336	-	6,460,530	162,836,866
Due from a stockholder	-	71,713,888	-	-	71,713,888
Financial asset at FVOCI	-	45,829,200	-	-	45,829,200
Refundable deposits	-	1,895,348	-	6,711,100	8,606,448
	<b>49,558,869</b>	<b>735,129,923</b>	<b>166,944,244</b>	<b>64,743,436</b>	<b>1,016,376,471</b>

  

	2022				
	Neither past due nor impaired		Past due but not		Total
	High grade	Standard grade	impaired	Impaired	
Cash	98,729,870	35,060	-	-	98,764,930
Trade and other receivables	-	378,106,119	229,807,176	51,571,806	659,485,101
Due from related parties - net	-	508,966,626	-	6,460,530	515,427,156
Due from stockholders	-	231,032,240	-	-	231,032,240
Financial asset at FVOCI	-	48,223,200	-	-	48,223,200
Refundable deposits	-	1,774,276	-	6,711,100	8,485,376
	<b>98,729,870</b>	<b>1,168,137,521</b>	<b>229,807,176</b>	<b>64,743,436</b>	<b>1,561,418,003</b>

- 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.

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.

	30 to 60 days	61 to 90 days	More than 90 days	Total
<b>Trade</b>				
2023	21,702,752	50,083,273	96,827,661	166,944,244
2022	28,729,075	68,248,012	132,830,089	229,807,176

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 of the reporting date is low. The management provided an 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 an 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.

	2023			
	On demand	Due within one year	Due beyond 1 year	Total
<i>Financial assets</i>				
Cash	50,699,116	-	-	50,699,116
Trade receivables – net	-	625,119,148	-	625,119,148
Due from related parties – net	156,376,336	-	-	156,376,336
Financial assets at FVOCI	46,734,000	-	-	46,734,000
Refundable deposits – net	1,774,276	-	-	1,774,276
	<b>255,583,728</b>	<b>625,119,148</b>	<b>-</b>	<b>880,702,876</b>
<i>Financial liabilities</i>				
Trade and other payables**	-	869,275,855	-	869,275,855
Due to related parties	132,893,124	-	-	132,893,124
Loans payable	-	762,856,648	-	762,856,648
Lease liability	-	318,472	-	318,472
	<b>132,893,124</b>	<b>1,632,450,976</b>	<b>-</b>	<b>1,765,344,100</b>

Excluding nonfinancial assets amounting to 66,071,450

Excluding nonfinancial liabilities amounting to 6,214,813

	2022			
	On demand	Due within one year	Due beyond 1 year	Total
<i>Financial assets</i>				
Cash	98,764,930	-	-	98,764,930
Trade receivables – net	-	607,909,542	-	607,909,542
Due from related parties – net	508,966,626	-	-	508,966,626
Financial assets at FVOCI	48,223,200	-	-	48,223,200
Refundable deposits – net	5,652,496	2,965,707	1,774,276	10,392,479
	661,607,252	610,875,249	1,774,276	1,274,256,777
<i>Financial liabilities</i>				
Trade and other payables**	-	539,455,099	-	539,455,099
Due to related parties	169,527,659	-	-	169,527,659
Loans payable	-	822,970,030	-	822,970,030
Lease liability	-	318,472	-	318,472
	169,527,659	1,362,743,601	-	1,532,271,260

Excluding nonfinancial assets amounting to 61,927,966

Excluding nonfinancial liabilities amounting to 65,989,852

- 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.

	2023		2022	
	In USD	In Php	In USD	In Php
Cash in bank	\$ 14,361	P 818,004	\$ 58,672	P 3,292,687
	In RMB	In Php	In RMB	In Php
Cash in bank	\$ 4,651,764	P 36,232,590	\$ 4,105,914	P 33,182,495
	In HKD	In Php	In HKD	In Php
Cash in bank	\$ 28,490	P 221,909	\$ 8,949	P 58,259
	In AUD	In Php	In AUD	In Php
Cash in bank	\$ 229,111	P 8,386,173	\$ -	P -

The equivalent exchange rates of one foreign currency in Philippine peso as at September 30, 2023 and December 31, 2022 are as follows:

	2023	2022
US\$	<b>P56.961</b>	<b>P56.1200</b>
AU\$	<b>36.60</b>	<b>37.80</b>
RMB	<b>7.79</b>	<b>8.04</b>
HK\$	<b>7.23</b>	<b>6.51</b>



*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, 2023 and December 31, 2022, 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, 2023 and December 31, 2022, the Group considers the following accounts as capital:

	<b>2023</b>	<b>2022</b>
Capital stock	<b>₱ 832,831,688</b>	₱ 832,831,688
Additional paid-in capital	<b>1,974,005,425</b>	3,602,050,960
Due to related parties	<b>94,621,999</b>	170,809,688
<b>Total capital</b>	<b>2,901,459,112</b>	<b>4,605,692,336</b>

The Group has no externally imposed capital requirement. No changes were made in the objectives, policies or processes during the years ended September 30, 2023 and December 31, 2022.

## 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, 2023 and December 31, 2022

Going concern basis of accounting

2023			
	Carrying Value	Fair Value	Significant Observable inputs
<i>Financial asset at amortized cost</i>			
Cash	50,699,116	50,699,116	50,699,116
Trade and other receivables - net	625,119,148	625,119,148	625,119,148
Due from related parties - net	214,369,903	214,369,903	214,369,903
Refundable Deposit - Net	1,774,276	1,774,276	1,774,276
	891,962,443	891,962,443	891,962,443
Financial assets at FVOCI	46,734,000	46,734,000	46,734,000
	938,696,443	938,696,443	938,696,443
<i>Financial liabilities at amortized cost</i>			
Trade and other payables	869,275,855	869,275,855	869,275,855
Due to related parties	132,893,124	132,893,124	132,893,124
Loan payable	762,856,648	762,856,648	762,856,648
Lease liability	318,472	318,472	318,472
	1,765,344,100	1,765,344,100	1,765,344,100
<i>Excluding nonfinancial assets amounting to 66,071,450</i>			
<i>Excluding nonfinancial liabilities amounting to 6,214,813</i>			
2022			
	Carrying Value	Fair Value	Significant Observable inputs
<i>Financial asset at amortized cost</i>			
Cash	98,764,930	98,764,930	98,764,930
Trade and other receivables - net	607,909,542	607,909,542	607,909,542
Due from related parties - net	508,966,626	508,966,626	508,966,626
Refundable Deposit - Net	10,392,479	10,392,479	10,392,479
	1,226,033,577	1,226,033,577	1,226,033,577
Financial assets at FVOCI	48,223,200	48,223,200	48,223,200
	1,274,256,777	1,274,256,777	1,274,256,777
<i>Financial liabilities at amortized cost</i>			
Trade and other payables	539,455,099	539,455,099	539,455,099
Due to related parties	169,527,659	169,527,659	169,527,659
Loan payable	822,970,630	822,970,630	822,970,630
Lease liability	318,472	318,472	318,472
	1,532,271,860	1,532,271,860	1,532,271,860
<i>Excluding nonfinancial assets amounting to 61,927,966</i>			
<i>Excluding nonfinancial liabilities amounting to 65,989,852</i>			

### 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.

## **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:

	<b>2023</b>			
	<b>Balance at beginning of year</b>	<b>Increase/Decrease in Shares</b>	<b>Comprehensive income (loss)</b>	<b>Balance at end of year</b>
Fucang	1,172,818,718	(452,458,538)	21,028,050	741,388,230
ANI HK	114,798,585			114,798,585
TBC	(34,530,833)		(1,907,186)	(36,438,019)
FFCI	(19,534,586)			(19,534,586)
FI	(2,944,544)		(259,377)	(2,944,544)
FGP	1,805,533		(245)	1,805,288
Heppy	(780,323)			(780,323)
	<b>1,231,632,550</b>	<b>(452,458,538)</b>	<b>18,861,242</b>	<b>798,294,631</b>

	<b>2022</b>		
	<b>Balance at beginning of year</b>	<b>Comprehensive income (loss)</b>	<b>Balance at end of year</b>
Fucang	1,179,042,278	(6,223,560)	1,172,818,718
ANI HK	114,798,585	-	114,798,585
TBC	(32,408,953)	(2,121,880)	(34,530,833)
FFCI	(19,108,729)	(425,857)	(19,534,586)
FI	(2,944,544)	-	(2,944,544)
FGP	1,883,298	(77,765)	1,805,533
Heppy	(780,323)	(11,432)	(780,323)
	<b>P1,240,481,612</b>	<b>(8,860,494)</b>	<b>1,231,632,550</b>

### **30. Business Combination**

#### 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 supermarkets around Luzon.

#### *Retail*

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

#### *Foreign Trading*

The Foreign Trading segment is in-charge of the international distribution operations of the Group in 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)	<b>September 30, 2023</b>		<b>September 30, 2022</b>	
<b>Philippine Operations</b>				
Export	<b>P</b>	<b>721,106,827</b>	P	1,053,559,295
Local Distribution and Others		<b>332,854,303</b>		208,965,571
Retail & Franchising		<b>54,953,271</b>		36,992,309
<b>Sub-total</b>	<b>P</b>	<b>1,108,914,401</b>	P	<b>1,299,517,175</b>
<b>Foreign Operations</b>				
China		<b>1,537,556,728</b>		1,519,580,051
Australia*		-		-
<b>Total</b>	<b>P</b>	<b>2,646,471,128</b>	P	<b>2,819,097,226</b>

\* Australia operations will be included in the 4th Qtr of 2023