IMPORTANT NOTICE

THIS DRAFT PRELIMINARY PROSPECTUS IS BEING DISPLAYED ON THIS WEBSITE TO MAKE THE DRAFT PRELIMINARY PROSPECTUS ACCESSIBLE TO INVESTORS IN THE PHILIPPINES AND IS TO BE VIEWED EXCLUSIVELY WITHIN THE PHILIPPINES.

THE PHILIPPINE STOCK EXCHANGE, INC. (THE "PSE") ASSUMES NO RESPONSIBILITY FOR THE CORRECTNESS OF STATEMENTS MADE, OR THE OPINIONS OR REPORTS EXPRESSED IN THIS DRAFT PRELIMINARY PROSPECTUS. THE PSE MAKES NO REPRESENTATION AS TO THE COMPLETENESS OF THE DRAFT PRELIMINARY PROSPECTUS AND DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS ARISING FROM OR IN RELIANCE, IN FULL OR IN PART, OF THE CONTENTS OF THE DRAFT PRELIMINARY PROSPECTUS.

A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE PHILIPPINE SECURITIES AND EXCHANGE COMMISSION BUT HAS NOT YET BEEN DECLARED EFFECTIVE. THESE SECURITIES MAY NOT BE SOLD NOR OFFERS TO BUY THEM BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT IS RENDERED EFFECTIVE. THIS COMMUNICATION SHALL NOT CONSTITUTE AN OFFER TO SELL OR BE CONSIDERED A SOLICITATION OF AN OFFER TO BUY.

The offering information on this website is intended to be available only to Philippine and non-Philippine citizens residing in the Philippines or corporations or judicial entities organized and existing under Philippine law, and is not intended for distribution outside the Philippines.

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PRELIMINARY PROSPECTUS DRAFT DATED AS OF OCTOBER 20, 2021
SUBJECT TO COMPLETION

THIS PRELIMINARY PROSPECTUS AND THE INFORMATION CONTAINED HEREIN ARE SUBJECT TO COMPLETION OR AMENDMENT WITHOUT NOTICE. THE OFFER SHARES MAY NOT BE SOLD NOR MAY AN OFFER TO BUY BE ACCEPTED PRIOR TO THE TIME THAT THE PROSPECTUS IS ISSUED IN FINAL FORM. UNDER NO CIRCUMSTANCES SHALL THIS PRELIMINARY PROSPECTUS CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY OFFER SHARES NOR SHALL THERE BE ANY OFFER, SOLICITATION OR SALE OF THE OFFER SHARES IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES

The Keepers Holdings

THE KEEPERS HOLDINGS, INC.
(formerly Da Vinci Capital Holdings, Inc.)
(incorporated in the Republic of the Philippines)

Primary Offer of [up to 3,000,000,000] Common Shares

Offer Price: [₱2.00 to ₱2.50] per share

to be listed and traded on the Main Board of
The Philippine Stock Exchange, Inc.

Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners

CHINABANK CAPITAL PNB Capital SB CAPITAL A Subsidiary of Security Bank

Lead Selling Agents

[●]

Selling Agents

Trading Participants of The Philippine Stock Exchange, Inc.

The date of this Preliminary Prospectus is October 20, 2021.

THE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED THESE SECURITIES OR DETERMINED IF THIS PRELIMINARY PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE AND SHOULD BE REPORTED IMMEDIATELY TO THE SECURITIES AND EXCHANGE COMMISSION.

A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION BUT HAS NOT YET BEEN DECLARED EFFECTIVE. NO OFFER TO BUY THE SECURITIES CAN BE ACCEPTED AND NO PART OF THE PURCHASE PRICE CAN BE ACCEPTED OR RECEIVED UNTIL THE REGISTRATION STATEMENT HAS BECOME EFFECTIVE, AND ANY SUCH OFFER MAY BE WITHDRAWN OR REVOKED, WITHOUT OBLIGATION OR COMMITMENT OF ANY KIND, AT ANY TIME PRIOR TO NOTICE OF ITS ACCEPTANCE GIVEN AFTER THE EFFECTIVE DATE. AN INDICATION OF INTEREST IN RESPONSE HERETO INVOLVES NO OBLIGATION OR COMMITMENT OF ANY KIND. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY.

THE KEEPERS HOLDINGS, INC. (formerly Da Vinci Capital Holdings, Inc.)
No. 900 Romualdez Street
Paco, Manila
Telephone No. (+632) 8522-8801 to 04
Corporate Website: http://thekeepers.com.ph

This Preliminary Prospectus (the "**Prospectus**") relates to the offer and sale to the public of [up to 3,000,000,000] primary common shares (the "**Offer Shares**"), each common share with a par value of ₱0.10 per share (the "**Shares**"), of The Keepers Holdings, Inc. (the "**Company**" or the "**Issuer**"), a corporation organized and existing under Philippine law. The offer of the Offer Shares is referred to herein as the "**Offer**."

Pursuant to its amended articles of incorporation, approved by the Philippine Securities and Exchange Commission (the "**SEC**") on June 30, 2021, the Company has an authorized capital stock of ₱2,000,000,000.00 divided into 20,000,000,000 common shares, of which [11,508,750,313] common shares are issued and outstanding as of the date of this Prospectus. The amendment of the articles of incorporation of the Company increasing the Company's authorized capital stock from ₱327,600,000.00 divided into 1,200,000,000 common shares with a par value of ₱0.023 per common share and 3,000,000,000 preferred shares with a par value of ₱0.10 per preferred share, to ₱2,000,000,000.00 divided into 20,000,000,000 common shares with a par value of ₱0.10 per common share was approved by the stockholders and the Board of Directors on May 28, 2021 and April 29, 2021, respectively. The adjustments in the number of issued and outstanding shares of the Company has been on the PSE's systems effective on September 13, 2021.

The Offer Shares shall be offered at a price of ₱[2.00 to ₱2.50] per Share (the "**Offer Price**"). The determination of the Offer Price is described on page 130 of this Prospectus and was based on a book-building process and discussion between the Company and China Bank Capital Corporation ("**China Bank Capital**"), PNB Capital and Investment Corporation ("**PNB Capital**"), and SB Capital Investment Corporation ("**SB Capital**") (collectively, the "**Joint Lead Underwriters**"). China Bank Capital, PNB Capital, and SB Capital shall serve as the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners for the Offer.

The Offer Shares will be listed and traded on the Main Board ("**Main Board**") of The Philippine Stock Exchange, Inc. (the "**PSE**") under the trading symbol KEEPR.

Upon completion of the Offer, a total of up to [14,508,750,313] common shares will be issued and outstanding, the Offer Shares representing [20.68]% of the issued and outstanding capital stock of the Company.

The total gross proceeds to be raised by the Company from the sale of the shares is estimated to be ₱[6,000] million to ₱[7,500] million. The net proceeds from the Offer is expected to be ₱[5,821.5] million to ₱[7,286.0], after deduction of fees and expenses. The Company intends to use the net proceeds from the Offer for strategic acquisition opportunities, expansion of product portfolio and distribution network channels, investments in distribution and logistics network, working capital, and for general corporate purposes. For a detailed discussion on the use of proceeds, please refer to page 123 on the "*Use of Proceeds.*"

The Joint Lead Underwriters will receive an underwriting fee from the Company equivalent to 2.25% of the gross proceeds from the sale of the Offer Shares. The underwriting fee includes the amounts to be paid to other participating underwriters and selling agents, if any and where applicable, and includes the commissions and fees to be paid to the trading participants of the PSE ("**PSE Trading Participants**"). For a detailed discussion on the underwriting fees, please refer to the section on "*Plan of Distribution*" on page 255.

Up to [600,000,000] Offer Shares (or [20]% of the Offer Shares) are being offered in the Philippines through the PSE Trading Participants and up to [150,000,000] (or [5]% of the Offer Shares) are being offered in the Philippines to local small investors ("**LSI**") under the Local Small Investors Program (subject to re-allocation as described below) (such shares, the "**Trading Participants and Retail Offer Shares**", and such offer of Trading Participants and Retail Offer Shares, the "**Trading Participants and Retail Offer**").

At least [2,250,000,000] Offer Shares, or [75]% of the Offer Shares (the "**Institutional Offer Shares**"), are being offered to certain qualified buyers and other investors in the Philippines, by the Joint Lead Underwriters.

The allocation of the Offer Shares between the Trading Participants and Retail Offer and the Institutional Offer is subject to adjustment as agreed between the Company and the Joint Lead Underwriters. In the event of an under-application in the Institutional Offer and a corresponding over-application in the Trading Participants and Retail Offer, the Offer Shares in the Institutional Offer may be reallocated to the Trading Participants and Retail Offer.

If there is an under-application in the Trading Participants and Retail Offer and if there is a corresponding over-application in the Institutional Offer, Offer Shares in the Trading Participants and Retail Offer may be reallocated to the Institutional Offer. The reallocation shall not apply in the event of over-application or under-application in both the Trading Participants and Retail Offer, on the one hand, and the Institutional Offer, on the other hand.

The Joint Lead Underwriters will underwrite, on a firm commitment basis, the entire Offer. For a detailed discussion on the underwriting commitment, please refer to the section on "*Plan of Distribution*" on page 255.

All of the Offer Shares have identical rights and privileges to the issued and outstanding Shares of the Company. For a detailed discussion of the rights and features of the Shares of stock of the Company, including the Offer Shares, please refer to the section on "*Description of the Shares*" on page 237. Under the Company's current dividend policy, the Company adopted an annual dividend payment ratio for its shares of at least twenty percent (20%) of its consolidated net income from the preceding fiscal year, subject to the requirements of applicable laws and regulations and the absence of any circumstances which may restrict the payment of dividends, including, but not limited to the following: (i) when the Company undertakes major projects and developments requiring substantial cash expenditures; or (ii) when the Company is restricted from paying dividends due to its loan covenants. The declaration and payment of dividends is subject to compliance annually or as often as the Board of Directors may deem appropriate, in cash or in kind and/or in additional shares from its surplus profits. The ability of the Company to pay dividends will depend on its retained earnings level and financial condition. There is no assurance that the Company will pay dividends in the future.

The Company has not declared and paid dividends in the last three (3) years since the Company had no operations during such time.

The Company's Board of Directors may declare dividends, but any stock dividends must be approved by shareholders holding at least two-thirds of its total outstanding capital stock. Moreover, if the declaration of stock dividends requires an increase in authorized capital stock, such increased would likewise require the prior approval of the SEC. Pursuant to their respective board approvals, the Company and each Subsidiary intends to maintain an annual dividend payment ratio of at least 20% of its net income from the preceding fiscal year, subject to the requirements of applicable laws and regulations, and the absence of circumstances which restrict the payment of dividends, including, but are not limited to, the following: (i) when the Corporation undertakes major projects and developments requiring substantial cash expenditures; or (ii) when the Corporation is restricted from paying dividends due to its loan covenants. For further discussion, please refer to the section on "*Dividends and Dividend Policy*" beginning on page 127 of this Prospectus.

The Company filed a Registration Statement with the SEC on July 14, 2021 in accordance with the provisions of the Securities Regulation Code of the Philippines (Republic Act No. 8799, the "**SRC**") for the registration of the Offer Shares. On October 7, 2021, the SEC approved the Registration Statement and issued a Pre-Effective Letter dated October 7, 2021. Upon compliance with the requirements of the Pre-Effective Letter, the Company expects the SEC to issue the Order of Registration of Securities and Certificate of Permit to Offer Securities for Sale. The issuance of the Permit to Sell is merely permissive and does not constitute a recommendation or endorsement by the SEC of the Offer Shares.

The listing of the Offer Shares is subject to the approval of the PSE. On July 19, 2021, the Company filed its application for the listing and trading of the Offer Shares with the PSE. On October 13, 2021, the PSE approved the listing application subject to compliance with certain conditions. The PSE's approval of the listing is merely permissive and does not constitute a recommendation or endorsement of the Offer by the PSE.

The Offer Shares may be purchased and owned by any person or entity regardless of citizenship or nationality, subject to the nationality limits under Philippine law. The Philippine Constitution and related statutes set forth restrictions on foreign ownership for companies engaged in certain activities. In particular, if and to the extent that the Company acquires land in the Philippines, foreign ownership in its capital stock will be limited to a maximum of 40% of its issued and outstanding capital stock. The Company does not own land and does not engage in any nationalized industry. Nevertheless, because the Company's Amended Articles of Incorporation authorizes the Company to acquire land, which may include land in the Philippines, foreign shareholdings in the Company may not exceed 40% of its total issued and outstanding capital stock. For further discussion, please refer to the section on "*Regulatory and Environmental Matters*" on page 209.

The Company reserves the right to withdraw the offer and sale of the Offer Shares at any time, and the Joint Lead Underwriters reserve the right to reject any commitment to subscribe for the Offer Shares in whole or in part and to allot to any prospective purchaser less than the full amount of the Offer Shares sought by such purchaser. If the Offer is withdrawn or discontinued, the Company shall make the necessary disclosures to the SEC and the PSE.

The information contained in this Prospectus relating to the Company and its operations has been supplied by the Company, unless otherwise stated herein. The Company confirms that, as of the date of this Prospectus, the information contained herein relating to the Company and its operations, which are in the context of the Offer (including all material information required by the applicable laws of the Republic of the Philippines), is true and that there is no material misstatement or omission of facts which would make any statement in this Prospectus misleading in any material respect and that the Company hereby accepts full and sole responsibility for the accuracy of the information contained in this Prospectus with respect to the same. The Company confirms that it has made all reasonable inquiries in respect of the information, data and analysis provided to it by its advisors and consultants or which is otherwise publicly available for inclusion into this Prospectus. The Company, however, has not independently verified any such publicly available information, data or analysis.

Moreover, market data and certain industry data used throughout this Prospectus were obtained from market research, publicly available information and industry publications. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information are not guaranteed. Similarly, industry forecasts and market research, while believed to be reliable, have not been independently verified, and the Company nor the Joint Lead Underwriters do not make any representation or warranty, express or implied, as to the accuracy or completeness of such information. The Joint Lead Underwriters assume no liability for any information supplied by the Company in relation to this Prospectus.

The Company and the Joint Lead Underwriters have exercised due diligence in ascertaining that all material representations contained in this Prospectus and any amendments and supplements are true and correct, and that no material information was omitted, which was necessary in order to make the statements contained in said documents not misleading.

No person has been or is authorized to give any information or to make any representation concerning the Company or its affiliates or the Offer Shares, which is not contained in this Prospectus and any information or representation not so contained herein must not be relied upon as having been authorized by the Company, the Joint Lead Underwriters, or any of their respective affiliates and subsidiaries.

Unless otherwise indicated, all information in this Prospectus is as of the date of this Prospectus. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstance, create any implication that the information contained herein is correct as of any date subsequent to the date hereof or that there has been no change in the affairs of the Company since such date.

The contents of this Prospectus are not investment, legal, or tax advice. In making any investment decision regarding the Offer Shares, prospective investors must rely on their own examination of the Company and the terms of the Offer, including, without limitation, the merits and risks involved, such prospective investor's own determination of the suitability of any such investment with particular reference to its own investment objectives and experience, and any other factors which may be relevant to it in connection with such investment. Neither the Company nor the Joint Lead Underwriters make any representation to any prospective purchaser regarding the legality of participating in the Offer under any law or regulation. Each person should be aware that it may be required to bear the financial risks of any participation in the Offer for an indefinite period of time. Prospective investors should consult their own counsel, accountant and other advisors as to legal, tax, business, financial and related aspects of a purchase of the Offer Shares, among others.

For a more detailed discussion on the risks in investing, see section on "*Risk Factors*" on page 100 of this Prospectus, which, while not intended to be an exhaustive enumeration of all risks, must be considered in connection with a purchase of the Offer Shares. The Offer Shares are offered solely on the basis of the information contained and the representations made in the Prospectus.

The PSE assumes no responsibility for the correctness of any statements made or opinions expressed in this Prospectus. The PSE makes no representation as to its completeness and expressly disclaims any liability whatsoever for any loss arising from reliance on the entire or any part of this Prospectus. An application has been made with the SEC to register the sale and offer of the Offer Shares under the provisions of the SRC.

RISKS OF INVESTING

Before making an investment decision, prospective investors should carefully consider all the information contained in this Prospectus, including the risks associated with an investment in the Offer Shares.

These risks include:

- Risks relating to the Group's business;
- Risks relating to the Philippines;
- Risks relating to the Offer and the Offer Shares; and
- Risks relating to the presentation of information in this Prospectus.

For a more detailed discussion on the risks in investing, see section on "Risk Factors" on page 100 of this Prospectus, which, while not intended to be an exhaustive enumeration of all risks, must be considered in connection with a purchase of the Offer Shares. The Offer Shares are offered solely on the basis of the information contained and representations made in the Prospectus.

A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION BUT HAS NOT YET BEEN DECLARED EFFECTIVE. NO OFFER TO BUY THE SECURITIES CAN BE ACCEPTED AND NO PART OF THE PURCHASE PRICE CAN BE ACCEPTED OR RECEIVED UNTIL THE REGISTRATION STATEMENT HAS BECOME EFFECTIVE, AND ANY SUCH OFFER MAY BE WITHDRAWN OR REVOKED, WITHOUT OBLIGATION OR COMMITMENT OF ANY KIND, AT ANY TIME PRIOR TO NOTICE OF ITS ACCEPTANCE GIVEN AFTER THE EFFECTIVE DATE. AN INDICATION OF INTEREST IN RESPONSE HERETO INVOLVES NO OBLIGATION OR COMMITMENT OF ANY KIND. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY.

THE KEEPERS HOLDINGS, INC.

By:

Jose Paulino L. Santamarina
President

Republic of the Philippines)
City of _________) S.S.

Before me, a notary public in and for the city named above, personally appeared on [•], who was identified by me through competent evidence identity in the form of a Philippine passport, with No. P7824851A, issued at DFA Manila on July 6, 2018, to be the same person who presented the foregoing instrument and signed the instrument in my presence, and who took an oath before me as to such instrument.

Witness my hand and seal this ___day of _______ 2021 at _____________.

Doc. No._____;
Page No. _____;
Book No. _____;
Series of 2021.

The Offer Shares are offered subject to receipt and acceptance of any order by the Company and subject to the Company's right to reject any order in whole or in part in consultation with the Joint Lead Underwriters. It is expected that the Offer Shares will be delivered in book-entry form against payment thereof to the PDTC on or about [November 19, 2021].

No representation or warranty, express or implied, is made by the Company or the Joint Lead Underwriters regarding the legality of an investment in the Offer Shares under any legal, investment, or similar laws or regulations. No representation or warranty, express or implied, is made by the Joint Lead Underwriters as to the accuracy or completeness of the information herein and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation by the Joint Lead Underwriters.

THE OFFER SHARES ARE BEING OFFERED IN THE PHILIPPINES ON THE BASIS OF THIS PROSPECTUS ONLY. ANY DECISION TO PURCHASE THE OFFER SHARES IN THE PHILIPPINES MUST BE BASED ONLY ON THE INFORMATION CONTAINED HEREIN.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to purchase any securities other than the Offer Shares or an offer to sell or the solicitation of an offer to purchase such securities by any person in any circumstances in which such offer or solicitation is unlawful. Neither the delivery of this Prospectus nor any sale of the Offer Shares offered hereby shall, under any circumstances, create any implication that there has been no change in its affairs since the date hereof or that the information contained herein is correct as of any time subsequent to the date hereof.

The distribution of this Prospectus and the offer and sale of the Offer Shares in certain jurisdictions may be restricted by law. The Company and the Joint Lead Underwriters require persons into whose possession this Prospectus comes to inform themselves about and to observe any such restrictions. This Prospectus does not constitute an offer of, or an invitation to purchase, any of the Offer Shares in any jurisdiction in which such offer or invitation would be unlawful. Each prospective purchaser of the Offer Shares must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers, sells or resells the Offer Shares or possesses and distributes this Prospectus and must obtain any consents, approvals or permissions required for the purchase, offer, sale or resale by it of the Offer Shares under the laws, rules and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or resales, and neither the Joint Lead Underwriters nor the Company shall have any responsibility therefor.

Each offeree of the Offer Shares, by accepting delivery of this Prospectus, agrees to the foregoing.

BASIS FOR CERTAIN MARKET DATA

Market data and certain industry data used throughout this Prospectus were obtained from market research, publicly available information, industry publications and on the Company's own analysis and knowledge of the markets for its products. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information are not guaranteed. Similarly, industry forecasts and market research, while believed to be reliable, have not been independently verified, and neither the Company nor the Joint Lead Underwriters make any representation or warranty, express or implied, as to the accuracy or completeness of such information. Information in this Prospectus in the Philippine beverage alcohol market is from independent market research carried out by IWSR Drinks Market Analysis Limited ("**IWSR**") but should not be relied upon in making, or refraining from making, any investment decision.

The operating information used throughout this Prospectus has been calculated by the Company on the basis of certain assumptions. As a result, this operating information may not be comparable to similar operating information reported by other companies.

See the section entitled "*Industry Overview*" on page 154 of this Prospectus for information relating to the industry in which the Company operates.

CONVENTIONS USED IN THIS PROSPECTUS

In this Prospectus, unless otherwise specified or the context otherwise requires, all references to the "**Company**," or the "**Issuer**," are to The Keepers Holdings, Inc. References to "**Montosco**" are to the Company's subsidiary, Montosco, Inc.; references to "**Meritus**" are to Meritus Prime Distributions, Inc.; and references to "**Premier**" are to Premier Wine and Spirits, Inc. References to "**Subsidiaries**" are to Montosco, Premier, and Meritus, collectively. Meanwhile, references to the "**Group**" are to the Company, Montosco, Premier, and Meritus, collectively. All references to the "**BSP**" are references to *Bangko Sentral ng Pilipinas*, the central bank of the Philippines. All references to the "**Government**" are references to the government of the Republic of the Philippines. All references to "**United States**" or "**U.S**." are to the United States of America. All references to "**Philippine Pesos**" and "**₱**" are to the lawful currency of the Philippines, and all references to "**U.S. dollars**" or "**US$**" are to the lawful currency of the United States. Certain terms used herein are defined in the "*Glossary*" contained in page 1 of this Prospectus.

PRESENTATION OF FINANCIAL INFORMATION

The Company's financial statements are reported in Philippine Pesos and are prepared based on its accounting policies, which are in accordance with the Philippine Financial Reporting Standards ("**PFRS**") issued by the Financial Reporting Standards Council of the Philippines.

The financial information included in this Prospectus has been derived from the Company's financial statements. Unless otherwise indicated, financial information relating to the Company in this Prospectus is stated in accordance with PFRS.

Figures in this Prospectus have been subject to rounding adjustments. Accordingly, figures shown in the same item of information may vary, and figures which are totals may not be an arithmetic aggregate of their components.

R.G. Manabat & Co. performed assurance procedures, in accordance with Philippine Standards on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus,* on the compilation by management of the pro forma consolidated financial statements of the Group which comprise of the pro forma consolidated statements of financial position as of December 31, 2020, 2019 and 2018, and the pro forma consolidated statements of comprehensive income, pro forma consolidated statements of changes in equity and pro forma consolidated statements of cash flows for the years then ended, and notes comprising significant accounting policies and other explanatory information. R.G. Manabat & Co. has also reviewed, in accordance with Philippine Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity,* the Issuer's interim consolidated financial statements as of June 30, 2021 and for the six-month periods ended June 30, 2021 and 2020 which comprises:

- The consolidated statement of financial position as of June 30, 2021;
- The interim consolidated statements of comprehensive income for the three-month and six-month periods ended June 30, 2021 and 2020;
- The interim consolidated statements of changes in equity for the six-month periods ended June 30, 2021 and 2020;
- The interim consolidated statements of cash flows for the six-month periods ended June 30, 2021 and 2020; and
- Notes to interim consolidated financial statements

The comparative financial information as at December 31, 2020 and for the three-month and six-month periods ended June 30, 2020 which were presented in the interim consolidated financial statements pertain to the combined financial information of the Company and its Subsidiaries. The Company was only required to present consolidated financial statements as at and for the six-month period ended June 30, 2021, when the Company and Cosco Capital entered into a Share Swap Transaction resulting to the Company's acquisition of its Subsidiaries. The comparative financial information were presented as if the entities had always been combined in accordance with the retrospective approach for presentation taken by the Group in applying the pooling of interest method for the business combination involving entities under common control.

The retrospective approach discussed above was not applied in the financial information as at and for the years ended December 31, 2020, 2019 and 2018.

Due to the retrospective application of PFRS 16, Montosco, Meritus, and Premier restated their respective balance sheet as of December 31, 2018 presented as comparative in their respective audited financial statements as of December 31, 2019, which affected the following accounts:

a. Right-of-use assets
b. Deferred income taxes – net

c. Lease liabilities
d. Trade and other payables
e. Retained earnings

The relevant accounts in their respective audited consolidated financial statements as of December 31, 2017 have not been restated and pertain to amounts before considering the impact of retrospective application of PFRS 16.

In contemplation of the Offer and in compliance with applicable regulatory requirements of the SEC for companies seeking registration of their securities, the Company appointed again as its independent auditors in 2020 R.G. Manabat & Co.

For more information, please refer to its audited financial statements as at and for the years ended December 31, 2018, 2019 and 2020.

This Prospectus includes certain non-PFRS financial measures, including EBITDA and EBITDA margin. References to "EBITDA" are to income from operation before depreciation and amortization. EBITDA is a supplemental measure of its performance and liquidity that is not required by, or presented in accordance with PFRS. Further, EBITDA is not a measurement of the Group's financial performance or liquidity under PFRS and should not be considered as an alternative to net income, revenues, or any other performance measure derived in accordance with PFRS or as an alternative to cash flow from operations or as a measure of the Group's liquidity. The Company believes that EBITDA may facilitate operating performance comparisons from period to period and from company to company by eliminating potential differences caused by variations in capital structures (affecting interest expense), tax positions (such as the impact on periods or companies of changes in effective tax rates or net operating losses) and the age and book depreciation and amortization of tangible assets (affecting relative depreciation and amortization expenses). However, as there are various EBITDA calculation methods, the Group's presentation of EBITDA may not be comparable to similarly titled measures used by other companies. "EBITDA Margin" is calculated as EBITDA divided by revenues.

FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- known and unknown risks;
- uncertainties and other factors that may cause the Group's actual results, performance or achievements to be materially different from expected future results; and
- performance or achievements expressed or implied by forward-looking statements.

Such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. Important factors that could cause some or all of the assumptions not to occur or cause actual results, performance or achievements to differ materially from those in the forward-looking statements include, among other things:

- risks relating to the Group's businesses and operations;
- the Group's ability to successfully implement its current and future business strategies;
- the Group's ability to manage its expansion and growth;
- the Group's ability to leverage on its strengths;
- the Group's ability to anticipate and respond to consumer trends;
- increases in inventory, maintenance, and rental costs;
- risks relating to the Philippines;
- the condition and changes in the Philippine, Asian or global economies and future political instability in the Philippines;
- changes in interest rates, inflation rates and the value of the Philippine Peso against the U.S. dollar and other currencies;
- changes in government regulations, including tax laws, or licensing in the Philippines;
- competition in the liquor distribution and retail industry in the Philippines; and
- risks relating to the Offer and the Offer Shares.

Additional factors that could cause the Group's actual results, performance, or achievements to differ materially from forward-looking statements include, but are not limited to, those disclosed under "*Risk Factors*" in this Prospectus. These forward-looking statements speak only as of the date of this Prospectus. The Company and the Joint Lead Underwriters expressly disclaim any obligation or undertaking to release, publicly or otherwise, any updates or revisions to any forward-looking statement contained herein to reflect any change in the Group's expectations with regard thereto or any change in events, conditions, assumptions, or circumstances on which any statement is based.

This Prospectus includes statements regarding the Group's expectations and projections for future operating performance and business prospects. The words "believe," "plan," "expect," "anticipate," "estimate," "project," "intend," "seek," "target," "aim," "may," "might," "will," "would," "could," "endeavours," and similar words identify forward-looking statements. Statements that describe the Group's objectives, plans, or goals are forward-looking statements. In addition, all statements other than statements of historical facts included in this Prospectus are forward-looking statements. In light of the risks and uncertainties associated with forward-looking statements, investors should be aware that the forward-looking events and circumstances discussed in this Prospectus might not occur. Actual results could differ materially from those contemplated in the relevant forward-looking statement and the Group gives no assurance that such forward-looking statements will prove to be correct or that such intentions will not change. This Prospectus discloses, under the section "*Risk Factors*", important factors that could cause actual results to differ materially from the Group's expectations. All subsequent written and oral forward-looking statements attributable to the Group or persons acting on behalf of it are expressly qualified in their entirety by the above cautionary statements.

TABLE OF CONTENTS

GLOSSARY

In this Prospectus, unless the context otherwise requires, the following terms shall have the meanings set forth below.

ACCRA Law	Angara Abello Concepcion Regala & Cruz
Amendment	the amendment of the articles of incorporation of the Company for the increase in the Company's authorized capital stock from ₱327,600,000.00 divided into 1,200,000,000 common shares with a par value of ₱0.023 per common share and 3,000,000,000 preferred shares with a par value of ₱0.10 per preferred share to ₱2,000,000,000.00 divided into 20,000,000,000 common shares with a par value of ₱0.10 per common share
Application	An application to subscribe for Offer Shares pursuant to the Offer.
Authority to Disclose	document that allows the custodian bank to disclose to the BSP any information that may be required to comply with post-audit requirements for the registration of Peso-denominated investments
Bayanihan 2 Act	Bayanihan to Recover as One Act
Banking Day	means any day (other than a Saturday or Sunday) on which commercial banks and the Philippine Clearing House Corporation in Makati City are not required or authorized to close for business
BEPS	Base Erosion and Profit Shifting
BDO Trust	Banco de Oro Unibank, Inc. - Trust Banking Group
BIR	The Philippine Bureau of Internal Revenue
Board of Directors or Board	The Company's board of directors
Bodegas	Bodegas Williams & Humbert SAU
BOI	Board of Investments
BSP	*Bangko Sentral ng Pilipinas*, the central bank of the Philippines
BSRD	BSP registration document
CAGR	Compounded annual growth rate
CAR	Certificate Authorizing Registration
CBC Trust	China Banking Corporation – Trust and Asset Management Group
CCCS	Central Clearing and Central Settlement
CCO	Chemical Control Order
China Bank Capital	China Bank Capital Corporation
Clean Air Act	Republic Act No. 8749, otherwise known as the Philippine Clean Air Act
Co Family	Mr. Lucio Co, Susan Co, Ferdinand Vincent Co, Pamela Justine Co, Camille Clarisse Co, and Katrina Marie Co

Consumer Act.. Republic Act No. 7394, or Consumer Act of the Philippines

CORTT.. Certificate of Residence for Tax Treaty Relief

Company or Issuer ....The Keepers Holdings, Inc. or Keepers

Cosco Capital ....Cosco Capital, Inc.

CPR ....Certificate of Product Registration

CREATE Law ....Republic Act No. 11534, otherwise known as the CREATE Law

CTRP... Comprehensive Tax Reform Program

Davin ....Da Vinci Capital Holdings, Inc.

D.O. 174 .... DOLE Department Order No. 174 (2017)

DENR .... Department of Environment and Natural Resources

DOH ....Department of Health

DOLE .... Department of Labor and Employment

DPA...Data Privacy Act of 2012

DPWH .... Department of Public Works and Highways

DTI .... Department of Trade and Industry

ECC .... Environmental Compliance Certificate

ECL .... Expected credit losses

ECQ..Enhanced Community Quarantine

EGGA...Engineering Geological and Geohazard Assessment

EGGAR ....Engineering Geological and Geohazard Assessment Report

EIS.. Environment Impact Statement

EMB .... Environmental Management Bureau

Emperador ....Emperador, Inc.

ERP... Enterprise Resource Planning

ETF... Exchange Traded Funds

FDA.. Food and Drug Administration

FICO... Finance and Control

Food Safety Act...Republic Act No. 10611 otherwise known as the Food Safety Act of 2013

Foreign Investments Act .... Republic Act No. 7042, otherwise known as the Foreign Investments Act of 1991, as amended

FTI .... Future Trade International, Inc.

GCQ .... General Community Quarantine

GDP .... Gross domestic product

Government .... Government of the Republic of the Philippines and all its instrumentalities

Group .... The Company, Meritus, Montosco, and Premier, collectively

GWP .... Gifts with Purchase

HR .... Human Resources

ICT .... Information and Communications System

Institutional Offer .... The offer for sale of the Institutional Offer Shares to certain qualified buyers and other investors in the Philippines, by the Joint Lead Underwriters

Institutional Offer Shares .... At least [2,250,000,000] or 75% of the Offer Shares being offered pursuant to the Institutional Offer

Institutional Offer Settlement Date .... The date on which settlement of the Institutional Offer Shares is to be made, expected to be on or about [November 17], 2021, or such other date as may be agreed by the Company and the Joint Lead Underwriters

Invescap .... Invescap Incorporated

IEE .... Initial Environmental Examination

IRO .... Investor Relations Office

IRR .... Implementing rules and regulations of R.A. 8762

ITAD .... International Tax Affairs Division of the BIR

IWSR .... IWSR Drinks Market Analysis Limited

Joint Lead Underwriters.. China Bank Capital, PNB Capital and SB Capital

Labor Code .... The Labor Code of the Philippines

Lead Selling Agents .... [●]

LGC .... Republic Act No. 7160, otherwise known as the Local Government Code

LGU .... Local government unit

Listing Date .... The date on which the trading of the Offer Shares on the PSE begins, expected to be on or about [November 19], 2021, or such other date as may be agreed by the Company and the Joint Lead Underwriters. Notice of any adjustment to the Listing Date shall be made by publication by the Company in two newspapers of general circulation, provided that any adjustment to the Listing Date shall be subject to the approval of the PSE and the SEC.

Local small investors or LSIs.....................Local small investors under the PSE's Local Small Investors program

LTO ....License to Operate

M&A ....Mergers and Acquisitions

Main Board..Main Board of the PSE

Manual...Manual on Corporate Governance

Merger Rules ....2017 Rules on Merger Procedures

Meritus ....Meritus Prime Distributions, Inc.

Metro Manila...The metropolitan area comprising the cities of Caloocan, Las Piñas, Navotas, Makati, Malabon, Mandaluyong, Manila, Marikina, Muntinlupa, Parañaque, Pasay, Pasig, Quezon, San Juan, Taguig and Valenzuela and the municipality of Pateros

MGB..DENR-Mines and Geosciences Bureau

MGCQ...Modified General Community Quarantine

Montosco...Montosco, Inc.

MPO ....minimum public ownership

MPO Exemption Period ....period to commence from subscription by Cosco Capital up to the completion of this Offer in order to comply with the minimum public ownership requirement of at least 20% public float upon and after listing

MSME ....micro-, small, and medium-sized enterprises

NPC ....National Privacy Commission

Offer ....The offer and sale of the Offer Shares on, and subject to, the terms and conditions stated herein

Offer Price ....₱[2.00] to ₱[2.50] per Offer Share

Offer Shares...Up to 3,000,000,000 common shares to be offered and issued by the Company by way of primary offer

OFWs .... Overseas Filipino Workers

OPC ....One Person Corporation

OSD...Optional standard deduction

OTC...Over-the-counter

PCA ....Republic Act. No. 10667, or the Philippine Competition Act

PCA IRR ....Implementing rules and regulations of the PCA

PCC ....Philippine Competition Commission

PCD ....Philippine Central Depository

PCD Nominee .... PCD Nominee Corporation

PCL .... Priority Chemicals List

PDS .... Philippine Dealing System

PDTC .... The Philippine Depository & Trust Corp.

PFRS .... Philippine Financial Reporting Standards

Philippine National .... As defined under the Foreign Investments Act, citizen of the Philippines, or a domestic partnership or association wholly-owned by citizens of the Philippines, or a corporation organized under the laws of the Philippines of which at least 60% of the capital stock outstanding and entitled to vote is owned and held by citizens of the Philippines, or a corporation organized abroad and registered to do business in the Philippines under the Revised Corporation Code of the Philippines, of which 100% of the capital stock outstanding and entitled to vote is wholly-owned by Filipinos or a trustee of funds for pension or other employee retirement or separation benefits, where the trustee is a Philippine national and at least 60% of the fund will accrue to the benefit of Philippine nationals

Philvolcs .... Philippine Institute of Volcanology and Seismology

PICCS .... Philippine Inventory of Chemicals and Chemical Substances

PNB Capital .... PNB Capital and Investment Corporation

POS .... Point-of-sale

Premier or PWS .... Premier Wine and Spirits, Inc.

PSA .... Philippine Standards on Auditing

PSE .... The Philippine Stock Exchange, Inc.

PSE EASy .... PSE Electronic Allocation System

PSE EDGE .... PSE's Electronic Disclosure Generation Technology

PSE Trading Participants .... Duly licensed securities brokers who are trading participants of the PSE

Puregold .... The supermarket chain in the Philippines with the brand "Puregold" owned and operated by Puregold Price Club, Inc.

QIB .... Qualified institutional buyer, as such term is defined in the SRC

R.A. 8762 or
the Retail Trade Liberalization Act .... Republic Act No. 8762, otherwise known as the Retail Trade Liberalization Act of 2000

R.G. Manabat .... KPMG R.G. Manabat & Co.

Revised Corporation Code .... Republic Act No. 11232, otherwise known as the Revised Corporation Code of the Philippines

Romulo Law .... Romulo Mabanta Buenaventura Sayoc & de los Angeles

ROS	Return on sales
ROU	Right-of-use assets
RPT	Related party transactions
RTD	Ready-to-Drink
S&P	Standard and Poor's
S&R	The membership warehouse shopping club with the brand "S&R" owned and operated by Kareila Management Corporation in the Philippines
SB Capital	SB Capital Investment Corporation
SCCP	Securities Clearing Corporation of the Philippines
SEC	The Philippine Securities and Exchange Commission
SEC MC 13-2017	SEC Memorandum Circular No. 13, Series of 2017
Selling Agents	PSE Trading Participants
Senior Management	Group's key executives and corporate officers
Share Swap Transaction	The issuance of common shares of the Company to Cosco Capital, Inc., which were created and issued out of an increase in its authorized capital stock, in exchange for 100% of the outstanding shares of Montosco, Inc., Meritus Prime Distributions, Inc. and Premier Wine and Spirits, Inc., as approved by the Company's Board of Directors on March 29, 2021 and by the SEC on June 30, 2021
Shares	The common shares of the Company, with par value of ₱0.10 per common share
SKUs	Stock keeping units
sqm	Square meters
SRC	Republic Act No. 8799, otherwise known as the Philippine Securities Regulation Code, as amended from time to time, and including the rules and regulations issued thereunder
SSS	Social Security System
Subsidiaries	Montosco, Meritus, and Premier, collectively
Tax Code	The National Internal Revenue Code of the Philippines, as amended
Trading Participants and Retail Settlement Date	The date on which settlement by the LSIs and Trading Participants of the Trading Participants and Retail Offer Shares purchased through the PSE EASy is to be made, expected to be on or about [November 10, 2021], or such other date that may be agreed by the Company and the Joint Lead Underwriters.
Trading Participants and Retail Offer	The offer for sale of the Trading Participants and Retail Offer Shares to be made in the Philippines

Trading Participants and Retail Offer Shares	Up to [750,000,000] Offer Shares (or [25]% of the Offer Shares) being offered pursuant to the Trading Participants and Retail Offer
TRAIN Law	Republic Act No. 10963, otherwise known as the Tax Reform for Acceleration and Inclusion
Transfer Pricing Regulations	BIR Revenue Regulation No. 2-2013 on Transfer Pricing Regulations
TTRA	Tax Treaty Relief Application
U.S.	The United States of America
UNCLOS	United Nations Convention on the Law of the Sea
VAT	Value-added tax
ZG Law	Zambrano Gruba Caganda and Advincula

SUMMARY

The following summary is qualified in its entirety by, and is subject to, the more detailed information presented in this Prospectus, including the Group's audited financial statements and the notes thereto, found in the appendices of this Prospectus.

Prospective investors should read this entire Prospectus fully and carefully, including the section on "Risk Factors". In case of any inconsistency between this summary and the more detailed information in this Prospectus, then the more detailed portions, as the case may be, shall at all times prevail.

OVERVIEW

The Keepers Holdings, Inc. (the "**Company**" or the "**Issuer**"), formerly Da Vinci Capital Holdings, Inc., is a holding company which wholly owns three major players in the Philippine liquor, wine, and specialty beverage distribution businesses – Montosco, Inc. ("**Montosco**"), Meritus Prime Distributions, Inc. ("**Meritus**"), and Premier Wine and Spirits, Inc. ("**Premier**") (collectively, Montosco, Premier, and Meritus are the "**Subsidiaries**", and the Company, together with its Subsidiaries, is the "**Group**"). Collectively, the Group is by far the largest distributor of imported spirits in the Philippines with a market share of 74.0% based on volume and 66.9% based in retail sales value in 2020 according to IWSR.

The Group's diversified portfolio of liquor, wine, and specialty beverages include globally renowned brands—"*Alfonso*", the number one imported brandy in the Philippines[1]; "*Johnnie Walker*", the number one imported blended scotch whisky in the Philippines[1]; "*Jose Cuervo*", the number one imported tequila in the Philippines[1]; "*Jim Beam*", the number one US imported whisky in the Philippines[1]; "*Jinro*", the number one imported soju in the Philippines[1]; "*Absolut*", the number one imported vodka in the Philippines[1]; "*Tanqueray*", the number one imported gin in the Philippines[1]; "*Bailey's*", the number one imported flavored spirit in the Philippines[1]; "*Mompo*", a popular mass wine in the Philippines; "*Penfolds*", a globally renowned wine brand; "*Red Bull*", a popular energy drink in the Philippines; and "*Perrier*", a popular sparkling water in the Philippines.

On March 29, 2021, the Board of Directors of the Company approved the issuance of 11,250,000,000 common shares of the Company to Cosco Capital, Inc. ("**Cosco Capital**"), which were created and issued out of an increase in the authorized capital stock of the Company, in exchange for 100% of the outstanding shares of Montosco, Meritus, and Premier (the "**Share Swap Transaction**"). Specifically, (a) 9,488,444,240 common shares of the Company were swapped with 7,500,000 common shares of Cosco Capital in Montosco; (b) 907,885,074 common shares of the Company were swapped with 7,500,000 common shares of Cosco Capital in Meritus; and finally, (c) 853,670,686 common shares of the Company were swapped with 1,500,000 common shares of Cosco Capital in Premier. The Share Swap Transaction was approved by the SEC on June 30, 2021.

As a result of the Share Swap Transaction, the Company now legally and beneficially owns 100% of the outstanding shares of each of Montosco, Meritus, and Premier, while Cosco Capital now owns a controlling equity interest in the Company. On September 8, 2021, the BIR issued a Certificate Authorizing registration ("**CAR**") covering the Share Swap Transaction.

Cosco Capital is the holding company of Lucio Co and his family. Prior to the completion of the Share Swap Transaction, Montosco, Meritus, and Premier were also owned by Cosco Capital. When housed under Cosco Capital, the three Subsidiaries individually thrived and flourished amidst a competitive landscape, and separately nurtured relationships with the producers and global owners of key brands under their respective portfolios. As such, Montosco, Meritus, and Premier had all evolved into individual powerhouses in the of liquor, wine, and specialty beverage segments, securing captive markets for their respective brands. The Subsidiaries also benefited from a synergistic relationship with other subsidiaries and affiliates of Cosco Capital primarily engaged in retail and distribution, including Puregold and S&R.

The Group's debut in the PSE is intended to unlock the untapped potential of the three operating Subsidiaries, and to provide a platform for their future growth. It is also intended to give the investing public access to investments in the Philippine liquor industry—the world's largest market for gin and the second-largest market for rum and brandy, according to IWSR.

In compliance with Section 3 of the PSE Rules on Backdoor Listing, and Article V, Part A of the PSE Consolidated Listing and Disclosure Rules, as amended on the Rule on Additional Listing of Shares, on August 19, 2021, the

[1] According to IWSR.

Company applied for listing with the PSE of the additional shares of stock issued in connection with the increase of the capital stock and the Share Swap Transaction to comply with the PSE listing rules. Since the Share Swap Transaction involves related parties, Article V, Part A of the PSE Consolidated Listing and Disclosure Rules, as amended requires the conduct of a rights or public offering as a condition to listing, unless such requirement is waived by the minority stockholders. The additional listing of shares without the conduct of a rights or public offering was approved by the stockholders on May 28, 2021.

Following the increase in the capital stock of the Company and the Share Swap Transaction, the Company's public ownership was reduced to [0.34]%. Following the Offer to the Company expects public ownership to increase to [20.94]% in compliance with the minimum public float requirements of the PSE and the SEC (the "**MPO Rule**").

On April 29, 2021, the Company filed a request with the PSE for the grant of a minimum public ownership exemption period (the "**MPO Exemption Period**"), to commence from subscription by Cosco Capital up to the completion of this Offer in order to comply with the minimum public ownership requirement of at least 20% public float upon and after listing. In its letter dated May 26, 2021, the PSE informed the Company that it can only provide a relaxation of the MPO Rule to the end that the trading of the Company's shares will continue notwithstanding the public float being lower than the minimum public ownership required during the MPO Exemption Period if the following conditions concur: (i) the prior approval of the SEC on the grant of the exemption from the MPO Rule shall be first obtained by the PSE; and (ii) the Company secures a ruling/opinion from the Bureau of Internal Revenue ("**BIR**") for confirmation that Revenue Regulations No. 16-2012 will not apply during the MPO Exemption Period. As of the date of this Prospectus, the Company is still coordinating with the PSE and the BIR to comply with the foregoing conditions.

However, on July 8, 2021, the PSE ordered a trading suspension over the Company's shares due to non-compliance with the MPO Rule. If subsequent to the Offer, the Company's public ownership level decreases to below the MPO Rule minimum, then trading in the Company's shares may again be suspended. Listed companies that become non-compliant with the minimum public ownership rules may be suspended from trading for a period of not more than six months and will automatically be delisted if they remain non-compliant after the lapse of the suspension period.

Under BIR Revenue Regulations No. 16-2012, the sale, barter, transfer, and/or assignment of shares of listed companies that fail to meet the MPO Rule will be subject to capital gains tax and documentary stamp tax, unless temporary relief is granted and the trading suspension is not lifted, any sale of the Offer Shares will be subject to capital gains tax and documentary stamp tax.

COMPETITIVE STRENGTHS

The Company has the following competitive advantages:

- Leading market position in the imported spirits distribution segment in the Philippines
- High potential for rapid growth in the imported spirit, wine, and specialty beverage market segments and expansive and well-curated product portfolio
- Well-positioned to capture the premiumization consumer trend in the Philippines
- Experienced management team with extensive knowledge in marketing, brand building, and distribution of wines, spirits, and specialty beverages
- Extensive and long-standing relationships with brand owners who are global market leaders
- Strategic and sustainable expansion plan complemented by synergistic relationship with the Cosco Capital group

For a full discussion on the Company's competitive strengths, see page 180 of this Prospectus.

BUSINESS STRATEGIES

The Company's principal strategy is to gain and increase its market share by introducing new products to cater to the current and emerging preferences of the market and strengthen its distribution capability. It will achieve these strategies by implementing the following:

- Widen the market reach by leveraging on the Group's extensive business distribution ecosystem
- Expand into alternative distribution channels and new customer touchpoint frontiers
- Maintain leadership in its core segment
- Further enhance and expand its product portfolio
- Integrate value-adding processes through M&A opportunities

For a full discussion on the Company's business strategies, see page 186 of this Prospectus.

RISKS OF INVESTING

Before making an investment decision, prospective investors should carefully consider the risks associated with an investment in the Offer Shares. These risks include:

- Risks relating to the Group's Business;
- Risks relating to the Philippines;
- Risks relating to the Offer and the Offer Shares; and
- Risks relating to the certain information in the Prospectus.

See the section entitled "Risk Factors" on page 100 of this Prospectus, which, while not intended to be an exhaustive enumeration of all risks, must be considered in connection with a purchase of the Offer Shares.

INVESTOR RELATIONS OFFICE

The investor relations office will implement the investor relations program in order to reach out to all shareholders and keep them informed of corporate activities. The investor relations office will also handle communication of relevant information to the Group's stakeholders as well as to the broader investor community. The investor relations office will also be responsible for receiving and responding to investor and shareholder queries relating to the Group.

Mr. John Marson T. Hao has been appointed by the Board as the head of the investor relations office and to serve as the Issuer's Investor Relations Officer ("**IRO**"). The IRO will ensure that the Company complies with and files on a timely basis all required disclosures and continuing requirements of the SEC and the PSE. In addition, the IRO will oversee most aspects of the shareholder meetings, press conferences, investor briefings, and management of the investor relations portion of the Company's website, which will contain information, including but not limited to:

(a) Company information (organizational structure, board of directors, and management team);
(b) Company news (analyst briefing report, press releases, latest news, newsletters, if any);
(c) Financial report (annual and quarterly reports for the past two years);
(d) Disclosures;
(e) Investor FAQs;
(f) Investor contact (e-mail address and phone numbers for feedback/comments, shareholder assistance and service); and
(g) Stock information.

The investor relations office will be located in the principal place of business of the Company with contact details as follows:

Address: No. 900 Romualdez Street, Paco, Manila
Landline: (+632) 8522-8801 to 04
E-mail: john.hao@puregold.com.ph
Website: http://thekeepers.com.ph

Company Information

The Company is a Philippine corporation organized under the laws of the Philippines. Its principal office address is No. 900 Romualdez Street, Paco, Manila, with telephone number: (+632) 8522-8801 to 04. The Company's corporate website is http://thekeepers.com.ph. Information in the website is not incorporated by reference into this Prospectus.

SUMMARY OF THE OFFER

The following does not purport to be a complete listing of all the rights, obligations, and privileges attaching to or arising from the Offer Shares. Some rights, obligations, or privileges may be further limited or restricted by other documents and subject to final documentation. Prospective investors are enjoined to perform their own independent investigation and analysis of the Company and the Offer Shares. Each prospective investor must rely on its own appraisal of the Company and the Offer Shares and its own independent verification of the information contained herein and any other investigation it may deem appropriate for the purpose of determining whether to invest in the Shares and must not rely solely on any statement or the significance, adequacy, or accuracy of any information contained herein. The information and data contained herein are not a substitute for the prospective investor's independent evaluation and analysis.

Issuer	The Keepers Holdings, Inc.
Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners......	China Bank Capital Corporation, PNB Capital and Investment Corporation, and SB Capital Investment Corporation
Selling Agents	PSE Trading Participants
The Offer..	Offer of up to 3,000,000,000 Shares
Offer Shares...	Up to 3,000,000,000 primary Shares to be issued and offered by the Company.
Institutional Offer	At least [2,250,000,000] Offer Shares, or [75%] of the Offer Shares (subject to re-allocation as described below), are being offered and sold to QIBs and other investors in the Philippines by the Joint Lead Underwriters.
Trading Participants and Retail Offer......	Up to [750,000,000] Offer Shares are being offered in the Trading Participants and Retail Offer in the Philippines at the Offer Price (the "**Trading Participants and Retail Offer Shares**"). Up to [600,000,000] Offer Shares (or [20%] of the Offer Shares) are being allocated to all of the PSE Trading Participants at the Offer Price and up to [150,000,000] Offer Shares (or [5%] of the Offer Shares) are being allocated at the Offer Price to local small investors ("**LSIs**"). Each PSE Trading Participant shall initially be allocated [4,800,000] Offer Shares and be subject to reallocation as may be determined by the Joint Lead Underwriters. Each LSI applicant may subscribe up to a maximum of [●] Offer Shares at the Offer Price. The Joint Lead Underwriters shall purchase the Trading Participants and Retail Offer Shares not reallocated to the Institutional Offer or otherwise not taken up by the PSE Trading Participants, LSIs, or clients of the Joint Lead Underwriters or the general public in the Philippines pursuant to the terms and conditions of the Underwriting Agreement. LSIs may subscribe through the PSE Electronic Allocation System ("**PSE EASy**"). An LSI is defined as a subscriber to the Offer who is willing to subscribe to a minimum board lot or whose subscription does not exceed ₱100,000.00. In the case of this Offer, the minimum subscription of LSIs shall be [1,000] shares or ₱[•], and thereafter in multiple of [1,000], while the maximum subscription shall be [●] shares or up to ₱[100,000.00]. There will be no discount on the Offer Price. The procedure in subscribing to Offer Shares via PSE EASy

is indicated in the Company's Implementing Guidelines for Local Small Investors to be announced through the PSE EDGE website. Should the total demand for the Offer Shares in the LSI program exceed the maximum allocation, the Joint Lead Underwriters shall allocate the Offer Shares ensuring equitable distribution by satisfying first the applications of investors with the smallest orders.

Offer Price	[₱2.00] to [₱2.50] per Offer Share. The Offer Price will be determined based on a book-building process and discussions amongst the Company and the Joint Lead Underwriters.
Eligible Investors..	The Trading Participants and Retail Offer Shares may be purchased by any natural person of legal age regardless of nationality, or any corporation, association, partnership, trust account, fund or entity residing in and organized under the laws of the Philippines or licensed to do business in the Philippines, regardless of nationality, subject to the Company's right to reject an Application or reduce the number of its Offer Shares applied for subscription. The Institutional Offer Shares are being offered for sale to QIBs and other investors in the Philippines by the Joint Lead Underwriters. Purchase of the Offer Shares in certain jurisdictions may be restricted by law. Foreign investors interested in purchasing the Offer Shares should inform themselves of the applicable legal requirements under the laws and regulations of the countries of their nationality, residence or domicile, and as to any relevant tax or foreign exchange control laws and regulations affecting them personally. Foreign investors, both corporate and individual, warrant that their purchase of the Offer Shares will not violate the laws of their jurisdiction and that they are allowed to acquire, purchase, and hold the Offer Shares.
Use of Proceeds...	The Company intends to use the net proceeds from the Offer primarily for strategic acquisition opportunities, expansion of product portfolio and distribution network channels, investments in distribution and logistics network, working capital, and for general corporate purposes. See "*Use of Proceeds*" beginning on page 123 of this Prospectus.
Minimum Subscription..............................	Each application must be for a minimum of [1,000] Offer Shares, and thereafter, in multiples of [1,000] Offer Shares. Applications for multiples of any other number of Shares may be rejected or adjusted to conform to the required multiple, at the Company's discretion.
Reallocation	The allocation of the Offer Shares between the Trading Participants and Retail Offer and the Institutional Offer is subject to adjustment. In the event of an under-application in the Institutional Offer and a corresponding over-application in the Trading Participants and Retail Offer, Offer Shares in the Institutional Offer may be reallocated to the Trading Participants and Retail Offer. If there is an under-application in the Trading Participants and Retail Offer and a

corresponding over-application in the Institutional Offer, Offer Shares in the Trading Participants and Retail Offer may be reallocated to the Institutional Offer. The reallocation shall not apply in the event of over-application or under-application in both the Trading Participants and Retail Offer and the Institutional Offer.

Listing and Trading .... The Company has filed an application with the SEC for the registration and an application with the PSE for the listing of the Offer Shares. The SEC issued a Pre-Effective Letter on October 7, 2021 and the PSE approved the listing application on October 13, 2021, subject to compliance with certain listing conditions.

All of the Offer Shares are expected to be listed on the Main Board of the PSE under the symbol KEEPR. See "*Description of the Shares*." All of the Offer Shares are expected to be listed on the PSE on or about [November 19, 2021], or such other date that may be agreed by the Company and the Joint Lead Underwriters. Notice of any adjustment to the Listing Date shall be made by publication by the Company in two newspapers of general circulation, provided that any adjustment to the Listing Date shall be subject to the approval of the PSE and SEC. Trading of the Offer Shares is expected to commence on the same date that the Offer Shares are listed.

Dividends and Dividend Policy .... The Company is authorized to declare dividends. A cash dividend declaration requires approval from the Board. A stock dividend declaration requires the further approval of shareholders representing not less than two-thirds of the Company's outstanding capital stock. Dividends may be declared only from available unrestricted retained earnings.

Under the Company's current dividend policy, it intends to maintain an annual cash dividend payment ratio for its Shares of at least 20% of its consolidated net income after tax for the preceding fiscal year, subject to the requirements of applicable laws and regulations and the absence of any circumstances which may restrict the payment of dividends, including, but not limited to the following: (i) when the Corporation undertakes major projects and developments requiring substantial cash expenditures; or (ii) when the Corporation is restricted from paying dividends due to its loan covenants. See "*Dividends and Dividend Policy*".

Registration and Lodgment of Shares with PDTC... The Offer Shares are required to be lodged with the PDTC. The applicant must provide the information required for the PDTC lodgment of the Offer Shares. The Offer Shares will be lodged with the PDTC on the Listing Date. The applicant may request to receive share certificates evidencing such applicant's investment in the Offer Shares through his/her broker after the Listing Date. Any expense to be incurred by such issuance of certificates shall be borne by the applicant.

Restrictions on Ownership .... The Offer Shares may be purchased and owned by any person or entity regardless of citizenship or nationality, subject to the nationality limits under Philippine law. The Philippine Constitution and related statutes set forth restrictions on foreign ownership for companies engaged in certain activities. In particular, if and to the extent that the Company acquires land in the Philippines, foreign ownership in its capital stock will be limited to a maximum of 40% of its issued and outstanding capital stock. Nevertheless, because the Company's Amended Articles of Incorporation authorizes the Company to acquire land, which may include land in the Philippines, foreign shareholdings in the Company may not exceed 40% of its total issued and outstanding capital stock.

For more information relating to restrictions on the ownership of the Shares, please see "*Description of the Shares*" and "*Regulatory and Environmental Matters—Foreign Investment Laws and Restrictions*."

Tax Considerations .... See "*Philippine Taxation*" for further information on the Philippine tax consequences of the purchase, ownership and disposal of the Offer Shares.

Procedure for Application for the Offer ... The Offer Period shall commence at 9:00 a.m., Manila time, on [November 4, 2021] and shall end at 12:00 noon, Manila time, on [November 10, 2021]. If, for any reason, any day of the Offer Period is a non-Banking Day, then the Offer Period may be extended to the next immediately succeeding Banking Day, or such other date as may be agreed upon by the Company and the Joint Lead Underwriters. The Company and the Joint Lead Underwriters reserve the right to extend, shorten, or terminate the Offer Period.

Applications must be received by the Receiving Agent by 12:00 noon, Manila time on [November 10, 2021] for the Trading Participants and Retail Offer, or filed directly with the Joint Lead Underwriters by 12:00 noon, Manila time on [November 10, 2021] for the Institutional Offer, and shall be subject to the terms and conditions of the Offer as stated in the Prospectus and in the Application. Applications received thereafter or without the required documents will be rejected. The actual purchase of the Offer Shares shall become effective only upon the actual listing of the Offer Shares on the PSE and upon the obligations of the Joint Lead Underwriters under the Underwriting Agreement becoming unconditional and not being suspended, terminated or cancelled on or before the Listing Date in accordance with the provisions of such agreement.

For PSE Trading Participants:

Application forms to purchase the Trading Participants and Retail Offer Shares and signature cards may be obtained from the Joint Lead Underwriters or any participating PSE Trading Participant. Application forms will also be made available for download on the Company's website.

Applicants shall complete the application form, indicating all pertinent information, such as the applicant's name, address, contact number, taxpayer's identification number, citizenship and all other information required in the application form. Applicants shall undertake to sign all documents and to do all necessary acts to enable them to be registered as holders of the Trading Participants and Retail Offer Shares. Failure to complete the application form may result in the rejection of the application.

Applications must be received by the Receiving Agent by 12:00 noon, Manila time on [November 10, 2021]. Applications received thereafter or without the required documents will be rejected. Applications shall be considered irrevocable upon submission to the Receiving Agent, and shall be subject to the terms and conditions of the Offer as stated in this Prospectus and in the application. The actual purchase of the Offer Shares shall become effective only upon the actual listing of the Offer Shares on the PSE and upon the obligations of the Joint Lead Underwriters under the Underwriting Agreement becoming unconditional and not being suspended, terminated or cancelled on or before the Listing Date in accordance with the provisions of such agreement.

All applications shall be evidenced by the application to purchase form duly executed by an authorized signatory of the applicant and accompanied by two (2) completed signature cards, duly authenticated and certified by the corporate secretary or equivalent corporate officer of the relevant PSE Trading Participant, and the corresponding payment for the Trading Participants and Retail Offer Shares covered by the application and all other required documents.

The application must be accompanied by the following documents:

- A certified true copy of the applicant's latest articles of incorporation and by-laws (or articles of partnership, in the case of a partnership) and other constitutive documents (each as amended to date) duly certified by its corporate secretary (or managing partner in the case of a partnership);

- A certified true copy of the applicant's SEC certificate of registration duly certified by its corporate secretary (or managing partner in the case of a partnership); and

- A duly notarized corporate secretary's certificate (or certificate of the managing partner in case of partnership) setting forth the resolution of the applicant's board of directors or equivalent body authorizing the purchase of the Offer Shares indicated in the application, identifying the designated signatories authorized for the purpose, including his or her specimen signature, and certifying to the percentage of the applicant's capital or capital stock held by Philippine nationals.

Foreign corporate and institutional applicants who qualify as eligible investors, in addition to the documents listed above, are required to submit in quadruplicate, a representation and warranty stating that their purchase of the Trading Participants and Retail Offer Shares to which their application relates will not violate the laws of their jurisdictions of incorporation or organization, and that they are allowed, under such laws, to acquire, purchase and hold the Trading Participants and Retail Offer Shares.

This should be read in conjunction with the Offer Implementing Guidelines for Trading Participants which will be published on the PSE EDGE website prior to the start of the Trading Participants and Retail Offer.

For Local Small Investors:

With respect to the LSIs, applications to purchase the Trading Participants and Retail Offer Shares must be done online through the PSE EASy. The system will generate a reference number and corresponding payment instruction. The LSIs and Trading Participants must complete their applications and settle their payments by 12:00 noon, Manila time on [November 10, 2021] (“**Trading Participants and Retail Settlement Date”**).

An LSI applicant should nominate in the Application the PSE Trading Participant, otherwise known as a stockbroker, through which its shares will be lodged. Otherwise, the Application shall not be accepted.

Further information about the Company, details about the Offer, instructions for subscribing through PSE EASy, and list of PSE Trading Participants where LSI applicants may open trading accounts for the lodgement of the LSI applicant’s LSI shares will be made available in the online IPO information center. The link to the online information center will be made available on the Company’s website in due course and in the Offer Implementing Guidelines for LSIs which are to be read in conjunction with this section and will be published on the PSE EDGE website prior to the start of the Trading Participants and Retail Offer.

LSI applications will be processed on a first-come, first-served basis in ascending order, while final allocation of the Trading Participants and Retail Offer Shares will be determined pursuant to allocation mechanics. This should be read in conjunction with the Offer Implementing Guidelines for LSIs which will be published on the PSE EDGE website prior to the start of the Trading Participants and Retail Offer.

Payment Terms for the Trading Participants and Retail Offer Purchased through PSE Trading Participants............

The purchase price must be paid in full in Philippine Pesos upon the submission of the duly completed and signed application form and signature card together with the requisite attachments.

Payments must be cleared on or before 12:00 p.m. on the Trading Participants and Retail Settlement Date, or such other date that may be agreed by the Company and the Joint Lead Underwriters.

The modes of payment and instructions will be specified in the Offer Implementing Guidelines for Trading Participants which will be published on the PSE EDGE website prior to the start of the Trading Participants and Retail Offer.

Acceptance or Rejection of Applications for the Trading Participants and Retail Offer ....

Applications for the Trading Participants and Retail Offer Shares are subject to the confirmation of the Joint Lead Underwriters and the Company’s final approval. The

Company, in consultation with the Joint Lead Underwriters, reserve the right to accept, reject or scale down the number and amount of Trading Participants and Retail Offer Shares covered by any application. The Company and the Joint Lead Underwriters have the right to reallocate available Trading Participants and Retail Offer Shares in the event that the Trading Participants and Retail Offer Shares are insufficient to satisfy the total applications received. The Trading Participants and Retail Offer Shares will be allotted in such a manner as the Company and the Joint Lead Underwriters may, in their sole discretion, deem appropriate, subject to distribution guidelines of the PSE. Applications with checks dishonored upon first presentation or application forms which do not comply with the terms of the Trading Participants and Retail Offer will be automatically rejected. Notwithstanding the acceptance of any application, the actual acquisition of or subscription to the Trading Participants and Retail Offer Shares by an applicant will be effective only upon the listing of the Trading Participants and Retail Offer Shares on the PSE.

Refunds of the Trading Participants and Retail Offer ....

In the event that the number of Trading Participants and Retail Offer Shares to be received by an applicant, as confirmed by the Company and the Joint Lead Underwriters, is less than the number covered by the application, or if an application is rejected, then the Receiving Agent shall refund, without interest, within five (5) Banking Days from the end of the Offer Period, all or a portion of the payment corresponding to the number of Offer Shares wholly or partially rejected. All refunds shall be made through the Receiving Agent, at the applicant's risk. Check refunds shall be available for pick-up at the office of the Receiving Agent starting on [November 17, 2021].

Expected Timetable ....

The timetable of the Offer is expected to be as follows:

SEC en banc approval of the Registration Statement……..……	October 7, 2021
PSE Board approval of the listing application……………………..……	October 13, 2021
Pricing and allocation of the Institutional Offer Shares	[October 28, 2021]
Notice of final Offer Price to the SEC and PSE	[October 28, 2021]
Receipt of the Permit to Sell from the SEC..	[November 3, 2021]
Offer Period.................................	[November 4, 2021] to [November 10, 2021]
PSE Trading Participants' Commitment Period	[November 4, 2021] to [November 8, 2021]

Submission of Firm Order and Commitments by PSE Trading Participants	[November 8, 2021], 11:00 a.m.
Trading Participants and Retail Settlement Date............................	[November 10, 2021], 12:00 p.m.
Institutional Offer Settlement Date	[November 17, 2021]
Listing Date and commencement of trading on the PSE...................	[November 19, 2021]

If, for any reason, any day of the above periods or dates is a not a Banking Day, then such period or date may be extended or moved, as the case may be, to the next immediately succeeding Banking Day, or such other date as may be agreed upon by the Company and the Joint Lead Underwriters. Notice of any adjustment to the Listing Date shall be made by publication by the Company in two newspapers of general circulation, provided that any adjustment to the Listing Date shall be subject to the approval of the PSE and SEC.

Risks of Investing .... Prospective investors should carefully consider the risks associated with an investment in the Offer Shares before making an investment decision. Certain of these risks are discussed in the section of this Prospectus entitled "*Risk Factors*."

Receiving Agent.. China Banking Corporation – Trust and Asset Management Group ("**CBC Trust**")

Stock and Transfer Agent .... Banco de Oro Unibank, Inc. - Trust Banking Group ("**BDO Trust**")

Counsel for the Issuer................................ Angara Abello Concepcion Regala & Cruz ("**ACCRA Law**") and Zambrano Gruba Caganda and Advincula ("**ZG Law**")

Counsel for the Joint Lead Underwriters. Romulo Mabanta Buenaventura Sayoc & de los Angeles ("**Romulo Law**")

Independent Auditors ……………………. KPMG R.G. Manabat & Co. ("**R.G. Manabat**")

SUMMARY FINANCIAL INFORMATION

The following tables present the summary of audited and reviewed financial information, as the case may be, and should be read in conjunction with the independent auditors' reports and the Company's audited and reviewed financial statements, including the notes thereto, included in the appendices of this Prospectus, and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations." The summary financial information as of and for the years ended December 31, 2018, 2019 and 2020 were derived from the Company's audited financial statements, which were prepared in accordance with PFRS and were audited by R.S. Bernaldo & Associates (2018) and R.G. Manabat & Co. (2019 and 2020) in accordance with the PSA. The Company's interim consolidated financial statements as at June 30, 2021 and for the six-month periods ended June 30, 2021 and 2020 were reviewed by R.G. Manabat & Co.

The summary financial information as at June 30, 2021 and for the six months ended June 30, 2021 and 2020 were derived from the Company's reviewed interim consolidated financial statements.

The comparative financial information as at December 31, 2020 and for the three-month and six-month periods ended June 30, 2020 which were presented in the interim consolidated financial statements pertain to the combined financial information of the Company and its Subsidiaries. The Company was only required to present consolidated financial statements as at and for the six-month period ended June 30, 2021, when the Company and Cosco Capital entered into a Share Swap Transaction resulting to the Company's acquisition of its Subsidiaries. The comparative financial information were presented as if the entities had always been combined in accordance with the retrospective approach for presentation taken by the Group in applying the pooling of interest method for the business combination involving entities under common control.

The retrospective approach discussed above was not applied in the financial information as at and for the years ended December 31, 2020, 2019 and 2018 which were presented in this section unless otherwise stated.

The summary financial information below is not necessarily indicative of the results of future operations. The information set out below should be read in conjunction with, and is qualified in its entirety by reference to the SEC Form 17-A, SEC Form 17-Q and the relevant financial statements of the Company, including the notes thereto, included in this Prospectus.

STATEMENTS OF COMPREHENSIVE INCOME

	For the years ended December 31		
	2020	**2019**	**2018**
		Audited	
OPERATING EXPENSES			
PSE maintenance fee	₱573,500	₱731,250	₱612,375
Retainer fee	207,200	130,800	130,800
Professional fee	150,000	150,000	71,300
Taxes and licenses	500	8,072	7,242
Penalty	-	-	102,000
Miscellaneous fee	157,335	27,899	24,054
	(1,088,535)	(1,048,021)	(947,771)
Interest income	-	-	-
Net loss	(₱1,088,535)	(₱1,048,021)	(₱947,771)
LOSS PER SHARE			
Basic loss per share	(₱0.0010)	(₱0.0009)	(₱0.0008)

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three-Month Period Ended		Six-Month Period Ended	
(*in Thousands*)	**June 30, 2021 (Unaudited)**	June 30, 2020 (Unaudited, as restated)	**June 30, 2021 (Unaudited)**	June 30, 2020 (Unaudited, as restated)
NET SALES	**₱2,539,812**	₱1,359,014	**₱4,299,008**	P3,189,385
COST OF GOODS SOLD	**1,854,569**	978,498	**3,163,752**	2,372,932
GROSS PROFIT	**685,243**	380,516	**1,135,256**	816,453
OPERATING EXPENSES	**145,125**	116,571	**301,666**	255,070
INCOME FROM OPERATIONS	**540,118**	263,945	**833,590**	561,383
SHARE IN NET INCOME (LOSS) OF AN ASSOCIATE	**13,523**	(5,940)	**5,694**	(5,070)
OTHER CHARGES - Net	**(2,266)**	(3,054)	**(579)**	(10,128)
INCOME BEFORE INCOME TAX	**551,375**	254,951	**838,705**	546,185
PROVISION FOR INCOME TAX	**100,370**	64,818	**135,892**	143,498
NET INCOME	**451,005**	190,133	**702,813**	402,687
OTHER COMPREHENSIVE LOSS				
Item that will never be reclassified to profit or loss in subsequent periods				
Share in other comprehensive loss of an associate	**-**	(1,318)	**-**	(1,318)
TOTAL COMPREHENSIVE INCOME	**₱451,005**	₱188,815	**₱702,813**	₱401,369
BASIC AND DILUTED EARNINGS PER SHARE	**₱0.04**	₱0.02	**₱0.06**	₱0.03

STATEMENTS OF FINANCIAL POSITION

	December 31		
	2020	**2019**	**2018**
		Audited	
ASSETS			
Current Assets			
Cash in bank	₱-	₱-	₱-
Noncurrent Assets			
Other noncurrent assets	23,993,425	23,897,634	23,796,027
	₱23,993,425	₱23,897,634	₱23,796,027
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable	₱1,439,000	₱1,439,000	₱1,439,000
Accrued expenses	656,676	562,576	567,276
Due to Related Parties	7,852,438	6,762,212	5,607,884
Total Liabilities	9,948,114	8,763,788	7,614,160
Equity			
Capital stock	25,875,000	25,875,000	25,875,000
Additional paid-in capital	46,033,000	46,033,000	46,033,000
Deficit	(57,862,689)	(56,774,154)	(55,726,133)
Total Equity	14,045,311	15,133,846	16,181,867
	₱23,993,425	₱23,897,634	₱23,796,027

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in Thousands)	June 30, 2021 (Unaudited)	December 31, 2020 (Audited, as restated)
ASSETS		
Current Assets		
Cash and cash equivalents	₱1,722,209	₱2,534,103
Trade and other receivables - net	1,044,115	1,574,625
Inventories	3,702,283	3,659,336
Prepaid expenses and other current assets	1,749,072	639,010
Total Current Assets	8,217,679	8,407,074
Noncurrent Assets		
Right-of-use assets - net	198,226	185,853
Property and equipment - net	27,084	32,213
Deferred income tax assets - net	4,223	4,762
Investment in an associate - net	99,055	93,361
Other noncurrent assets	40,781	40,497
Total Noncurrent Assets	369,369	356,686
	₱8,587,048	₱8,763,760

LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables	₱836,761	₱1,325,766
Due to related parties	185,978	200,553
Loans payable	-	42,000
Dividends payable	100,000	300,000
Income tax payable	92,476	185,438
Lease liabilities - current	53,688	52,553
Provisions	11,975	11,975
Total Current Liabilities	1,280,878	2,118,285
Noncurrent Liabilities		
Lease liabilities - net of current portion	152,625	149,407
Retirement benefits liability	16,409	15,330
Total Noncurrent Liabilities	169,034	164,737
Total Liabilities	1,449,912	2,283,022
Equity		
Capital stock	**₱1,150,875**	₱1,150,875
Additional paid-in capital	**21,374,233**	21,421,033
Retained earnings		
Unappropriated	**4,506,770**	3,803,957
Appropriated	**950,000**	950,000
Equity adjustments from common control transactions	**(20,848,500)**	(20,848,500)
Accumulated remeasurements on retirement benefits	**5,076**	4,691
Other reserves	**(1,318)**	(1,318)
Total Equity	**7,137,136**	6,480,738
	₱8,587,048	₱8,763,760

SELECTED STATEMENTS OF CASH FLOWS INFORMATION

	For the years ended December 31		
	2020	2019	2018
		Audited	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net losses	(₱1,088,535)	(₱1,048,021)	(₱947,771)
Adjustment for interest income	-	-	-
Operating cash flows before changes in working capital	(1,088,535)	(1,048,021)	(947,771)
Increase in other noncurrent assets	(95,791)	(101,607)	(79,027)
Increase (decrease) in accrued expenses	94,100	(4,700)	159,100
Net cash used in operating activities	(1,090,226)	(1,154,328)	(867,698)
Interest received	-	-	-
Net cash used in operating activities	(1,090,226)	(1,154,328)	(867,698)
CASH FLOWS FROM A FINANCING ACTIVITY			
Advances received from related parties	1,090,226	1,154,328	867,698
CASH AT THE END OF THE YEAR	**₱-**	**₱-**	**₱-**

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six-Month Period Ended	
(*in Thousands*)	June 30, 2021 (Unaudited)	June 30, 2020 (Unaudited, as restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱838,705	₱546,185
Adjustments for:		
Depreciation and amortization	36,753	27,206
Interest income	(10,537)	(5,410)
Share in net loss (income) of an associate	(5,694)	5,070
Interest expense	5,562	19,225
Retirement benefits costs	1,079	825
Gain on disposal of property and equipment	(393)	-
Unrealized foreign exchange gains - net	(23)	(2)
Operating income before working capital changes	865,452	593,099
Decrease (increase) in:		
Trade and other receivables	530,510	1,526,686
Inventories	(42,947)	534,788
Prepaid expenses and other current assets	(1,110,063)	279,982
Decrease in trade and other payables	(488,981)	(591,107)
Cash generated from (used in) operations	(246,029)	2,343,448
Income taxes paid	(227,931)	(218,018)
Interest received	10,537	5,410
Net cash from (used in) operating activities	(463,423)	2,130,840
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(1,603)	(13,045)
Proceeds from disposal of property and equipment	393	-
Additions to other noncurrent assets	(283)	(91)

Net cash used in investing activities	(1,493)	(13,136)

	Six-Month Period Ended	
(*in Thousands*)	June 30, 2021 (Unaudited)	June 30, 2020 (Unaudited, as restated)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Dividends	(₱200,000)	₱ -
Share issuance costs	(46,800)	-
Loans payable	(42,000)	(351,000)
Lease liabilities - principal portion	(38,041)	(22,144)
Due to related parties	(20,002)	-
Interest	(5,562)	(19,978)
Advances from a stockholder	-	(659,794)
Advances received from related parties	5,427	669
Proceeds from availment of loans payable	-	97,000
Net cash used in financing activities	(346,978)	(955,247)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(811,894)	1,162,457
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	2,534,103	442,073
CASH AND CASH EQUIVALENTS AT END OF PERIOD	₱1,722,209	₱1,604,530

KEY PERFORMANCE INDICATORS

The table below sets forth key performance indicators for the Company for the years ended December 31, 2020, 2019 and 2018 and the six months ended June 30, 2021.

	December 31[1]			June 30[2]	December 31[2]
KEY PERFORMANCE INDICATORS	**2020**	**2019**	**2018**	**2021**	**2020 (as restated)**
Current ratio	0.00	0.00	0.00	6.42	3.97
Current assets to total assets	0.00	0.00	0.00	0.96	0.96
Net debt to equity ratio	0.71	0.58	0.47	0.20	0.35

[1] These key performance indicators are based on the Company's stand-alone financial statements
[2] These key performance indicators are based on the interim consolidated financial statements of the Group

SUMMARY PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

The following tables present summary pro forma consolidated financial information for the Group and should be read in conjunction with the independent auditors' reports, the Group's examined pro forma financial statements and notes thereto contained in this Prospectus.

The pro forma consolidated financial statements as at and for the years ended December 31, 2018, 2019 and 2020 are based on consolidated special purpose statements of the Group as prepared by management, after giving effect to the pro forma adjustments described below.

The examined pro forma financial statements assume the following:

- Approval by the SEC of the following amendments to the Articles of Incorporation as approved by the Board of Directors and stockholders of the Company:
  - Change in the name of the Company to "The Keepers Holdings, Inc.";
  - Change in the primary and secondary purpose of the Company;
  - Change of the corporate term of the Company to perpetual existence;
  - Change in the par value of common shares to ₱0.10 per share and the reclassification of authorized preferred shares to common shares; and
  - Increase in authorized capital stock to ₱2,000,000,000 or 20,000,000,000 common shares.
- Issuance of up to 11,250,000,000 common shares of the Company pursuant to the Share Swap Transaction;
- Waiver of requirement to conduct a rights or public offering on the issuance and listing of said common shares of the Company to Cosco Capital for the Share Swap Transaction, pursuant to Article V, Part A, Section 5 of the PSE Consolidated Listing and Disclosure Rules, as amended;
- Planned issuance and listing of up to 3,000,000,000 common shares of the Company pursuant to the follow-on offering program has not yet occurred as at December 31, 2020;
- Obtaining other relevant consents and approvals with the PSE, SEC, and other regulatory agencies;
- Approval by the PSE of the listing of up to 11,250,000,000 common shares of the Company pursuant to the Share Swap Transaction; and
- Details of the Company's common shares assuming the transaction happened on January 1, 2018 are as follows:

	Number of Shares
Number of shares before Share Swap Transaction	1,124,999,969
Effect of changes in par value	(866,249,664)
Issuance of shares under Share Swap Transaction	11,250,000,000
Number of shares after Share Swap Transaction*	11,508,750,305

**Upon approval of the Share Swap Transaction on June 30, 2021, the actual number of shares is 11,508,750,313*

Details of the Company's authorized capital stock and corresponding par value assuming the transaction happened on January 1, 2018 are as follows:

	Before Share Swap Transaction	
	Shares	Amount (*in Thousands*)
Authorized:		
Common shares (₱0.023 par value per share)	1,200,000,000	₱27,600

Preferred shares (₱0.10 par value per share)	3,000,000,000	₱300,000
Subscribed and outstanding:		
Common shares (₱0.023 par value per share)	1,124,999,969	₱25,875

	After Share Swap Transaction	
	Shares	Amount *(in Thousands)*
Authorized:		
Common shares (₱0.10 par value per share)	20,000,000,000	₱2,000,000
Subscribed and outstanding:		
Common shares* (₱0.10 par value per share)	11,508,750,305	₱1,150,875

**Upon approval of the Share Swap Transaction on June 30, 2021, the actual subscribed and outstanding shares is 11,508,750,313*

The examined pro forma consolidated financial statements should be read in conjunction with the audited financial statements of the Company and the notes thereto included in the appendices of this Prospectus, as well as other information contained in this Prospectus. The Company's examined pro forma consolidated financial statements and the audited financial statements prepared in compliance with PFRS, were examined and audited, as the case may be by R.S. Bernaldo & Associates and R.G. Manabat & Co., and are included in the appendices of this Prospectus. The summary financial information presented below as at and for the years ended December 31, 2018, 2019 and 2020 were derived from the Company's examined pro forma consolidated financial statements. Except as otherwise indicated, all financial data and discussions thereof in this prospectus are based on the Company's examined pro forma financial statements, and all descriptions of the Company in this Prospectus are made on a basis consistent with the assumptions made in the examined pro forma consolidated financial statements.

The summary consolidated financial information below is not necessarily indicative of the results of future operations. The information set out below should be read in conjunction with, and is qualified in its entirety by reference to the SEC Form 17-A and the relevant financial statements of the Company, including the notes thereto, included in this Prospectus.

PRO FORMA YEAR-END CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in Thousands)

	December 31,		
	2020	**2019**	**2018**
ASSETS			
Current Assets			
Cash and cash equivalents	₱2,534,103	₱442,073	₱265,703
Trade and other receivables - net	1,574,625	2,322,080	1,899,736
Inventories	3,659,336	4,744,683	3,668,473
Prepaid expenses and other current assets	639,010	1,041,123	1,465,692
Total Current Assets	8,407,074	8,549,959	7,299,604
Noncurrent Assets			
Right-of-use assets - net	185,853	34,046	40,631
Property and equipment - net	32,213	16,878	18,839
Deferred income tax assets – net	4,762	4,561	4,796
Investment in an associate	93,361	118,194	-
Other noncurrent assets	40,497	32,111	29,624
Total Noncurrent Assets	356,686	205,790	93,890
	₱8,763,760	₱8,755,749	₱7,393,494
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	₱1,325,766	₱1,295,833	₱839,254
Due to related parties	200,553	199,614	303,307
Income tax payable	185,438	155,759	102,509
Notes Payable	-	120,000	353,000
Loans payable	42,000	609,000	357,000
Dividends payable	300,000	150,000	375,000
Lease liabilities – current	52,553	22,770	24,474
Provisions	11,975	13,901	13,901
Total Current Liabilities	2,118,285	2,566,877	2,368,445

	December 31,		
	2020	2019	2018
Noncurrent Liabilities			
Lease liabilities – net of current portion	149,407	14,397	20,242
Retirement benefits liability	15,330	12,304	8,440
Advances from a stockholder	-	659,500	659,500
Total Noncurrent Liabilities	164,737	686,201	688,182
Total Liabilities	2,283,022	3,253,078	3,056,627
Equity			
Capital stock	₱1,150,875	₱1,150,875	₱1,150,875
Additional paid-in capital	21,421,033	21,421,033	21,421,033
Retained earnings	4,752,639	3,773,883	2,606,155
Equity adjustments from common control transactions	(20,848,500)	(20,848,500)	(20,848,500)
Accumulated remeasurements on retirement benefits	4,691	5,380	7,304
Total Equity	6,480,738	5,502,671	4,336,867
	₱8,763,760	₱8,755,749	₱7,393,494

PRO FORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in Thousands)

	For the years ended December 31,		
	2020	2019	2018
NET SALES	₱8,167,404	₱10,717,397	₱8,583,701
COST OF GOODS SOLD	5,931,960	8,258,904	6,753,658
GROSS PROFIT	2,235,444	2,458,493	1,830,043
OPERATING EXPENSES	609,489	773,771	777,999
INCOME FROM OPERATIONS	1,625,955	1,684,722	1,052,044
SHARE IN NET INCOME (LOSS) OF AN ASSOCIATE	(24,833)	(8,763)	-
OTHER INCOME (CHARGES) - Net	(30,716)	(39,450)	51,183
INCOME BEFORE INCOME TAX	1,570,406	1,636,509	1,103,227
PROVISION FOR INCOME TAX	391,650	418,781	285,772
NET INCOME	1,178,756	1,217,728	817,455
OTHER COMPREHENSIVE INCOME (LOSS)			
Item that will never be reclassified to profit or loss in subsequent periods			
Remeasurement gain (loss) on retirement benefits	(841)	(2,352)	10,566
Deferred income tax	152	428	(2,990)
	(689)	(1,924)	7,576
TOTAL COMPREHENSIVE INCOME	₱1,178,067	₱1,215,804	₱825,031
BASIC AND DILUTED EARNINGS PER SHARE	₱0.10	₱0.11	₱0.07

PRO FORMA CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(in Thousands)

	For the years ended December 31,		
	2020	**2019**	**2018**
CAPITAL STOCK			
Balance at the beginning of year	**₱1,150,875**	₱1,150,875	₱1,675,875
Share swap transaction	**-**	-	(525,000)
Balance at the end of year	**1,150 875**	1,150,875	1,150,875
ADDITIONAL PAID-IN CAPITAL			
Balance at the beginning of year	**21,421,033**	21,421,033	47,533
Share swap transaction	**-**	-	21,373,500
Balance at the end of year	**21,421,033**	21,421,033	21,421,033
ACCUMULATED REMEASUREMENTS ON RETIREMENT BENEFITS			
Balance at beginning of the year	**5,380**	7,304	(272)
Remeasurement gain (loss) on retirement benefits during the year	**(689)**	(1,924)	7,576
Balance at the end of the year	**4,691**	5,380	7,304
RETAINED EARNINGS			
Balance at end of the year	**3,773,883**	2,606,155	1,913,700
Net income for the year	**1,178,756**	1,217,728	817,455
Declaration of cash dividends	**(200,000)**	(50,000)	(125,000)
Balance at end of the year	**4,752,639**	3,773,883	2,606,155
EQUITY ADJUSTMENTS FROM COMMON CONTROL TRANSACTIONS			
Balance at the beginning of year	**(20,848,500)**	(20,848,500)	-
Share swap transaction	**-**	-	(20,848,500)
Balance at the end of year	**(20,848,500)**	(20,848,500)	(20,848,500)
TOTAL EQUITY AT BEGINNING OF YEAR	**₱5,502,671**	₱4,336,867	₱3,636,836
TOTAL EQUITY AT END OF YEAR	**₱6,480,738**	₱5,502,671	₱4,336,867

PRO FORMA CONSOLIDATED STATEMENTS OF CASH FLOWS
(in Thousands)

	For the years ended December 31		
	2020	**2019**	**2018**
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱1,570,406**	₱1,636,509	₱1,103,227
Adjustments for:			
Depreciation and amortization	**63,852**	33,055	30,061
Interest expense	**31,392**	74,461	36,207
Share in net losses of an associate	**24,833**	8,763	-
Interest income	**(21,926)**	(4,781)	(4,515)
Unrealized foreign exchange loss (gain) - net	**16,613**	(1,061)	7,543
Retirement benefits cost	**2,185**	1,644	1,851
Provision for probable losses	**-**	-	8,153
Operating income before working capital changes	**1,687,355**	1,748,590	1,182,527
Decrease (increase) in:			
Trade and other receivables	**747,568**	(422,344)	251,277
Inventories	**1,085,347**	(1,076,210)	(1,086,552)
Prepaid expenses and other current assets	**402,114**	424,569	(729,036)
Increase in trade and other payables	**12,187**	464,373	307,657
Cash generated from (used in) operations	**3,934,571**	1,138,978	(74,127)
Income taxes paid	**(363,946)**	(364,868)	(275,942)
Interest received	**21,926**	4,781	4,515
Retirement benefits paid	**-**	(132)	(120)
Net cash from (used in) operating activities	**3,592,551**	778,759	(345,674)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment	**(25,705)**	(5,284)	(14,104)
Additions to other noncurrent assets	**(8,386)**	(2,488)	(705)
Acquisition of shares of stock	**-**	(126,957)	-
Cash used in investing activities	**(34,091)**	(134,729)	(14,809)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Loans payable	**(664,000)**	(268,000)	(230,000)
Advances from a stockholder	**(659,652)**	(104,848)	(254,000)
Notes payable	**(120,000)**	(353,000)	(700,000)
Dividends	**(50,000)**	(275,000)	-
Lease liabilities	**(47,853)**	(28,892)	(25,334)
Interest	**(23,013)**	(79,039)	(27,362)
Proceeds from availment of:			
Loans payable	**97,000**	520,000	437,000
Notes payable	**-**	120,000	353,000

	For the years ended December 31		
	2020	**2019**	**2018**
Advances received from related parties	**₱1,091**	₱1,155	₱660,368
Net cash from (used in) financing activities	**(1,466,427)**	(467,624)	213,672
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(3)**	(36)	7
NET INCREASE (DECREASE)IN CASH AND CASH EQUIVALENTS	**2,092,030**	176,370	(146,804)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**442,073**	265,703	412,507
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**₱2,534,103**	₱442,073	₱265,703

DISCUSSION OF PRO FORMA CONSOLIDATED FIGURES OF THE GROUP

For The Years Ended December 31, 2020 vs. December 31, 2019

The following discussion and analysis of the Group's results of operations, financial condition and certain trends, risks and uncertainties that may affect the Group's business should be read in conjunction with the examined pro forma consolidated financial statements of the Group for the years ended December 31, 2020 and 2019.

Key Performance Indicators

The following financial ratios are considered by management as key performance indicators of the Group's operating results as well as its financial condition:

- Return on investment (Net income/ Ave. stockholders' equity) - measures the profitability of stockholders' investment
- Profit margin (Net income/ Net revenue) - measures the net income produced for each peso of sales
- EBITDA to interest expense (EBITDA/ Interest expense) – measures the ability of the Group to pay interest of its outstanding debts
- Current ratio (Current asset/ Current liabilities) - measures the short-term debt-paying ability of the Group
- Asset turnover (Net revenue/ Average total assets) - measures how efficiently assets are used to generate revenues
- Asset to equity ratio (Assets/ Shareholders' equity) - indicates the Group's leverage used to finance the firm
- Debt to equity ratio (Liabilities/ Shareholders' Equity) -measures the Group's financial leverage

The table below shows the key performance indicators for the past two years:

Performance Indicators	2020	2019
Return on investment	19.67%	24.75%

Profit margin	14.43%	11.36%
EBITDA to interest expense	53.83x	23.07x
Current ratio	3.97:1	3.33:1
Asset turnover	0.93:1	1.33:1
Asset to equity	1.35:1	1.59:1
Debt to equity ratio	0.35:1	0.59:1

These financial ratios were calculated based on the assurance engagement on the compilation of the pro forma consolidated financial statements of the Group for the years ended December 31, 2020 and 2019.

Comparative Years 2020 and 2019

The table below shows the pro forma consolidated results of operations of the Group for the years ended December 31, 2020 and 2019:

(In Thousands)	**FY2020**	**% of Revenues**	**FY2019**	**% of Revenues**	**Inc (Dec)**	**FY2020 vs FY2019**
REVENUES	**₱8,167,404**	*100.00%*	₱10,717,397	*100.00%*	(₱2,549,993)	*-23.79%*
COST OF SALES	**5,931,960**	*72.63%*	8,258,904	*77.06%*	(2,326,944)	*-28.17%*
GROSS PROFIT	**2,235,444**	*27.37%*	2,458,493	*22.94%*	(223,049)	*-9.07%*
OPERATING EXPENSES	**609,489**	*7.46%*	773,771	*7.22%*	(164,282)	*-21.23%*
INCOME FROM OPERATIONS	**1,625,955**	*19.91%*	1,684,722	*15.72%*	(58,767)	*-3.49%*
SHARE IN NETINCOME (LOSS) ON INVESTMENT IN AN ASSOCIATE	**(24,833)**	*-0.30%*	(8,763)	*-0.08%*	16,070	*183.38%*
OTHER CHARGES - ret	**(30,716)**	*-0.38%*	(39,450)	*-0.37%*	8,734	*-22.14%*
INCOME BEFORE INCOME TAX	**1,570,406**	*19.23%*	1,636,509	*15.27%*	(66,103)	*-4.04%*
PROVISION FOR INCOME TAX	**391,650**	*4.80%*	418,781	*3.91%*	(27,131)	*-6.48%*
NET INCOME	**₱1,178,756**	*14.43%*	₱1,217,728	*11.36%*	(₱38,972)	*-3.20%*

The table below shows the revenue contribution by each of the Company's Subsidiaries for the periods ended December 31, 2020 and 2019:

(In Thousands)	**FY2020**	***% Contribution***	**FY2019**	***% Contribution***
Montosco	₱ 6,106,846	*74.77%*	₱ 8,155,525	*76.10%*
Meritus	839,541	*10.28%*	958,828	*8.95%*
Premier	1,221,017	*14.95%*	1,603,044	*14.96%*
TOTAL	**8,167,404**	*100.00%*	**10,717,397**	*100.00%*

Revenues

The Group posted a revenue of ₱8.17 billion during the year ended December 31, 2020, which decreased by 23.79%. The decline is mainly attributable to the liquor bans imposed nationwide during the enhanced community quarantine lockdown that started on March 16, 2020 until May 31, 2020 and re-imposed in the NCR from August 4 to 18, 2020. The price increases implemented in the last quarter of 2019 for some of the brands like Alfonso of Montosco averaging 4% has contributed in preserving the revenue in 2020.

Cost of Sales

The Group's cost of sales decreased by 28.17% in 2020 despite the decrease in revenue of only 23.79% basically due to sales mix. There were no significant increases in costs, excise tax rates and other import charges in past year that may affect 2020 costs.

Significant improvement in gross profit rate from 22.94% to 27.37% was due to the effect of price increases and the decrease in the supports extended for customers' local promotions and discounts. Local promotional activities of the Group's customers significantly decreased due to social limitations caused by the pandemic.

Operating Expenses

Operating expenses decreased by 21.23% or ₱164.28 million in 2020 due to reduction in marketing and merchandising costs as a result of the limitations on movements caused by pandemic. The Group implemented cost saving measures in response to the decline in sales. The Group strengthened its position and ensured relevance through presence in social media and e-commerce.

Share in the Net Losses on Investment in an Associate

Share in the losses on investment in an associate increased by ₱16.07 million or 183.38% in 2020 due to the continuing losses incurred by Pernod Ricard.

Other Income and Charges-Net

Net other charges decreased by ₱8.73 million or 22.14% in 2020 due to net effect of increase interest income on time deposits and decrease in interest on loans and advances.

Net Income

The Group realized a net income of ₱1.18 billion which is only 3.20% lower than the net income in 2019 despite the significant decline in sales. This is mainly due to strategic cost-saving measures implemented by the Group.

Statements of Financial Position

Shown below are the comparative pro forma consolidated financial position of the Group:

(In Thousands)	**FY2020**	*% of Total Assets*	**FY2019**	*% of Total Assets*	*Inc (Dec)*	**December 31, 2020 vs December 31, 2019**
ASSETS						
Current Assets						
Cash and cash equivalents	**₱2,534,103**	*28.92%*	₱442,073	***5.05%***	*₱2,092,030*	*473.23%*
Trade and other receivables	**1,574,625**	*17.97%*	2,322,080	***26.52%***	*(747,455)*	*-32.19%*
Inventories	**3,659,336**	*41.76%*	4,744,683	***54.19%***	*(1,085,347)*	*-22.88%*
Prepaid expenses and other current assets	**639,010**	*7.29%*	1,041,123	***11.89%***	*(402,113)*	*-38.62%*
Total current assets	**8,407,074**	*95.93%*	8,549,959	***97.65%***	*(142,885)*	*-1.67%*
Noncurrent Assets						
Right-of-use assets - net	**185,853**	*2.12%*	34,046	***0.39%***	*151,807*	*445.89%*
Property and equipment - net	**32,213**	*0.37%*	16,878	***0.19%***	*15,335*	*90.86%*
Investment in an associate	**93,361**	*1.07%*	118,194	***1.35%***	*(24,833)*	*-21.01%*
Other non-current assets	**45,259**	*0.52%*	36,672	***0.42%***	*8,587*	*23.42%*
Total noncurrent assets	**356,686**	*4.07%*	205,790	***2.35%***	*150,896*	*73.33%*
Total Assets	**₱8,763,760**	*100.00%*	₱8,755,74	***100.00%***	*₱8,011*	*0.09%*
LIABILITIES AND EQUITY						
Current Liabilities						
Trade and other payables	**₱1,325,766**	*15.13%*	₱1,295,83	***14.80%***	*₱29,933*	*2.31%*
Due to related parties	**200,553**	*2.29%*	199,614	***2.28%***	*939*	*0.47%*
Loans payable	**42,000**	*0.48%*	729,000	***8.33%***	*(687,000)*	*-94.24%*
Dividends payable	**300,000**	*3.42%*	150,000	***1.71%***	*150,000*	*100.00%*
Income tax payable	**185,438**	*2.12%*	155,759	***1.78%***	*29,679*	*19.05%*
Lease liabilities - current	**52,553**	*0.60%*	22,770	***0.26%***	*29,783*	*130.80%*
Provisions	**11,975**	*0.14%*	13,901	***0.16%***	*(1,926)*	*-13.86%*
Total current liabilities	**2,118,285**	*24.17%*	2,566,877	***29.32%***	*(448,592)*	*-17.48%*
Noncurrent Liabilities						
Lease liability-net of current portion	**149,407**	*1.70%*	14,397	***0.16%***	*135,010*	*937.76%*
Retirement benefit liability	**15,330**	*0.17%*	12,304	***0.14%***	*3,026*	*24.59%*
Advances from a stockholder		*0.00%*	659,500	***7.53%***	*(659,500)*	*-100.00%*
Total noncurrent liabilities	**164,737**	*1.88%*	686,201	***7.84%***	*(521,464)*	*-75.99%*
Total Liabilities	**2,283,022**	*26.05%*	3,253,078	***37.15%***	*(970,056)*	*-29.82%*
EQUITY						
Capital stock	**1,150,875**	*13.13%*	1,150,875	***13.14%***	-	*0.00%*

Additional paid-in capital	**21,421,033**	*244.43%*	21,421,033	***244.65%***	-	*0.00%*
Retained earnings	**4,752,639**	*54.23%*	3,773,883	***43.10%***	*978,756*	*25.93%*
Equity reserve	**(20,848,500)**	*-237.89%*	-20,848,500	***-238.11%***	-	*0.00%*
Remeasurement of retirement liability - net of tax	**4,691**	*0.05%*	5,380	***0.06%***	*(689)*	*-12.81%*
Total Equity	**6,480,738**	*73.95%*	5,502,671	***62.85%***	*978,067*	*17.77%*
Total Liabilities and Equity	**₱8,763,760**	*100.00%*	₱8,755,74	***100.00%***	*₱8,011*	*0.09%*

Current Assets

Cash and cash equivalents amounted to ₱2.53 billion as at December 31, 2020 with an increase of ₱2.1 billion from the balance of December 31, 2019. The increase was due basically to the net effect of the net operating cash flows, collection of receivables and settlement of trade and non-trade payables during the year.

Trade and other receivables decreased by 32.19% from the December 31, 2019 balance of ₱2.32 billion to the 2020 balance of ₱1.57 billion due to the increase in collection efficiency and shortening of terms with certain customers.

Inventories decreased by 22.88% to ₱3.66 billion from the 2019 balance of ₱4.74 billion due to the scaling down of orders from suppliers caused by enhanced community quarantines. The pandemic also had a negative impact in the shipment lead time, causing some slide in the estimated date of arrivals.

Prepaid expenses and other current assets decreased by ₱402.11 million or 38.62% at the end of December 2020, mainly due to application of prepayments made for the purchases of inventories and corresponding taxes and duties. There were only minimal advances made to suppliers in 2020.

Non-current Assets

Right-of-use assets ("ROU") represents the values recognized from long-term lease contracts covering office spaces and warehouses utilized. Book values of ROU increased by ₱151.81 million from ₱34.05 million as at December 2019 to ₱185.85 million as at December 2020 due principally to additional ROU assets recognized from new lease contracts entered into, net of depreciation recognized during the same year.

Property and equipment-net book values of property and equipment increased to ₱32.21 million in 2020 from ₱16.88 million in December 2019 due to some capital expenditures for leasehold improvements.

Investment in an associate decreased by ₱24.83 million or 21.01% in 2020 mainly due to the recognition of share in the net loss of the investees.

Other non-current assets increased by ₱8.58 million in 2020 mainly due to the payment of deposits on lease contracts for the new leases and additional deposits for existing leases due to escalation of rates.

Current Liabilities

Trade and other payables increased by ₱29.93 million or 2.31% only due to certain deliveries done on year-end which were settled subsequently.

Due to related parties increased by ₱0.94 million or 0.47% only. This pertains to the operating expenses of the Company funded by a stockholder.

Loans payable account decreased by ₱687 million in 2020 due to net settlements made for various bank loans previously availed for working capital requirements.

Dividends payable increased by ₱150.0 million in 2020 mainly due to dividend declared in the amount of ₱200 million in 2020 and net of the payment of dividends declared in 2019 in the amount of ₱50 million.

I**ncome tax payable** increased by ₱29.68 million in 2020 despite the decrease in the total year's provision for income tax. This is because bulk of sales registered in the fourth quarter of the year, the time when the community quarantine was gradually being relaxed.

Lease liabilities current portion account increased by ₱29.78 million from ₱22.77 million in December 2019 to ₱52.55 million in December 2020 due principally to the net effect of additional leases, interest expense amortization recognized and lease payments made.

Noncurrent Liabilities

Lease liabilities net of current portion represents the values recognized from long-term lease contracts covering office spaces and warehouses utilized by Group. The account increased by ₱135.01 million from ₱14.40 million in December 2019 to ₱149.41 million in December 2020 due principally to the net effect of additional leases and the reclassification of amount due within the year.

Retirement benefit liability amounted to ₱15.33 million as of December 31, 2020 which increased by ₱3.03 million from the December 31, 2019 balance of ₱12.30 million due to the increase in number of qualified employees covered in the current year's actuarial valuations.

Advances from a stockholder decreased by ₱659.50 million in 2020 mainly due to the settlements made.

Equity

Retained earnings increased by ₱978.76 million or 25.93% to ₱4.75 billion as at December 31, 2020 from ₱3.77 billion in December 2019 due to profit realized by the Group, net of cash dividend declaration of ₱200 million.

Retirement benefits reserve pertains to adjustments made in compliance with the accounting standard covering employee benefits. As at December 2020 and 2019, the account amounted to ₱4.69 million and ₱5.38 million, respectively.

Sources and Uses of Cash

A brief summary of cash flow movements is shown below:

(in thousands)	**2020**	**2019**
Net cash from operating activities	₱3,592,551	₱778,759
Cash from investing activities	(34,091)	(134,729)
Net cash from financing activities	(1,466,427)	(467,624)
Net increase in cash and cash equivalents	2,092,030	176,370

Net cash from operating activities during the current year is basically attributable to the cash generated from operations and effect of the net settlement of trade payable accounts, purchase of inventory requirements and other related current operating requirements.

Net cash used in investing activities mainly pertains to the funds used for additional asset acquisitions and capital expenditures.

Net cash used in financing activities principally resulted from the net settlements of bank loans, advances from related parties, payment of 2019 cash dividends declared and payment of lease liabilities.

Management believes that the current levels of internally generated funds from its operating activities and its present cash position enables the Group to meet its immediate future liquidity requirements under its current level of business operations. With its strong current financial position, this can be augmented through availments from existing untapped banking and credit facilities as and when required.

Material Events and Uncertainties

Below is the discussion and analysis of material events and uncertainties known to management that would address the past and would have an impact on future operations:

(i) Seasonal aspects that had a material effect on the financial condition or results of the Group's operations includes liquor business which sales tend to peak during the gift-giving Christmas season;

(ii) There are no changes in estimates of amounts in prior financial year;

(iii) There are no material events subsequent to the end of the period that have not been reflected in the financial statements for the period;

(iv) There are no contingent liabilities or assets since the last statement of financial position period;

(v) Sources of liquidity – Funding will be sourced from internally generated cash flow;

(vi) There are no events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation;

(vii) There are no material commitments for capital expenditures other than those performed in the ordinary course of trade or business;

(viii) There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the revenues or income from continuing operations;

(ix) There are no significant elements of income not arising from continuing operations;

(x) Due to the Group's sound financial condition, there are no foreseeable trends or events that may have material impact on its short-term or long-term liquidity.

For The Years Ended December 31, 2019 vs. December 31, 2018

The following discussion and analysis of the Group' s results of operations, financial condition and certain trends, risks and uncertainties that may affect the Group' s business should be read in conjunction with the examined pro forma consolidated financial statements of the Group for the years ended December 31, 2019 and 2018.

Key Performance Indicators

The following financial ratios are considered by management as key performance indicators of the Group's operating results as well as its financial condition:

- Return on investment (Net income/ Ave. stockholders' equity) - measures the profitability of stockholders' investment
- Profit margin (Net income/ Net revenue) - measures the net income produced for each peso of sales
- EBITDA to interest expense (EBITDA/ Interest expense) – measures the ability of the Group to pay interest of its outstanding debts
- Current ratio (Current asset/ Current liabilities) - measures the short-term debt-paying ability of the Group
- Asset turnover (Net revenue/ Average total assets) - measures how efficiently assets are used to generate revenues
- Asset to equity ratio (Assets/ Shareholders' equity) - indicates the Group's leverage used to finance the firm
- Debt to equity ratio (Liabilities/ Shareholders' Equity) - measures the Group's financial leverage.

The table below shows the key performance indicators for the past two years:

Performance Indicators	2019	2018
Return on investment	24.75%	20.50%
Profit margin	11.36%	9.52%
EBITDA to interest expense	23.07x	29.89x
Current ratio	3.33:1	3.08:1
Asset turnover	1.33:1	1.29:1
Asset to equity	1.59:1	1.70:1
Debt to equity ratio	0.59:1	0.70:1

These financial ratios were calculated based on the examined pro forma consolidated financial statements of the Group for the years ended December 31, 2019 and 2018.

Comparative Years 2019 and 2018

The table below shows the consolidated pro forma results of operations of the Group for the years ended December 31, 2019 and 2018.

(In thousands)	**FY2019**	**% of Revenues**	**FY2018**	**% of Revenues**	**Inc (Dec)**	**FY2019 vs FY2018**
REVENUES	**₱10,717,397**	100.00%	₱8,583,701	100.00%	₱2,133,696	24.86%
COST OF SALES	**8,258,904**	77.06%	6,753,658	78.68%	1,505,246	22.29%
GROSS PROFIT	**2,458,493**	22.94%	1,830,043	21.32%	628,450	34.34%
OPERATING EXPENSES	**773.771**	7.22%	777,999	9.06%	(4,228)	-0.54%
INCOME FROM OPERATIONS	**1,684,722**	15.72%	1,052,044	12.26%	632,678	60.14%
SHARE IN NET INCOME (LOSS) ON INVESTMENT IN AN ASSOCIATE	**(8,763)**	-0.08%	-	0.00%	(8,763)	100.00%
OTHER INCOME (CHARGES) – net	**(39,450)**	-0.37%	51,183	0.60%	(90,633)	-177.08%

INCOME BEFORE INCOME TAX	**1,636,509**	15.27%	1,103,227	12.85%	533,282	48.34%
PROVISION FOR INCOME TAX	**418,781**	3.91%	285,772	3.33%	133,009	46.54%
NET INCOME	**₱1,217,728**	11.36%	₱817,455	9.52%	₱400,273	48.97%

The table below shows the revenue contribution by each of the Company's Subsidiaries for the periods ended December 31, 2019 and 2018:

(In Thousands)	**FY2019**	***% Contribution***	**FY2018**	***% Contribution***
Montosco	₱ 8,155,525	*76.10%*	₱ 5,291,848	*61.65%*
Meritus	958,828	*8.95%*	923,272	*10.76%*
Premier	1,603,044	*14.96%*	2,368,581	*27.59%*
TOTAL	**10,717,397**	*100.00%*	**8,583,701**	*100.00%*

Revenues

The Group posted revenues of ₱10.72 billion during the year ended December 31, 2019, which increased by 24.86% or ₱2.13 billion from the 2018 revenues of ₱8.58 billion.

Montosco sustained the increasing sales volume of its flagship brand Alfonso with its continued relevant marketing strategies and end-customer promotions approach. Also, the employment of a more efficient logistics infrastructure increased penetration to more areas and widened distribution coverage. The Group is likewise continuously expanding its brand portfolio, adding new products that contributes to increase in revenues.

Meritus' minimal increase in revenues was the net effect of the growth of its whisky products and the decline in its brandy products. Sales volume of Alhambra brandy declined due to a higher base in 2018 which includes pipeline orders of some of its distributors.

Premier's decline in revenue is mainly attributable to the transfer of distribution of the Pernod brand to a separate joint venture company, Pernod Ricard Philippines, Inc. (Pernod), wherein Premier has a 30% equity interest.

Cost of Sales

The Group increased its cost of sales by 22.29% or ₱1.51 billion compared to the 2018 cost of sales of ₱6.75 billion, due to the increase in its revenues. The cost is relatively stable since majority of the supply were procured in the previous year when no significant increases in costs, excise tax rates and other importation charges were experienced and that the foreign currency rates were also favorable. Covering various categories and brands, sales mix will always have an impacts in the cost of sales ratio.

Operating Expenses

The Group's operating expenses during 2019 amounted to ₱773.77 million, a decrease of 0.54% compared to 2018 amounts of ₱778 million.

In 2019, Montosco increased its allocations for trade deals, continued its marketing activities specifically the offering of Gifts with Purchase ("**GWPs**") and maintaining its packaging for gift giving. Distribution charges significantly increased but resulted to more efficient servicing of accounts.

Meritus' operating expenses in 2019 significantly decreased due to the end of the advertising campaign contract through Bus Ads. Sampling activities for 2019 were tapered, and instead, the Group increased allocation for free goods and trade deals. Cost-saving measures that lowered merchandising expenses were also employed.

Premier's operating expenses significantly decreased due to the decrease in marketing expenses which included trade deals, bundling and samplings related to Pernod. Distribution costs significantly decreased as a result of decrease in revenues.

Share in the net loss on investment in an associate amounting to ₱8.76 million was due to the loss incurred by Pernod in its first year of operations.

Other Income (Charges)

Other income (charges) of the Group in 2019 increased by ₱90.63 million due to the increase in interest expense in relation to bank loans and advances from related parties.

Net Income

Net income increased by 48.97% in 2019 due to the increase in revenues coupled with decrease in cost of sales and operating expenses.

Statements of Financial Position

Shown below are the comparative financial position of the Group:

(In thousands)	**FY2019**	**% of Total Assets**	**FY2018**	**% of Total Assets**	**Inc (Dec)**	**December 31, 2019 vs December 31, 2018**
ASSETS						
Current Assets						
Cash and cash equivalents	**₱442,073**	5.05%	₱265,703	3.59%	₱176,370	66.38%
Trade and other receivables	**2,322,080**	26.52%	1,899,736	25.69%	422,344	22.23%
Inventories	**4,744,683**	54.19%	3,668,473	49.62%	1,076,210	29.34%
Prepaid expenses and other current assets	**1,041,123**	11.89%	1,465,692	19.82%	(424,569)	-28.97%
Total current assets	**8,549,959**	97.65%	7,299,604	98.73%	1,250,355	17.13%
Noncurrent assets						
Right-of-use assets-net	**34,046**	0.39%	40,631	0.55%	(6,585)	-16.21%
Property and equipment-net	**16,878**	0.19%	18,839	0.25%	(1,961)	-10.41%
Investment in an associate	**118,194**	1.35%	-		118,194	100.00%
Other non-current assets	**36,672**	0.42%	34,420	0.47%	2,252	6.54%
Total noncurrent assets	**205,790**	2.35%	93,890	1.27%	111,900	119.18%
Total Assets	**8,755,749**	100.00%	7,393,494	100.00%	1,362,255	18.43%
LIABILITIES AND EQUITY						
Current Liabilities						
Trade and other payables	**1,295,833**	14.80%	839,254	11.35%	456,579	54.40%
Due to related parties	**199,614**	2.28%	303,307	4.10%	(103,693)	-34.19%
Loans payable	**729,000**	8.33%	710,000	9.60%	19,000	2.68%
Dividends payable	**150,000**	1.71%	375,000	5.07%	(225,000)	-60.00%
Income Tax payable	**155,759**	1.78%	102,509	1.39%	53,250	51.95%
Lease liabilities-current	**22,770**	0.26%	24,474	0.33%	(1,704)	-6.96%
Provisions	**13,901**	0.16%	13,901	0.19%	-	0.00%
Total current liabilities	**2,566,877**	29.32%	2,368,445	32.03%	198,432	8.38%
Noncurrent liabilities						
Lease liability-net of current portion	**14,397**	0.16%	20,242	0.27%	(5,845)	-28.88%
Retirement benefit liability	**12,304**	0.14%	8,440	0.11%	3,864	45.78%
Advances from a stockholder	**659,500**	7.53%	659,500	8.92%	-	0.00%
Total noncurrent liabilities	**686,201**	7.84%	688,182	9.31%	(1,981)	-0.29%
Total liabilities	**3,253,078**	37.15%	3,056,627	41.34%	196,451	6.43%
EQUITY						

Capital Stock	**1,150,875**	13.14%	1,150,875	15.57%	-	0.00%
Additional paid in-capital	**21,421,033**	244.65%	21,421,033	289.73%	-	0.00%
Retained earnings	**3,773,883**	43.10%	2,606,155	35.25%	1,167,728	44.81%
Equity reserve	**(20,848,500)**	-238.11%	(20,848,500)	-281.98%	-	0.00%
Remeasurement of retirement liability-net of tax	**5,380**	0.06%	7,304	0.10%	(1,924)	-26.34%
Total Equity	**5,502,671**	62.85%	4,336,867	58.66%	1,165,804	26.88%
Total liabilities and equity	**8,755,749**	100.00%	7,393,494	100.00%	1,362,255	18.43%

Current Assets

Cash and cash equivalents as of December 31, 2019 of ₱442.07 million grew by 66.38% compared to its balance as at December 3, 2018 of ₱265.70 million. The increase was due to the net effect of the net operating cash flows, collection of receivables and settlement of trade and non-trade payables during the year. Credit issues with customers were continuously evaluated and addressed to improve cash collections.

Trade and other receivables as of December 31, 2019 increased by 22.23% or ₱422.34 million due to the significant increase in sales towards the end of the year a season of gift giving. Certain customers were given extended credit terms for their end of year purchases.

Inventories increased by 29.34% or ₱1.08 billion as of December 31, 2019 as compared to the balance as of December 31, 2018 amounting to ₱3.67 billion was the result of an increase in the supply levels in anticipation of forecasted increases in sales volume.

Prepayments and other current assets decreased by 28.97% in 2019 balance as against the 2018 balance of ₱1.46 billion as a result of applications of prepayments to suppliers and advances of tax payments for 2019 purchases.

Non-current Assets

Right-of-use assets (ROU) represents the values recognized from long-term lease contracts covering office spaces and warehouses utilized. The decrease of 16.21% of the December 31, 2019 balance versus December 31, 2018 was mainly due to the amortization charges recognized during the year.

Property and equipment-net book values decreased by ₱1.96 million in 2019 mainly due to depreciation charges. There were minimal capital expenditures.

Investment in an associate represents the equity investment in Pernod Ricard Philippines which was made in February 2019.

Other non-current assets increased slightly by ₱2.25 million in 2019 from its balance as of December 31, 2018 of ₱34.42 million mainly due to the payment of deposits on lease contract.

Current Liabilities

Trade and other payables account posted an increase of 54.40% or ₱456.58 million as of December 31, 2019 compared to the balance as of December 31, 2018, due mainly to the increased level of purchases on account. Purchases relatively increased due to the significant increase in sales volume. It also included material amount for the accrual of distribution and merchandising expenses.

Due to related parties decreased by 34.19% or ₱103.69 million due to settlement by Premier.

Loans payable account increased by ₱19 million was due to the net effect of availments and settlement of loans relative to the working capital requirements.

Dividend payable decreased by ₱225 million due to payments of dividends declared in 2018.

Income tax payable account significantly increased by 51.95% in 2019 versus 2018 due to the increase in net income resulting from the increase in revenue in 2019.

Lease liabilities current account decreased by ₱1.70 million from ₱24.47million in December 2018 to ₱22.77 million in December 2019 due principally to the net effect of additional leases, interest expense amortization recognized and lease payments made during the current period.

Noncurrent Liabilities

Lease liabilities net of current portion account represents the values recognized from long-term lease contracts covering office spaces and warehouses utilized by the Group. The account decreased by ₱5.84 million from ₱20.24 million in December 2018 to ₱14.40 million in December 2019 due principally to the net effect of additional leases and reclassification for amounts due within the year.

Retirement benefit liability increased by ₱3.86 million in 2019 from its balance of ₱8.44 million 2018, due to the increase in qualified employees covered and the changes in financial and demographic assumptions.

Equity

Retained earnings in 2019 increased by ₱1.17 billion or 44.81% due to profit realized by the Group, net of cash dividend declaration of ₱50 million.

Sources and Uses of Cash
A brief summary of cash flow movements is shown below:

(in thousands)	**2019**	**2018**
Net cash from (used in) operating activities	₱778,759	(₱345,674)
Cash used in investing activities	(134,729)	(14,809)
Net cash from (used in) financing activities	(467,624)	213,672
Net increase (decrease) in cash and cash equivalents	176,370	(146,804)

Net cash from and used in operating activities during the current year is basically attributable to the cash generated from operations and effect of the net collections of receivables, settlement of trade payable accounts, purchase of inventories requirements and other related current operating requirements.

Net cash used in investing activities mainly pertains to the funds used for additional assets acquisition and capital expenditures.

Net cash from and used in financing activities principally resulted from the net settlements and availment of bank loans and advances from related parties, the payment of 2019 cash dividends and the payment of lease liabilities.

Management believes that the current levels of internally generated funds from its operating activities and its present cash position enables the Group to meet its immediate future liquidity requirements under its current level of business operations. With its strong current financial position, this can be augmented through availments from existing untapped banking and credit facilities as and when required.

Material Events and Uncertainties

Below is the discussion and analysis of material events and uncertainties known to management that would address the past and would have an impact on future operations:

(i) Seasonal aspects that had a material effect on the financial condition or results of the Group's operations includes liquor business which sales tend to peak during the gift-giving Christmas season;

(ii) There are no changes in estimates of amounts reported in prior financial year;

(iii) There are no material events subsequent to the end of the period that have not been reflected in the financial statements;

(iv) There are no contingent liabilities or assets since the last statement of financial position;

(v) Sources of liquidity – Funding will be sourced from internally generated cash flow;

(vi) There are no events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation;

(vii) There are no material commitments for capital expenditures other than those performed in the ordinary course of trade or business;

(viii) There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the revenues or income from continuing operations;

(ix) There are no significant elements of income not arising from continuing operations;

(x) Due to the Group's sound financial condition, there are no foreseeable trends or events that may have material impact on its short-term or long-term liquidity.

SUMMARY FINANCIAL INFORMATION OF THE SUBSIDIARIES

The following tables present the summary of audited financial information and should be read in conjunction with the independent auditors' reports and each Subsidiary's audited financial statements, including the notes thereto, [included in the appendices of this Prospectus]. The summary financial information as of and for the years ended December 31, 2018, 2019 and 2020 were derived from each Subsidiary's audited financial statements, which were prepared in accordance with PFRS and were audited by R.G. Manabat & Co. in accordance with the PSA.

Due to the retrospective application of PFRS 16, Montosco, Meritus, and Premier restated their respective consolidated balance sheet as of December 31, 2018 presented as comparative in their respective consolidated audited financial statements as of December 31, 2019, which affected the following accounts:

a. *Right-of-use assets*
b. *Deferred income taxes – net*
c. *Lease liabilities*
d. *Trade and other payables*
e. *Retained earnings*

The relevant accounts in their respective audited financial statements as of December 31, 2017 have not been restated and pertain to amounts before considering the impact of retrospective application of PFRS 16.

The summary financial information below is not necessarily indicative of the results of future operations. The information set out below should be read in conjunction with, and is qualified in its entirety by reference to the relevant financial statements of each Subsidiary, including the notes thereto.

MONTOSCO

STATEMENTS OF COMPREHENSIVE INCOME OF MONTOSCO

	Years Ended December 31		
(*in Thousands*)	**2020**	**2019**	**2018**
NET SALES	₱6,106,846	₱8,155,525	₱5,291,848
COST OF GOODS SOLD	4,263,930	6,130,313	4,019,765
GROSS PROFIT	1,842,916	2,025,212	1,272,083
OPERATING EXPENSES	431,325	545,503	391,535
INCOME FROM OPERATIONS	1,411,591	1,479,709	880,548
OTHER INCOME CHARGES - Net	(9,403)	288	73,953
INCOME BEFORE INCOME TAX	1,402,188	1,479,997	954,501
PROVISION FOR INCOME TAX	331,725	370,311	245,686
NET INCOME	1,070,463	1,109,686	708,815
OTHER COMPREHENSIVE INCOME (LOSS)			
Item that will never be reclassified to profit or loss in subsequent periods			
Remeasurement gain (loss) on retirement benefits	(334)	(925)	600
TOTAL COMPREHENSIVE INCOME	₱1,070,129	₱1,108,761	₱709,415

STATEMENTS OF FINANCIAL POSITION OF MONTOSCO

	December 31		
(*in Thousands*)	**2020**	**2019**	**2018**
ASSETS			
Current Assets			
Cash and cash equivalents	₱2,177,069	₱167,845	₱82,602
Trade and other receivables - net	1,016,343	1,444,904	848,714
Inventories	1,931,696	3,427,766	2,541,957
Prepaid expenses and other current assets	541,689	445,283	740,299
Total Current Assets	5,666,797	5,485,798	4,213,572
Noncurrent Assets			
Right-of-use assets - net	100,135	26,736	20,668
Property and equipment - net	19,065	9,412	9,170
Other noncurrent assets	9,808	4,128	2,146
Total Noncurrent Assets	129,008	40,276	31,984
	₱5,795,805	₱5,526,074	₱4,245,556
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	₱1,063,297	₱1,124,965	₱582,285
Notes payable	-	120,000	353,000
Dividends payable	200,000	50,000	200,000
Income tax payable	152,686	139,332	84,864
Lease liabilities - current	23,521	14,431	10,545
Total Current Liabilities	1,439,504	1,448,728	1,230,694
Noncurrent Liabilities			
Lease liabilities - net of current portion	80,724	13,129	10,635
Retirement benefits liability	3,072	2,341	1,113
Advances from a stockholder	-	659,500	659,500
Total Noncurrent Liabilities	83,796	674,970	671,248
Total Liabilities	1,523,300	2,123,698	1,901,942
Equity			
Capital stock	750,000	750,000	750,000
Retained earnings	3,523,204	2,652,741	1,593,054
Accumulated remeasurements on retirement benefits	(699)	(365)	560
Total Equity	4,272,505	3,402,376	2,343,614
	₱5,795,805	₱5,526,074	₱4,245,556

SELECTED STATEMENTS OF CASH FLOWS INFORMATION OF MONTOSCO

(*in Thousands*)	Years Ended December 31		
	2020	**2019**	**2018**
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱1,402,188	₱1,479,997	₱954,501
Adjustments for:			
Depreciation and amortization	42,101	16,352	13,598
Interest expense	12,149	34,725	14,705
Interest income	(19,644)	(3,195)	(2,399)
Unrealized foreign exchange loss – net	16,696	251	6,579
Retirement benefits cost	397	303	283
Operating income before working capital changes	1,453,887	1,528,433	987,267
Decrease (increase) in:			
Trade and other receivables	428,561	(596,190)	203,576
Inventories	1,496,070	(885,809)	(1,279,400)
Prepaid expenses and other current assets	(96,406)	295,016	(312,996)
Increase in trade and other payables	(78,361)	546,586	389,906
Cash generated from (used in) operations	3,203,751	888,036	(11,647)
Income taxes paid	(318,371)	(315,843)	(221,586)
Interest received	19,644	3,195	2,398
Retirement benefits paid	-	-	(120)
Net cash from (used in) operating activities	2,905,024	575,388	(230,955)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment	(15,491)	(P3,436)	(6,804)
Increase in other noncurrent assets	(5,680)	(1,982)	(108)
Cash used in investing activities	(21,171)	(5,418)	(6,912)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Advances from a stockholder	(659,500)	-	(234,000)
Notes payable	(120,000)	(353,000)	(700,000)
Dividends	(50,000)	(200,000)	-
Lease liabilities	(38,707)	(14,160)	(11,690)
Interest	(6,419)	(37,543)	(10,252)
Proceeds from availment of:			
Notes payable	-	120,000	353,000
Advances received from related parties	-	-	659,500
Net cash from (used in) financing activities	(874,626)	(484,703)	56,558

Forward

	Years Ended December 31		
	2020	2019	2018
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(P3)	(24)	(15)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,009,224	85,243	(P181,324)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	167,845	82,602	263,926
CASH AND CASH EQUIVALENTS AT END OF YEAR	₱2,177,069	₱167,845	₱82,602

KEY PERFORMANCE INDICATORS OF MONTOSCO

	December 31		
KEY PERFORMANCE INDICATORS	**2020**	**2019**	**2018**
Current ratio	3.94:1	3.79:1	3.42:1
Current assets to total assets	0.98:1	0.99:1	0.99:1
Debt to equity ratio	0.36:1	0.62:1	0.81:1

DISCUSSION OF THE FIGURES OF MONTOSCO

For The Years Ended December 31, 2020 vs December 31, 2019

The following discussion and analysis of Montosco's results of operations, financial condition and certain trends, risks and uncertainties that may affect Montosco's business should be read in conjunction with the annual audited financial statements of the company for the years ended December 31, 2020 and 2019.

Key Performance Indicators

The following financial ratios are considered by management as key performance indicators of Montosco's operating results as well as its financial condition:

- Return on investment (Net income/ Ave. stockholders' equity) - measures the profitability of stockholders' investment
- Profit margin (Net income/ Net revenue) - measures the net income produced for each peso of sales
- EBITDA to interest expense (EBITDA/ Interest expense) – measures the ability of Montosco to pay interest of its outstanding debts
- Current ratio (Current asset/ Current liabilities) - measures the short-term debt-paying ability of Montosco
- Asset turnover (Net revenue/ Average total assets) - measures how efficiently assets are used to generate revenues
- Asset to equity ratio (Assets/ Shareholders' equity) - indicates Montosco's leverage used to finance the firm
- Debt to equity ratio (Liabilities/ Shareholders' Equity) - measure of Montosco's financial leverage

The table below shows the key performance indicators for the past two years:

Performance Indicators	**2020**	**2019**
Return on investment	**27.90%**	**38.62%**
Profit margin	**17.53%**	**13.61%**
EBITDA to interest expense	**119.65x**	**43.08x**
Current ratio	**3.94:1**	**3.79:1**
Asset turnover	**1.08:1**	**1.67:1**
Asset to equity	**1.36:1**	**1.62:1**
Debt to equity ratio	**0.36:1**	**0.62:1**

These financial ratios were calculated based on the audited financial statements of Montosco for the years ended December 31, 2020 and 2019.

Comparative Years 2020 and 2019

The table below shows the results of operations of Montosco for the years ended December 31, 2020 and 2019:

(In Thousands)	**FY2020**	*%*	**FY2019**	*%*	**Inc (Dec)**	*%*
REVENUES	6,106,846	100.00%	8,155,525	100.00%	(2,048,679)	-25.12%
COST OF SALES	4,263,930	69.82%	6,130,313	75.17%	(1,866,383)	-30.45%
GROSS PROFIT	1,842,916	30.18%	2,025,212	24.83%	(182,296)	-9.00%
OPERATING EXPENSES	431,325	7.06%	545,503	6.69%	(114,178)	-20.93%

INCOME FROM OPERATIONS	1,411,591	23.11%	1,479,709	18.14%	(68,118)	-4.60%
OTHER INCOME (CHARGES) - net	(9,403)	-0.15%	288	0.00%	(9,691)	-3364.93%
INCOME BEFORE INCOME TAX	1,402,188	22.96%	1,479,997	18.15%	(77,809)	-5.26%
INCOME TAX EXPENSE	331,725	5.43%	370,311	4.54%	(38,586)	-10.42%
NET INCOME FOR THE YEAR	1,070,463	17.53%	1,109,686	13.61%	(39,223)	-3.53%

Revenues

Montosco posted a revenue of ₱6.11 Billion during the year ended December 31, 2020, which decreased by 25.12%. The decline is mainly attributable to the liquor bans imposed nationwide during the enhanced community quarantine lockdown that started on March 16, 2020 up to May 31, 2020 which was re-imposed in the NCR from August 4 to 18, 2020.

Cost of Sales

Montosco's cost of sales decreased by 30.45% in 2020. Significant improvement in gross profit was due to the effect of price increase and the decrease in the supports extended for customers' local promotions. Local promotional activities of Montosco's customers were significantly affected by the pandemic. Excise tax rates increased in 2020 but the effect on cost will be felt on 2021 since Montosco has significant inventory balance at the close of 2019. There were minimal shipments in 2020 due to the current pandemic.

Operating Expenses

Operating expenses decreased by 20.93% or ₱114.18 million in 2020 due to the cost saving measures in response to the decline in sales caused by the pandemic. Montosco strengthened its position and ensures relevance through presence in social media and online market.

Other Income—net

Other income and charges-net increase of ₱9.69 million was due to net effect of interest income on time deposits and interest paid loans and advances.

Net Income

In 2020, Montosco realized a net income of ₱1.07 billion which is approximately the same to last year's net income mainly due to strategic cost-saving measures implemented by the segment despite of the decline in sales.

Statements of Financial Position

Shown below are the comparative financial position of Montosco:

(In Thousands)	**FY2020**	*%*	**FY2019**	*%*	**Inc (Dec)**	**%**
ASSETS						
Current Assets						
Cash and cash equivalents	₱2,177,069	37.56%	₱167,845	3.04%	₱2,009,224	1,197.07%
Receivables - net	1,016,343	17.54%	1,444,904	26.15%	(428,561)	-29.66%
Inventories	1,931,696	33.33%	3,427,766	62.03%	(1,496,070)	-43.65%
Prepayments and other current assets	541,689	9.35%	445,283	8.06%	96,406	21.65%
Total current assets	5,666,797	97.77%	5,485,798	99.27%	180,999	3.30%
Noncurrent Assets						
Property and equipment - net	19,065	0.33%	9,412	0.17%	9,653	102.56%
Right-of-use assets	100,135	1.73%	26,736	0.48%	73,399	274.53%
Other non-current assets	9,808	0.17%	4,128	0.07%	5,680	137.60%
Total noncurrent assets	129,008	2.23%	40,276	0.73%	88,732	220.31%

Total Assets	5,795,805	100.00%	5,526,074	100.00%	269,731	4.88%
LIABILITIES AND EQUITY						
Current Liabilities						
Accounts payable and accrued expenses	1,063,297	18.35%	1,124,965	20.36%	(61,668)	-5.48%
Income tax payable	152,686	2.63%	139,332	2.52%	13,354	9.58%
Short-term loans payable	-	0.00%	120,000	2.17%	(120,000)	-100.00%
Dividends payable	200,000	3.45%	50,000	0.90%	150,000	300.00%
Lease liability	23,521	0.41%	14,431	0.26%	9,090	62.99%
Total current liabilities	1,439,504	24.84%	1,448,728	26.22%	(9,224)	-0.64%
Noncurrent Liabilities						
Retirement benefit liability	3,072	0.05%	2,341	0.04%	731	31.23%
Lease liability-net of current portion	80,724	1.39%	13,129	0.24%	67,595	514.85%
Advances from a stockholder	-	-	659,500	11.93%	(659,500)	-100.00%
Total noncurrent liabilities	83,796	1.45%	674,970	12.21%	(591,174)	-87.59%
Total Liabilities	1,523,300	26.28%	2,123,698	38.43%	(600,398)	-28.27%
EQUITY						
Capital stock	750,000	12.94%	750,000	13.57%	-	0.00%
Retained earnings	3,523,204	60.79%	2,652,741	48.00%	870,463	32.81%
Remeasurement of retirement liability - net of tax	(699)	-0.01%	(365)	-0.01%	(334)	91.51%
Total Equity	4,272,505	73.72%	3,402,376	61.57%	870,129	25.57%
Total Liabilities and Equity	5,795,805	100.00%	5,526,074	100.00%	269,731	4.88%

Current Assets

Cash and cash equivalents amounted to ₱2.18 billion as at December 31, 2020 with an increase of ₱2.01 billion from December 31, 2019 balance. The increase was due basically to the net effect of the net operating cash flows, collection of receivables and settlement of trade and non-trade payables during the year.

Receivables decreased by 29.66% from December 31, 2019 balance of ₱1.44 billion to 2020 balance of ₱1.02 billion due mainly to the net effect of collections made. Collection efforts in 2020 was also strengthened.

Inventories decreased by 43.65% from 2019 balance of ₱3.43 billion to 2020 balance of ₱1.93 billion due to scaling down of orders from suppliers caused by enhanced community quarantines.

Prepaid expenses and other current assets increased by ₱96.41 million or 21.65% at the end of December 2020, mainly due to prepayments made for excise taxes.

Non-current Assets

Property and equipment-net book values of property and equipment increased to ₱19.07 million from ₱9.41 million in December 2019 due to some capital expenditures for leasehold improvements.

Right-of-use assets (ROU) represents the values recognized from long-term lease contracts covering office space and warehouses. Book values of ROU increased by ₱73.40 million from ₱26.74 million in December 2019 to ₱100.14 million in December 2020 due principally to additional ROU assets recognized from new lease contracts entered into net of depreciation recognized during the same year.

Other non-current assets increased by ₱5.68 million in 2020 mainly due to the payment of deposits on lease contract.

Current Liabilities

Accounts payable and accrued expenses pertains to the trade payable to suppliers. The decrease by 5.48% was primarily due to settlements of trade and non-trade liabilities.

Income tax payable increased by ₱13.35 million from 2019 is mainly due to additional income taxes incurred relative to the increase in net taxable income during the year 2020 in relation to the same period in 2019.

Dividends payable increased by ₱150.0 million in 2020 mainly due to dividend declarations and payments made during 2020.

Short-term loans payable account decreased by ₱120 million in 2020 due to settlements made.

Lease liabilities due within one year account increased by ₱9.09 million from ₱14.43 million in December 2019 to ₱23.52 million in December 2020 due principally to the net effect of additional leases, interest expense amortization recognized and lease payments made during the current period pertaining current portions.

Noncurrent Liabilities

Lease liabilities net of current portion represent the values recognized from long-term lease contracts covering office space and warehouses. The account increased by ₱67.60 million from ₱13.13 million in December 2019 to ₱80.72 million in December 2020 due principally to the net effect of additional leases, interest expense amortization recognized and lease payments made during the current year.

Retirement benefit liability amounted to ₱3.07 million as of December 31, 2020 which increased by ₱0.73 million from December 31, 2019 balance of ₱2.34 million due to increase in number of employees in the current year's actuarial valuations.

Due to related parties decreased by ₱659.50 million in 2020 mainly due to the settlements made.

Equity

Retained earnings increased by ₱870.46 million or 32.81% from ₱2.65 billion in December 2019 to ₱3.52 billion as at December 31, 2020 due to profit realized by Montosco, net of cash dividend declaration of ₱200 million.

Sources and Uses of Cash

A brief summary of cash flow movements is shown below:

(In thousands)	2020	2019
Net cash from operating activities	₱2,905,024	₱575,388
Net cash used in investing activities	(21,171)	(5,418)
Net cash used in financing activities	(874,626)	(484,703)
Net increase (decrease) in cash and cash equivalents[1]	2,009,227	85,267

Note:
[1] Before impact of foreign exchange

Net cash from operating activities during the current year is basically attributable to the cash generated from operations and effect of the net settlement of trade payable accounts, purchase of inventory requirements and other related current operating requirements.

Net cash used in investing activities mainly pertains to the funds used for additional assets acquisition and capital expenditures.

Net cash used in financing activities principally resulted from the net settlements of bank loans, advances from related parties and payment of 2019 cash dividends declared.

Management believes that the current levels of internally generated funds from its operating activities and its present cash position enables Montosco to meet its immediate future liquidity requirements under its current level of business operations. With its strong current financial position, this can be augmented through availments from existing untapped banking and credit facilities as and when required.

Material Events and Uncertainties

Below is the discussion and analysis of material events and uncertainties known to management that would address the past and would have an impact on future operations:

(i) Seasonal aspects that had a material effect on the financial condition or results of Montosco's operations includes retail and liquor business which sales tend to peak during the gift-giving Christmas season;

(ii) There are no changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years;

(iii) There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period;

(iv) There are no contingent liabilities or assets since the last statement of financial position period;

(v) Sources of liquidity – Funding will be sourced from internally generated cash flow;

(vi) There are no events that will trigger direct or contingent financial obligation that is material to Montosco, including any default or acceleration of an obligation;

(vii) There are no material commitments for capital expenditures other than those performed in the ordinary course of trade or business;

(viii) There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the revenues or income from continuing operations;

(ix) There are no significant elements of income not arising from continuing operations;

(x) Due to Montosco's sound financial condition, there are no foreseeable trends or events that may have material impact on its short-term or long-term liquidity.

For The Years Ended December 31, 2019 vs December 31, 2018

The following discussion and analysis of Montosco's results of operations, financial condition and certain trends, risks and uncertainties that may affect Montosco's business should be read in conjunction with the annual audited financial statements of the company for the years ended December 31, 2019 and 2018.

Key Performance Indicators

The following financial ratios are considered by management as key performance indicators of Montosco's operating results as well as its financial condition:

- Return on investment (Net income/ Ave. stockholders' equity) - measures the profitability of stockholders' investment
- Profit margin (Net income/ Net revenue) - measures the net income produced for each peso of sales
- EBITDA to interest expense (EBITDA/ Interest expense) – measures the ability of Montosco to pay interest of its outstanding debts
- Current ratio (Current asset/ Current liabilities) - measures the short-term debt-paying ability of Montosco
- Asset turnover (Net revenue/ Average total assets) - measures how efficiently assets are used to generate revenues
- Asset to equity ratio (Assets/ Shareholders' equity) - indicates Montosco's leverage used to finance the firm
- Debt to equity ratio (Liabilities/ Shareholders' Equity) -measure of Montosco's financial leverage

The table below shows the key performance indicators for the past two years:

Performance Indicators	**2019**	**2018**
Return on investment	**38.62%**	**34.76%**
Profit margin	**13.61%**	**13.39%**
EBITDA to interest expense	**43.08x**	**60.80x**
Current ratio	**3.79:1**	**3.42:1**
Asset turnover	**1.67:1**	**1.46:1**
Asset to equity	**1.62:1**	**1:81:1**
Debt to equity ratio	**0.62:1**	**0.81:1**

These financial ratios were calculated based on the audited financial statements of Montosco for the years ended December 31, 2019 and 2018.

Comparative Years 2019 and 2018, as restated[2]

The table below shows the results of operations of Montosco for the years ended December 31, 2019 and 2018.

(In Thousands)	**FY2019**	*%*	**FY2018**	*%*	**Inc (Dec)**	*%*
REVENUES	8,155,525	100.00%	5,291,848	100.00%	2,863,677	54.11%
COST OF SALES	6,130,313	75.17%	4,019,765	75.96%	2,110,548	52.50%
GROSS PROFIT	2,025,212	24.83%	1,272,083	24.04%	753,129	59.20%

[2] Due to the retrospective application of PFRS 16, Montosco restated its balance sheet as of December 31, 2018 presented as comparative in Montosco's audited financial statements as of December 31, 2019. See "Presentation of Financial Information" on page vii of this Prospectus.

OPERATING EXPENSES	545,503	6.69%	391,535	7.40%	153,968	39.32%
INCOME FROM OPERATIONS	1,479,709	18.14%	880,548	16.64%	599,161	68.04%
OTHER INCOME (CHARGES) - net	288	0.00%	73,953	1.40%	(73,665)	-99.61%
INCOME BEFORE INCOME TAX	1,479,997	18.15%	954,501	18.04%	525,496	55.05%
INCOME TAX EXPENSE	370,311	4.54%	245,686	4.64%	124,625	50.73%
NET INCOME FOR THE YEAR	1,109,686	13.61%	708,815	13.39%	400,871	56.56%

Revenues

Montosco posted a revenue of ₱8.16 billion during the year ended December 31, 2019, which increased by 54.11% or ₱2.86 billion from 2018 revenues of ₱5.29 billion. Montosco is sustaining the increasing sales volume of its flagship brand Alfonso with its continued relevant marketing strategies and end-customer promotions approach. Also, the employment of a more efficient logistics infrastructure made its way to penetrate more areas and widen distribution coverage. Montosco is likewise continuously expanding its brand portfolio, adding new products that contributes to increase in revenues.

Cost of Sales

Montosco increased its cost of sales by 52.5% or ₱2.11 billion compared to 2018 cost of sales of ₱4.02 billion, expectedly, due the increase in its revenues. The cost is relatively stable since majority of the supply were procured in previous year when no significant increases in costs, excise tax rates and other importation charges and that the foreign currency rates are favourable.

Operating Expenses

Montosco's operating expenses during 2019 amounting to ₱545.50 million increased by 39.32% as compared to 2018 amount of ₱391.53 million due mainly to the increased allocations for trade deals. Montosco also continued its sales driver marketing activities specifically the offering of Gifts with Purchase (GWPs) and maintaining its packaging for gift giving. Distribution charges significantly increased as well as a result of more efficient servicing of accounts.

Other Income (Charges)

Other income (charges) of Montosco in 2019 decreased by 99.61% from its 2018 amount of ₱73.95 million basically due to the increase in interest expense relative to the bank loans and advances for related parties.

Net Income

Net income increased by 56.56% in 2019 due to the increase in revenues coupled with improvements in cost of sales and operating expenses ratios to revenues.

Statements of Financial Position

Shown below are the comparative financial position of Montosco:

(In Thousands)	**FY2019**	**%**	**FY2018**	**%**	**Inc(Dec)**	**%**
ASSETS						
Current Assets						
Cash and cash equivalents	167,845	3.04%	82,602	1.95%	85,243	103.20%
Receivables - net	1,444,904	26.15%	848,714	19.99%	596,190	70.25%
Inventories	3,427,766	62.03%	2,541,957	59.87%	885,809	34.85%
Prepayments and other current assets	445,283	8.06%	740,299	17.44%	(295,016)	-39.85%
Total current assets	5,485,798	99.27%	4,213,572	99.25%	1,272,226	30.19%
Noncurrent Assets						

Property and equipment - net	9,412	0.17%	9,170	0.22%	242	2.64%
Right-of-use assets	26,736	0.48%	20,668	0.49%	6,068	29.36%
Other non-current assets	4,128	0.07%	2,146	0.05%	1,982	92.36%
Total noncurrent assets	40,276	0.73%	31,984	0.75%	8,292	25.93%
Total Assets	5,526,074	100.00%	4,245,556	100.00%	1,280,518	30.16%
LIABILITIES AND EQUITY						
Current Liabilities						
Accounts payable and accrued expenses	1,124,965	20.36%	582,285	13.72%	542,680	93.20%
Income tax payable	139,332	2.52%	84,864	2.00%	54,468	64.18%
Short-term loans payable	120,000	2.17%	353,000	8.31%	(233,000)	-66.01%
Dividends payable	50,000	0.90%	200,000	4.71%	(150,000)	-75.00%
Lease liability	14,431	0.26%	10,545	0.25%	3,886	36.85%
Advances from a stockholder	-	0.00%	659,500	15.53%	(659,500)	-100.00%
Total current liabilities	1,448,728	26.22%	1,890,194	44.52%	(441,466)	-23.36%
Noncurrent Liabilities						
Retirement benefit liability	2,341	0.04%	1,113	0.03%	1,228	110.33%
Lease liability-net of current portion	13,129	0.24%	10,635	0.25%	2,494	23.45%
Advances from a stockholder	659,500	11.93%	-	-	659,500	100.00%
Total noncurrent liabilities	674,970	12.21%	11,748	0.28%	663,222	5645.40%
Total Liabilities	2,123,698	38.43%	1,901,942	44.80%	221,756	11.66%
EQUITY						
Capital stock	750,000	13.57%	750,000	17.67%	-	0.00%
Retained earnings	2,652,741	48.00%	1,593,054	37.52%	1,059,687	66.52%
Remeasurement of retirement liability - net of tax	(365)	-0.01%	560	0.01%	(925)	-165.18%
Total Equity	3,402,376	61.57%	2,343,614	55.20%	1,058,762	45.18%
Total Liabilities and Equity	5,526,074	100.00%	4,245,556	100.00%	1,280,518	30.16%

Current Assets

Cash and cash equivalents as of December 31, 2019 of ₱167.85 million grew more than double compared to its balance as at December 31, 2018 of ₱82.60 million. The increase was due basically to the net effect of the net operating cash flows, collection of receivables and settlement of trade and non-trade payables during the year. Credit issues with customers were continuously evaluated and addressed to enable smooth cash flows.

Receivables as of December 31, 2019 increased by 70.25% or ₱596.19 million due to the significant increase of sales on account particularly towards the end of the year which is a season of gift giving. Certain customers are given extended terms for their end of year purchases.

Inventories increased by 34.85% or ₱885.81 million as of December 31, 2019 as compared to the balance as of December 31, 2018 amounting to ₱2.54 billion was the result of increase in level of supply in anticipation of increasing sales volume forecast.

Prepayments and other current assets decreased of 39.85% in 2019 balance as against the 2018 balance of ₱740.30 million is a result of applications of prepayments to suppliers and advances for taxes on 2019 purchases.

Non-current Assets

Property and equipment-net book values amounted to ₱9.41 million and ₱9.17 million as of December 31, 2019 and 2018, respectively. There were only minimal capital expenditures in 2019.

Right-of-use assets (ROU) represents the values recognized from long-term lease contracts covering office space and warehouses. Book values of ROU as of December 31, 2019 and 2018 are at ₱26.74 million and ₱20.67 million, respectively. The increase was due to additional lease of warehouse facility.

Other non-current assets increased by ₱1.98 million in 2019 from its balance as of December 31, 2018 of ₱2.15 million mainly due to the payment of deposits on lease contract.

Current Liabilities

Accounts payable and accrued expenses pertains to the trade payable to suppliers. This account posted an increase of 93.20% or ₱542.68 million as of December 31, 2019 compared to the balance as of December 31, 2018, due mainly to the increased level of purchases on account. Purchases relatively increased due to the significant increase in sales volume. It also includes material amount for the accrual of expenses for distribution and merchandising.

Income tax payable account significantly increased by 64.18% in 2019 versus 2018 due to the increase in net income resulted from the increase in revenue in 2019.

Dividend payable decreased by ₱150.0 million in 2019 mainly due to dividend declarations and payments made in 2019.

Short-term loans payable account decreased by ₱233 million in 2019 due to settlements made.

Lease liabilities due within one year account increased by ₱3.89 million from ₱10.55 million in December 2018 to ₱14.43 million in December 2019 due principally to the net effect of additional leases, interest expense amortization recognized and lease payments made during the current period pertaining current portions.

Noncurrent Liabilities

Retirement benefit liability increased by ₱1.23 million as of December 31, 2019 due to increase in number of employees and salary rate increase assumptions set forth the Actuarial Valuation dated December 31, 2019.

Lease liabilities represents the values recognized from long-term lease contracts covering office space and warehouses. The account increased by ₱2.49 million from ₱10.64 million in December 2018 to ₱13.13 million in December 2019 due principally to the net effect of additional leases, interest expense amortization recognized and lease payments made during the current year.

Equity

Retained earnings in 2019 increased by ₱1.06 billion or 66.52% due to profit realized by Montosco, net of cash dividend declaration of ₱50 million.

Sources and Uses of Cash

A brief summary of cash flow movements is shown below:

(In thousands)	2019	2018
Net cash from operating activities	₱575,388	₱ (230,955)
Net cash used in investing activities	(5,418)	(6,912)
Net cash used in financing activities	(484,703)	56,558
Net increase (decrease) in cash and cash equivalents	85,267	(181,324)

Net cash from and used in operating activities during the current year is basically attributable to the cash generated from operations and effect of the net settlement of trade payable accounts, purchase of inventories requirements and other related current operating requirements.

Net cash used in investing activities mainly pertains to the funds used for additional assets acquisition and capital expenditures.

Net cash from and used in financing activities principally resulted from the net settlements and availment of bank loans and advances from related parties and the payment of 2019 cash dividends.

Management believes that the current levels of internally generated funds from its operating activities and its present cash position enables Montosco to meet its immediate future liquidity requirements under its current level of business operations. With its strong current financial position, this can be augmented through availments from existing untapped banking and credit facilities as and when required.

Material Events and Uncertainties

Below is the discussion and analysis of material events and uncertainties known to management that would address the past and would have an impact on future operations:

(i) Seasonal aspects that had a material effect on the financial condition or results of Montosco's operations includes retail and liquor business which sales tend to peak during the gift-giving Christmas season;

(ii) There are no changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years;

(iii) There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period;

(iv) There are no contingent liabilities or assets since the last statement of financial position period;

(v) Sources of liquidity – Funding will be sourced from internally generated cash flow;

(vi) There are no events that will trigger direct or contingent financial obligation that is material to Montosco, including any default or acceleration of an obligation;

(vii) There are no material commitments for capital expenditures other than those performed in the ordinary course of trade or business;

(viii) There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the revenues or income from continuing operations;

(ix) There are no significant elements of income not arising from continuing operations;

(x) Due to Montosco's sound financial condition, there are no foreseeable trends or events that may have material impact on its short-term or long-term liquidity.

For The Years Ended December 31, 2018 vs December 31, 2017

The following discussion and analysis of Montosco's results of operations, financial condition and certain trends, risks and uncertainties that may affect Montosco's business should be read in conjunction with the annual audited financial statements of the company for the years ended December 31, 2018 and 2017.

Key Performance Indicators

The following financial ratios are considered by management as key performance indicators of Montosco's operating results as well as its financial condition:

- Return on investment (Net income/ Ave. stockholders' equity) - measures the profitability of stockholders' investment
- Profit margin (Net income/ Net revenue) - measures the net income produced for each peso of sales
- EBITDA to interest expense (EBITDA/ Interest expense) – measures the ability of Montosco to pay interest of its outstanding debts
- Current ratio (Current asset/ Current liabilities) - measures the short-term debt-paying ability of Montosco
- Asset turnover (Net revenue/ Average total assets) - measures how efficiently assets are used to generate revenues
- Asset to equity ratio (Assets/ Shareholders' equity) - indicates Montosco's leverage used to finance the firm
- Debt to equity ratio (Liabilities/ Shareholders' Equity) -measure of Montosco's financial leverage

The table below shows the key performance indicators for the past two years:

Performance Indicators	2018	2017
Return on investment	**34.78%**	**30.39%**
Profit margin	**13.40%**	**12.91%**
EBITDA to interest expense	**65.63x**	**77.66x**
Current ratio	**2.24:1**	**2.35:1**
Asset turnover	**1.46:1**	**1.26:1**
Asset to equity	**1.80:1**	**1.74:1**
Debt to equity ratio	**0.80:1**	**0.74:1**

These financial ratios were calculated based on the audited financial statements of Montosco for the years ended December 31, 2018 and 2017.

Comparative Years 2018[3] and 2017[3]

The table below shows the results of operations of Montosco for the years ended December 31, 2018 and 2017:

(In Thousands)	FY2018	%	FY2017	%	Inc (Dec)	%
REVENUES	5,291,847	100.00%	3,647,917	100.00%	1,643,930	45.06%
COST OF SALES	4,019,765	75.96%	2,767,823	75.87%	1,251,942	45.23%
GROSS PROFIT	1,272,082	24.04%	880,094	24.13%	391,988	44.54%

[3] The amounts presented for 2018 and 2017 in this analysis are based on the issued 2018 Audited Financial Statements which was prior to the adoption of PFRS 16.

OPERATING EXPENSES	392,358	7.41%	281,113	7.71%	111,245	39.57%
INCOME FROM OPERATIONS	879,724	16.62%	598,981	16.42%	280,743	46.87%
OTHER INCOME (CHARGES) - net	75,213	1.42%	42,594	1.17%	32,619	76.58%
INCOME BEFORE INCOME TAX	954,937	18.05%	641,575	17.59%	313,362	48.84%
INCOME TAX EXPENSE	245,686	4.64%	170,808	4.68%	74,878	43.84%
NET INCOME FOR THE YEAR	709,251	13.40%	470,767	12.91%	238,484	50.66%

Revenues

Montosco's revenues for the year 2018 increased to ₱5.29 billion or 45.06% over its 2017 revenues of ₱3.65 billion. The significant increase was the result of the brand building activities done during the past years. The increasing marketing activities, expanding product reach and distribution through various channels is continuously improving the top line.

Cost of Sales

Montosco's increase in its cost of sales of 45.23% or ₱1.25 billion is parallel to the increase in its revenues. There were no significant increases in costs, excise tax rates and other importation charges during the past year.

Operating Expenses

Montosco's operating expenses during 2018 increased by 39.57% as compared to 2017 due mainly to the increased marketing expenses which includes trade deals, bundling and samplings. Montosco also widened merchandising coverage to ensure presence of its products in the market. All these, contributed to the increase in revenues.

Other Income (Charges)

Significant increase in other income (charges) of Montosco in 2018 pertains to the effect of favourable exchange rates on foreign currency denominated accounts.

Net Income

The increase in bottom line in 2018 of about 50.66% over its net income of ₱470.77 million in 2017 was the result of significant increase in revenues and other income. Also, income tax ratio to revenue in 2018 and 2017 maintains the same rate as it employs the same method of Optional Standard Deduction (OSD).

Statements of Financial Position

Shown below are the comparative financial position of Montosco:

(In Thousands)	FY2018	%	FY2017	%	Inc (Dec)	%
ASSETS						
Current Assets						
Cash and cash equivalents	82,602	1.96%	263,926	8.76%	(181,324)	-68.70%
Receivables – net	848,714	20.09%	1,053,352	34.95%	(204,638)	-19.43%
Inventories	2,541,957	60.17%	1,262,557	41.89%	1,279,400	101.33%
Prepayments and other current assets	740,299	17.52%	427,303	14.18%	312,996	73.25%
Total current assets	4,213,572	99.73%	3,007,138	99.76%	1,206,434	40.12%
Noncurrent Assets						

Property and equipment - net	9,170	0.22%	5,097	0.17%	4,073	79.91%
Other non-current assets	2,146	0.05%	2,037	0.07%	109	5.35%
Total noncurrent assets	11,316	0.27%	7,134	0.24%	4,182	58.62%
Total Assets	4,224,888	100.00%	3,014,272	100.00%	1,210,616	40.16%
LIABILITIES AND EQUITY						
Current Liabilities						
Accounts payable and accrued expenses	582,321	13.78%	183,718	6.09%	398,603	216.96%
Income tax payable	84,864	2.01%	60,765	2.02%	24,099	39.66%
Short-term loans payable	353,000	8.36%	700,000	23.22%	(347,000)	-49.57%
Dividends payable	200,000	4.73%	100,000	3.32%	100,000	100.00%
Due to related parties	-	0.00%	234,000	7.76%	(234,000)	-100.00%
Total current liabilities	1,220,185	28.88%	1,278,483	42.41%	(58,298)	-4.56%
Noncurrent liabilities						
Due to related parties	659,500	15.61%	-	0.00%	659,500	100.00%
Retirement benefit liability	1,113	0.03%	1,550	0.05%	(437)	-28.19%
Total noncurrent liabilities	660,613	15.64%	1,550	0.05%	659,063	42,520.19 %
Total Liabilities	1,880,798	44.52%	1,280,033	42.47%	600,765	46.93%
EQUITY						
Capital stock	750,000	17.75%	750,000	24.88%	-	0.00%
Retained earnings	1,593,530	37.72%	984,280	32.65%	609,250	61.90%
Remeasurement of retirement liability - net of tax	560	0.01%	(41)	0.00%	601	-1,465.85%
Total Equity	2,344,090	55.48%	1,734,239	57.53%	609,851	35.17%
Total Liabilities and Equity	4,224,888	100.00%	3,014,272	100%	1,210,616	40.16%

Current Assets

Cash and cash equivalents amounted to ₱82.6 million as at December 31, 2018 which decreased by 68.70% from December 31, 2017 balance. The decrease was due basically to the net effect of operating cash flows, collection of receivables and settlement of trade and non-trade payables during the year.

Receivables decreased by 19.43% from December 31, 2017 balance of ₱1.05 billion to 2018 balance of ₱848.71 million due mainly to the net effect of collections made. Credit and collections team and its process has been strengthened to ensure timely collections from customers.

Inventories as at December 31, 2017 amounted to ₱1.26 billion. This value doubled as of December 31, 2018 mainly due to increase in level of supply in anticipation of increasing sales volume forecast.

Prepayments and other current assets increased by ₱313 million or 73.25% from December 2017 balance of ₱427.30 million. The increase was due to advance payments for excise tax and BIR seals for the current year's purchase orders which are to be shipped in 2019.

Non-current Assets

Property and equipment-net book values increased to ₱9.17 million from ₱5.10 million in December 2017 due to some acquisitions of Transportation and Delivery Equipment to support increasing volume of deliveries.

Other non-current assets increased minimally by 5.35% in 2018 mainly due to the payment of deposits on lease contract relative to the agreed rate escalations.

Current Liabilities

A**ccounts payable and accrued expenses** pertains to the trade payable to suppliers and accruals of operating expenses. The increase of ₱398.6 million or 216.96% was due to the increased level of purchases on account. Purchases relatively increased due to the significant increase in sales forecast.

I**ncome tax payable** increased by 39.66% mainly due to additional income taxes incurred relative to the increase in net taxable income during the year 2018 versus 2017.

Short-term loans payable account decreased to ₱353 million as at December 31, 2018, due to net settlements made during the year amounting to ₱347 million.

Dividends payable increased by ₱100.0 million in 2018 due to dividend declarations in 2018.

Noncurrent Liabilities

Due to related parties noncurrent increased by ₱659,500 million in 2018 mainly due to the additional advances availed during the year for working capital requirement.

Retirement benefit liability amounted to ₱1.11 million as of December 31, 2018 which decreased by 28.19% from December 31, 2017 balance of ₱1.55 million due to changes in financial and demographic assumptions as set forth in the Actuarial Valuation Report dated December 31, 2018.

Equity

Retained earnings increased by ₱609.2 million or 61.90% from ₱984.28 million in December 2017 due to profit realized by Montosco, net of cash dividend declaration of ₱100 million.

Sources and Uses of Cash

A brief summary of cash flow movements is shown below:

(In thousands)	2018	2017
Net cash from operating activities	(242,753)	(303,291)
Net cash used in investing activities	(6,804)	(2,402)
Net cash used in financing activities	68,248	228,192
Net increase (decrease) in cash and cash equivalents[1]	(181,309)	(77,501)

Note:
[1] Before impact of foreign exchange

Net cash used in operating activities during the current year is basically attributable to the cash generated from operations and effect of the net settlement of trade payable accounts, purchase of inventory and other related current operating requirements.

On the other hand, net cash used in investing activities mainly pertains to the funds used for additional assets acquisition and capital expenditures.

Net cash from financing activities principally resulted from the net settlements of bank loans and additional advances availed during the year from stockholders.

Management believes that the current levels of internally generated funds from its operating activities and its present cash position enables Montosco to meet its immediate future liquidity requirements under its current level of business operations. With its strong current financial position, this can be augmented through availments from existing untapped banking and credit facilities as and when required.

Material Events and Uncertainties

Below is the discussion and analysis of material events and uncertainties known to management that would address the past and would have an impact on future operations:

(i) Seasonal aspects that had a material effect on the financial condition or results of Montosco's operations includes retail and liquor business which sales tend to peak during the gift-giving Christmas season;

(ii) There are no changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years;

(iii) There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period;

(iv) There are no contingent liabilities or assets since the last statement of financial position period;

(v) Sources of liquidity – Funding will be sourced from internally generated cash flow;

(vi) There are no events that will trigger direct or contingent financial obligation that is material to Montosco, including any default or acceleration of an obligation;

(vii) There are no material commitments for capital expenditures other than those performed in the ordinary course of trade or business;

(viii) There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the revenues or income from continuing operations;

(ix) There are no significant elements of income not arising from continuing operations;

(x) Due to Montosco's sound financial condition, there are no foreseeable trends or events that may have material impact on its short-term or long-term liquidity.

MERITUS

STATEMENTS OF COMPREHENSIVE INCOME OF MERITUS

	Years Ended December 31		
(*in Thousands*)	**2020**	**2019**	**2018**
NET SALES	₱839,541	₱958,828	₱923,272
COST OF GOODS SOLD	682,656	780,137	722,488
GROSS PROFIT	156,885	178,691	200,784
OPERATING EXPENSES	50,023	68,814	116,291
INCOME FROM OPERATIONS	106,862	109,877	84,493
OTHER INCOME (CHARGES) - Net			
Interest expense	(5,911)	(14,786)	(1,164)
Foreign exchange losses - net	(4,490)	(4,459)	(1,499)
Interest income	141	188	1,763
Bank charges	(60)	(107)	(159)
Commission expense	-	-	(285)
	(10,320)	(19,164)	(1,344)
INCOME BEFORE INCOME TAX	96,542	90,713	83,149
PROVISION FOR INCOME TAX	29,895	28,662	25,893
NET INCOME	66,647	62,051	57,256
OTHER COMPREHENSIVE INCOME			
Item that will never be reclassified to profit or loss in subsequent periods			
Remeasurement gains on retirement benefits	200	83	947
Income tax effect	(60)	(25)	(284)
	140	58	663
TOTAL COMPREHENSIVE INCOME	₱66,787	₱62,109	₱57,919

STATEMENTS OF FINANCIAL POSITION OF MERITUS

	December 31		
(*in Thousands*)	**2020**	**2019**	**2018**
ASSETS			
Current Assets			
Cash and cash equivalents	₱48,672	₱44,277	₱52,180
Trade and other receivables	247,081	379,028	254,267
Inventories	1,053,905	717,190	561,596
Prepaid expenses and other current assets	67,473	348,493	350,652
Total Current Assets	1,417,131	1,488,988	1,218,695
Noncurrent Assets			
Right-of-use assets - net	-	2,459	5,337
Property and equipment - net	495	925	1,896
Deferred income tax assets - net	208	856	876
Other noncurrent assets	903	882	874
Total Noncurrent Assets	1,606	5,122	8,983
	₱1,418,737	₱1,494,110	₱1,227,678
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	₱147,473	₱33,793	₱51,565
Loans payable	42,000	296,000	-
Dividends payable	-	-	75,000
Income tax payable	17,354	16,214	12,018
Lease liabilities	-	2,914	3,096
Total Current Liabilities	206,827	348,921	141,679
Noncurrent Liability			
Lease liabilities - net of current portion	-	-	2,914
Retirement benefits liability	694	760	765
Total Noncurrent Liabilities	694	760	3,679
Total Liabilities	207,521	349,681	145,358
Equity			
Capital stock	750,000	750,000	750,000
Retained earnings	460,252	393,605	331,554
Accumulated remeasurements on retirement benefits	964	824	766
Total Equity	1,211,216	1,144,429	1,082,320
	₱1,418,737	₱1,494,110	₱1,227,678

SELECTED STATEMENTS OF CASH FLOWS INFORMATION OF MERITUS

(in Thousands)	Years Ended December 31		
	2020	**2019**	**2018**
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱96,542	₱90,713	₱83,149
Adjustments for:			
Depreciation and amortization	2,935	3,883	4,029
Interest expense	5,912	14,785	1,164
Interest income	(141)	(188)	(1,762)
Unrealized foreign exchange loss (gain) - net	-	3	(21)
Retirement benefits cost	135	211	220
Operating income before working capital changes	105,383	109,407	86,779
Decrease (increase) in:			
Trade and other receivables	131,947	(124,761)	82,472
Inventories	(336,715)	(155,594)	62,971
Prepaid expenses and other current assets	281,020	2,159	(108,450)
Increase (decrease) in trade and other payables	114,377	(18,516)	(2,874)
Cash generated from (used in) operations	296,012	(187,305)	120,898
Income taxes paid	(28,168)	(24,471)	(21,004)
Interest received	141	188	1,763
Retirement benefits paid	-	(132)	-
Net cash from (used in) operating activities	267,985	(211,720)	101,657
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment	(46)	(34)	(25)
Increase in other noncurrent assets	(20)	(9)	(32)
Cash used in investing activities	(66)	(43)	(57)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Loans payable	(351,000)	(98,000)	(100,000)
Advances from a stockholder	-	-	(20,000)
Dividends	-	(75,000)	-
Lease liabilities	(2,984)	(3,312)	(3,197)
Interest	(6,540)	(13,816)	(886)
Proceeds from availment of loans payable	97,000	394,000	-
Net cash from (used in) financing activities	(263,524)	203,872	(124,083)

Forward

(in Thousands)		Years Ended December 31	
	2020	**2019**	**2018**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	₱ -	(₱12)	₱22
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,395	(7,903)	(22,461)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	44,277	52,180	74,641
CASH AND CASH EQUIVALENTS AT END OF YEAR	₱48,672	₱44,277	₱52,180

KEY PERFORMANCE INDICATORS OF MERITUS

		December 31	
KEY PERFORMANCE INDICATORS	**2020**	**2019**	**2018**
Current ratio	6.85:1	4.27:1	8.60:1
Current assets to total assets	1.00:1	1.00:1	0.99:1
Debt to equity ratio	0.17:1	0.31:1	0.13:1

DISCUSSION OF THE FIGURES OF MERITUS

For The Years Ended December 31, 2020 vs December 31, 2019

The following discussion and analysis of Meritus' results of operations, financial condition and certain trends, risks and uncertainties that may affect Meritus' business should be read in conjunction with the annual audited financial statements of the company covering the years ended December 31, 2020 and 2019.

Key Performance Indicators

The following financial ratios are considered by management as key performance indicators of Meritus' operating results as well as its financial condition:

- Return on investment (Net income/ Ave. stockholders' equity) - measures the profitability of stockholders' investment
- Profit margin (Net income/ Net revenue) - measures the net income produced for each peso of sales
- EBITDA to interest expense (EBITDA/ Interest expense) – measures the ability of Meritus to pay interest of its outstanding debts
- Current ratio (Current asset/ Current liabilities) - measures the short-term debt-paying ability of Meritus
- Asset turnover (Net revenue/ Average total assets) - measures how efficiently assets are used to generate revenues
- Asset to equity ratio (Assets/ Shareholders' equity) - indicates Meritus' leverage used to finance the firm
- Debt to equity ratio (Liabilities/ Shareholders' Equity) - measure of a Meritus' financial leverage

The table below shows the key performance indicators for the past two years:

Performance Indicators	**2020**	**2019**
Return on investment	**5.66%**	**5.57%**
Profit margin	**7.94%**	**6.47%**
EBITDA to interest expense	**18.57x**	**7.70x**
Current ratio	**6.85:1**	**4.27:1**
Asset turnover	**0.58:1**	**0.70:1**
Asset to equity	**1.17:1**	**1.31:1**
Debt to equity ratio	**0.17:1**	**0.31:1**

These financial ratios were calculated based on the audited financial statements of Meritus for the years ended December 31, 2020 and 2019.

Comparative Years 2020 and 2019

The table below shows the results of operations of Meritus for the years ended December 31, 2020 and 2019:

(In Thousands)	**FY2020**	*%*	**FY2019**	*%*	**Inc (Dec)**	*%*
REVENUES	₱839,541	*100.00%*	₱958,828	*100.00%*	-₱119,287	*-12.44%*
COST OF SALES	682,656	*81.31%*	780,137	*81.36%*	-97,481	*-12.50%*
GROSS PROFIT	156,885	*18.69%*	178,691	*18.64%*	-21,806	*-12.20%*
OPERATING EXPENSES	50,023	*5.96%*	68,814	*7.18%*	-18,791	*-27.31%*

INCOME FROM OPERATIONS	106,862	*12.73%*	109,877	*11.46%*	-3,015	*-2.74%*
OTHER INCOME (CHARGES) – net	(10,320)	*-1.23%*	-19,164	*-2.00%*	8,844	*-46.15%*
INCOME BEFORE INCOME TAX	96,542	*11.50%*	90,713	*9.46%*	5,829	*6.43%*
INCOME TAX EXPENSE	29,895	*3.56%*	28,662	*2.99%*	1,233	*4.30%*
NET INCOME FOR THE YEAR	66,647	*7.94%*	62,051	*6.47%*	4,596	*7.41%*

Revenues

Meritus posted revenues of ₱839.54 million for the year ended December 31, 2020, which decreased by 12.44% from 2019. The decline is mainly attributable to the liquor bans imposed nationwide during the enhanced community quarantine lockdown that started on March 16, 2020 up to May 31, 2020 which was re-imposed in the NCR from August 4 to 18, 2020.

Cost of Sales

Cost of sales decreased by 12.50% which is parallel to the 12.44% decrease in revenues. There were no significant increases in cost, excise tax rates and other import charges in past year. However, excise tax rates significantly increased in 2020 but the effect on cost will be felt on 2021 since Meritus has a significant inventory balance at the end of 2019.

Operating Expenses

Operating expenses decreased by 27.31% or ₱18.79 million from 2019 operating expenses of ₱68.81 million due to further decreased marketing and merchandising costs. Promotional activities were limited due to pandemic. In the midst of the pandemic, Meritus ensured its relevance through its presence in social media and online channels.

Other Charges-net

Other Charges-net decreased by ₱8.84 million in 2020 compared to 2019 mainly due to the decrease in interest expense as a result of settlement of bank loans.

Net Income

Meritus realized a net income of ₱66.65 million which grew by 7.41%, mainly due to strategic cost-saving measures implemented by the segment despite of the decline in sales.

Statements of Financial Position

Shown below are the comparative financial position of Meritus:

(In Thousands)	FY2020	%	FY2019	%	Inc (Dec)	%
ASSETS						
Current Assets						
Cash and cash equivalents	₱48,672	*3.43%*	₱44,277	*2.96%*	₱4,395	*9.93%*
Receivables - net	247,081	*17.42%*	379,028	*25.37%*	-131,947	*-34.81%*
Inventories	1,053,905	*74.28%*	717,190	*48.00%*	336,715	*46.95%*
Prepayments and other current assets	67,473	*4.76%*	348,493	*23.32%*	-281,020	*-80.64%*
Total current assets	1,417,131	*99.89%*	1,488,988	*99.66%*	-71,857	*-4.83%*
Noncurrent Assets						
Property and equipment - net	495	*0.03%*	925	*0.06%*	-430	*-46.49%*
Right-of-use assets	-	*0.00%*	2,459	*0.16%*	-2,459	*-100.00%*
Deferred tax assets-net	208	*0.01%*	856	*0.06%*	-648	*-75.70%*
Other non-current assets	903	*0.06%*	882	*0.06%*	21	*2.38%*
Total noncurrent assets	1,606	*0.11%*	5,122	*0.34%*	-3,516	*-68.65%*

Total Assets	1,418,737	*100.00%*	1,494,110	*100.00%*	-75,373	*-5.04%*
LIABILITIES AND EQUITY						
Current Liabilities					-	
Accounts payable and accrued expenses	147,473	*10.39%*	33,793	*2.26%*	113,680	*336.40%*
Income tax payable	17,354	*1.22%*	16,214	*1.09%*	1,140	*7.03%*
Short-term loans payable	42,000	*2.96%*	296,000	*19.81%*	-254,000	*-85.81%*
Lease liability - current	-	*0.00%*	2,914	*0.20%*	(2,914)	*-100.00%*
Total current liabilities	206,827	*14.58%*	348,921	*23.35%*	-142,094	*-40.72%*
Noncurrent Liabilities					-	
Retirement benefit liability	694	*0.05%*	760	*0.05%*	-66	*-8.68%*
Total noncurrent liabilities	694	*0.05%*	760	*0.05%*	-66	*-8.68%*
Total Liabilities	207,521	*14.63%*	349,681	*23.40%*	-142,160	*-40.65%*
EQUITY						
Capital stock	750,000	*52.86%*	750,000	*50.20%*	-	*0.00%*
Retained earnings	460,252	*32.44%*	393,605	*26.34%*	66,647	*16.93%*
Remeasurement of retirement liability - net of tax	964	*0.07%*	824	*0.06%*	140	*16.99%*
Total Equity	1,211,216	*85.37%*	1,144,429	*76.60%*	66,787	*5.84%*
Total Liabilities and Equity	1,418,737	*100.00%*	1,494,110	*100.00%*	-75,373	*-5.04%*

Current Assets

Cash and cash equivalents amounted to ₱48.67 million as at December 31, 2020 with an increase of 9.93% from December 31, 2019 balance. This was due basically to the net effect of the net operating cash flows, collection of receivables and settlement of loans, trade and non-trade payables during the year.

Receivables decreased by 34.81% from December 31, 2019 balance of ₱379.03 million to December 31, 2020 balance of ₱247.08 million due mainly to the net effect of collections made.

Inventories increased by 46.95% from 2019 balance of ₱717.19 million to 2020 balance of ₱1.05 Billion due to scaling down of orders from customers caused by enhanced community quarantines.

Prepayments and other current assets decreased by ₱281.02 million or 80.64% at the end of December 2020, mainly due to application of prepayments made for the purchases of inventories and corresponding taxes and duties.

Non-current Assets

Property and equipment-net book values decreased by ₱0.43 million in 2020 due to depreciation charges.

Right-of-use assets (ROU) represents the values recognized from long-term lease contracts covering office space and warehouses. The book values of ROU decreased by ₱2.46 million in 2020 due principally to depreciation recognized during the same year.

Current Liabilities

A**ccounts payable and accrued expenses** pertains to the trade payable to suppliers. The increase of ₱113.68 million was primarily due to net settlements of trade and non-trade liabilities and additional accruals and purchases during the year.

Income tax payable increased by ₱1.14 million mainly due to additional income taxes incurred relative to the increase in net taxable income during the year 2020 in relation to the same period in 2019.

Short-term loans payable account decreased by ₱254 million in 2020 due to settlements made and availments of bank loans for working capital requirements.

Noncurrent Liabilities

Retirement benefit liability amounted to ₱0.69 million and ₱0.760 million as of December 31, 2020 and 2019, respectively. Minimal decrease was due to changes in assumptions as set forth in the Actuarial Valuation Report as of December 31, 2020.

Equity

Retirement benefits reserve pertains to adjustments made in compliance with the accounting standard covering employee benefits. As at December 2020 and 2019, the account amounted to ₱0.964 million and ₱0.824 million, respectively.

Retained earnings increased by ₱66.65 million or 16.93% from ₱393.61 million in December 2019 to ₱460.25 million as at December 31, 2020 due to profits realized by Meritus.

Sources and Uses of Cash

A brief summary of cash flow movements is shown below:

(In Thousands)	**2020**	**2019**
Net cash used in operating activities	₱267,985	(₱211,720)
Net cash used in investing activities	(66)	(43)
Net cash from financing activities	(263,524)	203,872
Net decrease in cash and cash equivalents	₱4,395	(₱7,891)

Net cash from and used in operating activities during the current year is basically attributable to the cash generated from operations and effect of the net settlement of trade payable accounts by the, purchase of inventory requirements and other related current operating items.

On the other hand, net cash used in investing activities mainly pertains to the funds used for additional asset acquisitions.

Net cash from and used in financing activities principally resulted from the net settlements and availment of bank loans by Meritus during the year, repayment of principal and interest relating to lease liability.

Management believes that the current levels of internally generated funds from its operating activities and its present cash position enables Meritus to meet its immediate future liquidity requirements under its current work program commitments as well as other strategic investment opportunities. With its strong current financial position, this can be augmented through availments from existing untapped banking and credit facilities as and when required.

Material Events and Uncertainties

Below is the discussion and analysis of material events and uncertainties known to management that would address the past and would have an impact on future operations:

(i) Seasonal aspects that had a material effect on the financial condition or results of Meritus operations includes retail and liquor business which sales tend to peak during the gift-giving Christmas season;

(ii) There are no changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years;

(iii) There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period;

(iv) There are no contingent liabilities or assets since the last statement of financial position period;

(v) Sources of liquidity – Funding will be sourced from internally generated cash flow;

(vi) There are no events that will trigger direct or contingent financial obligation that is material to Meritus, including any default or acceleration of an obligation;

(vii) There are no material commitments for capital expenditures other than those performed in the ordinary course of trade or business;

(viii) There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the revenues or income from continuing operations;

(ix) There are no significant elements of income not arising from continuing operations;

(x) Due to Meritus' sound financial condition, there are no foreseeable trends or events that may have material impact on its short-term or long-term liquidity.

For The Years Ended December 31, 2019 vs December 31, 2018

The following discussion and analysis of Meritus' results of operations, financial condition and certain trends, risks and uncertainties that may affect Meritus' business should be read in conjunction with the annual audited financial statements of the company for years ended December 31, 2019 and 2018.

Key Performance Indicators

The following financial ratios are considered by management as key performance indicators of Meritus' operating results as well as its financial condition:

- Return on investment (Net income/ Ave. stockholders' equity) - measures the profitability of stockholders' investment
- Profit margin (Net income/ Net revenue) - measures the net income produced for each peso of sales
- EBITDA to interest expense (EBITDA/ Interest expense) – measures the ability of Meritus to pay interest of its outstanding debts
- Current ratio (Current asset/ Current liabilities) - measures the short-term debt-paying ability of Meritus
- Asset turnover (Net revenue/ Average total assets) - measures how efficiently assets are used to generate revenues
- Asset to equity ratio (Assets/ Shareholders' equity) - indicates Meritus' leverage used to finance the firm
- Debt to equity ratio (Liabilities/ Shareholders' Equity) - measure of a Meritus' financial leverage

The table below shows the key performance indicators for the past two years:

Performance Indicators	**2019**	**2018**
Return on investment	**5.57%**	**5.37%**
Profit margin	**6.47%**	**6.20%**
EBITDA to interest expense	**7.70x**	**76.05x**
Current ratio	**4.27:1**	**8.60:1**
Asset turnover	**0.70:1**	**0.73:1**
Asset to equity	**1.31:1**	**1.13:1**
Debt to equity ratio	**0.31:1**	**0.13:1**

These financial ratios were calculated based on the audited financial statements of Meritus for the years ended December 31, 2019 and 2018.

Comparative Years 2019 and 2018[4]

The table below shows the results of operations of Meritus for the years ended December 31, 2019 and 2018:

(In Thousands)	**FY2019**	**%**	**FY2018**	**%**	**Inc (Dec)**	**%**
REVENUES	₱958,828	*100.00%*	₱923,272	*100%*	₱35,556	*3.85%*
COST OF SALES	780,137	*81.36%*	722,488	*78.25%*	57,649	*7.98%*
GROSS PROFIT	178,691	*18.64%*	200,784	*21.75%*	-22,093	*-11.00%*
OPERATING EXPENSES	68,814	*7.18%*	116,291	*12.60%*	-47,477	*-40.83%*

[4] Due to the retrospective application of PFRS 16, Meritus restated its balance sheet as of December 31, 2018 presented as comparative in Meritus audited financial statements as of December 31, 2019. See "Presentation of Financial Information" on page vii of this Prospectus.

INCOME FROM OPERATIONS	109,877	*11.46%*	84,493	*9.15%*	25,384	*30.04%*
OTHER CHARGES – net	-19,164	*-2.00%*	-1,344	*-0.15%*	-17,820	*1,325.89 %*
INCOME BEFORE INCOME TAX	90,713	*9.46%*	83,149	*9.01%*	7,564	*9.10%*
INCOME TAX EXPENSE	28,662	*2.99%*	25,893	*2.80%*	2,769	*10.69%*
NET INCOME FOR THE YEAR	62,051	*6.47%*	57,256	*6.20%*	4,795	*8.37%*

Revenues

Meritus' revenues in 2019 increased minimally by 3.85% or ₱35.56 million over its 2018 revenues of ₱923.27 million. The increase was the net effect of the growth of whisky category and the decline in brandy segment. Sales volume of brandy declined due to a higher base in 2018 which includes pipeline orders of some of its distributors.

Cost of Sales

Cost of sales ratio to revenue during 2019 increased to 81.36% from 78.25% in 2018 due to sales mix. Increase in sales volume pertains to brand category with lower GP rates. There were no significant increases in cost, excise tax rates and other import charges in past year.

Operating Expenses

Operating expenses in 2019 significantly decreased by 40.83% or ₱47.48 million as compared to the operating expenses in 2018 amounting to ₱116.29 million due to the ended contract for advertising campaign thru Bus Ads. Also, sampling activities for 2019 were decreased, instead, it increased allocation for free goods and trade deals and continued cost-saving measures that lowered merchandising expenses.

Other Income

Other Income increased by ₱17.82 million in 2019 compared to 2018 of ₱1.34 million mainly due to interest expense incurred on bank loans. The foreign currency exchange losses also increased. Majority of Meritus' foreign suppliers are in prepayment terms, thus, favourable foreign exchange rates resulted in forex losses.

Net Income

Meritus realized net income of ₱62.05 million which grew by 8.37% is mainly due to strategic cost-saving measures implemented by the company despite the very minimal increase in revenues.

Statements of Financial Position

Shown below are the comparative financial position of Meritus:

(In Thousands)	**FY2019**	*%*	**FY2018**	*%*	**Inc (Dec)**	*%*
ASSETS						
Current Assets						
Cash and cash equivalents	₱44,277	*2.96%*	₱52,180	*4.25%*	-₱7,903	*-15.15%*
Receivables - net	379,028	*25.37%*	254,267	*20.71%*	124,761	*49.07%*
Inventories	717,190	*48.00%*	561,596	*45.74%*	155,594	*27.71%*
Prepayments and other current assets	348,493	*23.32%*	350,652	*28.56%*	-2,159	*-0.62%*
Total current assets	1,488,988	*99.66%*	1,218,695	*99.27%*	270,293	*22.18%*
Noncurrent Assets						
Property and equipment - net	925	*0.06%*	1,896	*0.15%*	-971	*-51.21%*
Right-of-use assets	2,459	*0.16%*	5,337	*0.43%*	-2,878	*-53.93%*
Deferred tax assets-net	856	*0.06%*	876	*0.07%*	-20	*-2.28%*
Other non-current assets	882	*0.06%*	874	*0.07%*	8	*0.92%*
Total noncurrent assets	5,122	*0.34%*	8,983	*0.73%*	-3,861	*-42.98%*
Total Assets	1,494,110	*100.00%*	1,227,678	*100.00%*	266,432	*21.70%*

LIABILITIES AND EQUITY						
Current Liabilities						
Accounts payable and accrued expenses	33,793	*2.26%*	51,565	*4.20%*	-17,772	*-34.47%*
Income tax payable	16,214	*1.09%*	12,018	*0.98%*	4,196	*34.91%*
Short-term loans payable	296,000	*19.81%*	0	*0.00%*	296,000	*100.00%*
Lease liability - current	2,914	*0.20%*	3,096	*0.25%*	-182	*-5.88%*
Dividends payable	0	*0.00%*	75,000	*6.11%*	-75,000	*-100.00%*
Total current liabilities	348,921	*23.35%*	141,679	*11.54%*	207,242	*146.28%*
Noncurrent Liabilities						
Retirement benefit liability	760	*0.05%*	765	*0.06%*	-5	*-0.65%*
Lease Liability – non current	0	*0.00%*	2,914	*0.24%*	-2,914	*-100.00%*
Total noncurrent liabilities	760	*0.05%*	3,679	*0.30%*	-2,919	*-79.34%*
Total Liabilities	349,681	*23.40%*	145,358	*11.84%*	204,323	*140.57%*
EQUITY						
Capital stock	750,000	*50.20%*	750,000	*61.09%*	0	*0.00%*
Retained earnings	393,605	*26.34%*	331,554	*27.01%*	62,051	*18.72%*
Remeasurement of retirement liability - net of tax	824	*0.06%*	766	*0.06%*	58	*7.57%*
Total Equity	1,144,429	*76.60%*	1,082,320	*88.16%*	62,109	*5.74%*
Total Liabilities and Equity	1,494,110	*100.00%*	1,227,678	*100.00%*	266,432	*21.70%*

Current Assets

Cash and cash equivalents amounted to ₱44.28 million as at December 31, 2019 which decreased by 15.15% from December 31, 2018 balance. The decrease was due basically to the net effect of the net operating cash flows, proceeds from bank loans, collection of receivables, and settlement of trade and non-trade payables during the year.

Receivables increased by 49.07% in 2019 versus 2018 due to the effect of seasonality in customer's ordering, and extension of longer payment terms for purchases during the peak months of November and December.

Inventories increased by 27.71% in 2019 balance versus 2018 of ₱561.60 million was the result of the increase in level of supply in anticipation of increasing sales volume forecast.

Prepayments and other current assets decreased minimally by ₱2.16 million from the December 31, 2018 balance of ₱350.65 million, mainly due to the net effect of pre-payments for new orders and the application of prepayments made for the purchases of inventories and corresponding taxes and duties for shipments received in 2019.

Non-current Assets

Property and equipment-net book values decreased by ₱0.97 million in 2019 mainly due to depreciation charges. There were minimal capital expenditures in 2019.

Right-of-use assets (ROU) represents the values recognized from long-term lease contracts covering office space and warehouse. Book values of ROU decreased by 53.93% or ₱2.88 million in 2019 due principally to amortization recognized during the same year.

Current Liabilities

Accounts payable and accrued expenses pertains mainly to the trade payable to suppliers. The decrease of ₱17.77 million in 2019 was primarily due to net settlements of trade and non-trade liabilities and additional accruals and purchases during the year.

Income tax payable increased by ₱4.20 million mainly due to additional income taxes incurred relative to the increase in net taxable income during the year 2019. The timing of collection of creditable withholding taxes from customers also affected the increase.

Short-term loans payable account balance as of December 31, 2019 amounted to ₱296 million due availments of bank loans for working capital requirements.

Dividends of ₱75 million declared in 2018 were paid 2019.

Noncurrent Liabilities

Retirement benefit liability amounted to ₱0.760 million and ₱0.765 million as of December 31, 2019 and 2018, respectively. The minimal decrease pertains to the effect of changes in assumptions as of the December 31, 2019 Actuarial Valuation.

Equity

Retained earnings increased by ₱62.05 million or 18.72% from ₱331.55 million in December 2018 to ₱393.61 million as at December 31, 2019 due to profit realized by Meritus in 2019.

Sources and Uses of Cash

A brief summary of cash flow movements is shown below:

(In Thousands)	**2019**	**2018**
Net cash used in operating activities	(₱211,720)	₱101,657
Net cash used in investing activities	(43)	(57)
Net cash from financing activities	203,872	(124,083)
Net decrease in cash and cash equivalents	(₱7,891)	(₱22,483)

Net cash from and used in operating activities during the current year is basically attributable to the cash generated from operations and effect of the net settlement of trade payable accounts, purchase of inventory requirements and other related current operating items.

On the other hand, net cash used in investing activities mainly pertains to the funds used for additional asset acquisitions.

Net cash from and used in financing activities principally resulted from the net settlements and availment of bank loans by Meritus during the year, repayment of principal, dividends and interest relating to lease liability.

Management believes that the current levels of internally generated funds from its operating activities and its present cash position enables Meritus to meet its immediate future liquidity requirements under its current work program commitments as well as other strategic investment opportunities. With its strong current financial position, this can be augmented through availments from existing untapped banking and credit facilities as and when required.

Material Events and Uncertainties

Below is the discussion and analysis of material events and uncertainties known to management that would address the past and would have an impact on future operations:

(i) Seasonal aspects that had a material effect on the financial condition or results of Meritus operations includes retail and liquor business which sales tend to peak during the gift-giving Christmas season;

(ii) There are no changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years;

(iii) There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period;

(iv) There are no contingent liabilities or assets since the last statement of financial position period;

(v) Sources of liquidity – Funding will be sourced from internally generated cash flow.

(vi) There are no events that will trigger direct or contingent financial obligation that is material to Meritus, including any default or acceleration of an obligation;

(vii) There are no material commitments for capital expenditures other than those performed in the ordinary course of trade or business;

(viii) There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the revenues or income from continuing operations;

(ix) There are no significant elements of income not arising from continuing operations;

(x) Due to Meritus' sound financial condition, there are no foreseeable trends or events that may have material impact on its short-term or long-term liquidity.

For The Years Ended December 31, 2018 vs December 31, 2017

The following discussion and analysis of Meritus' results of operations, financial condition and certain trends, risks and uncertainties that may affect Meritus' business should be read in conjunction with the annual audited financial statements of the company for the years ended December 31, 2018 and 2017.

Key Performance Indicators

The following financial ratios are considered by management as key performance indicators of Meritus' operating results as well as its financial condition:

- Return on investment (Net income/ Ave. stockholders' equity) - measures the profitability of stockholders' investment
- Profit margin (Net income/ Net revenue) - measures the net income produced for each peso of sales
- EBITDA to interest expense (EBITDA/ Interest expense) – measures the ability of Meritus to pay interest of its outstanding debts
- Current ratio (Current asset/ Current liabilities) - measures the short-term debt-paying ability of Meritus
- Asset turnover (Net revenue/ Average total assets) - measures how efficiently assets are used to generate revenues
- Asset to equity ratio (Assets/ Shareholders' equity) - indicates Meritus' leverage used to finance the firm
- Debt to equity ratio (Liabilities/ Shareholders' Equity) - measure of a Meritus' financial leverage

The table below shows the key performance indicators for the past two years:

Performance Indicators	**2018**	**2017**
Return on investment	**5.37%**	**3.77%**
Profit margin	**6.20%**	**4.72%**
EBITDA to interest expense	**105.47x**	**91.01x**
Current ratio	**8.79:1**	**5.52:1**
Asset turnover	**0.74:1**	**0.68:1**
Asset to equity	**1.13:1**	**1.22:1**
Debt to equity ratio	**0.13:1**	**0.22:1**

These financial ratios were calculated based on the audited financial statements of Meritus for the years ended December 31, 2018 and 2017:

Comparative Years 2018[5] and 2017[5]

The table below shows the results of operations of Meritus for the years ended December 31, 2018 and 2017:

(In Thousands)	**FY2018**	*%*	**FY2017**	*%*	**Inc (Dec)**	*%*
REVENUES	₱923,272	*100%*	₱842,384	*100.00%*	₱80,888	*9.60%*
COST OF SALES	722,488	*78.25%*	623,615	*74.03%*	98,873	*15.85%*
GROSS PROFIT	200,784	*21.75%*	218,769	*25.97%*	-17,985	*-8.22%*
OPERATING EXPENSES	116,610	*12.63%*	155,929	*18.51%*	-39,319	*-25.22%*

[5] The amounts presented for 2018 and 2017 in this analysis are based on the issued 2018 Audited Financial Statements, which was prior to the adoption of PFRS 16.

INCOME FROM OPERATIONS	84,174	*9.12%*	62,840	*7.46%*	21,334	*33.95%*
OTHER INCOME (CHARGES) – net	-989	*-0.11%*	-4,738	*-0.56%*	3,749	*-79.13%*
INCOME BEFORE INCOME TAX	83,185	*9.01%*	58,102	*6.90%*	25,083	*43.17%*
INCOME TAX EXPENSE	25,903	*2.81%*	18,348	*2.18%*	7,555	*41.18%*
NET INCOME FOR THE YEAR	57,282	*6.20%*	39,754	*4.72%*	17,528	*44.09%*

Revenues

Meritus posted revenues of ₱923.27 million during the year ended December 31, 2018, which increased by 9.60% from 2017 revenues of ₱842.38 million. The increase was mainly driven by its brandy portfolio which includes Fundador and Alhambra Light.

Cost of Sales

Cost of sales ratio to revenue during 2018 increased to 78.25% from 74.03% in 2017 due to sales mix. There were no significant increase in cost, excise tax rates and other import charges in past year. The minimal increase in customers' conditional discounts in 2018 also affected the cost of sales ratio to revenues.

Operating Expenses

Operating expenses in 2018 significantly decreased by 25.22% or ₱39.32 million as compared to the operating expenses in 2017 amounting to ₱155.93 million due to the decrease in advertising campaigns such as Bus Ads and Jeepney Toppers. Meritus, instead, increased its sampling activities and strengthened merchandising to ensure presence in the market.

Other Income

Other charges decreased by 79.13% in 2018 compared to 2017 mainly due to foreign currency adjustments. Majority of Meritus foreign suppliers are in prepayment terms, thus, favourable foreign exchange rates resulted in decrease in forex losses.

Net Income

Meritus realized a net income of ₱57.28 million which grew by 44.09% from its net income of ₱39.75 million mainly due to strategic cost-saving measures implemented by the segment despite of the lower growth in revenues.

Statements of Financial Position

Shown below are the comparative financial position of Meritus:

(In Thousands)	**FY2018**	*%*	**FY2017**	*%*	**Inc (Dec)**	*%*
ASSETS						
Current Assets						
Cash and cash equivalents	₱52,180	*4.27%*	₱74,641	*5.82%*	-₱22,461	*-30.09%*
Receivables - net	254,267	*20.80%*	336,739	*26.25%*	-82,472	*-24.49%*
Inventories	561,596	*45.95%*	624,567	*48.68%*	-62,971	*-10.08%*
Prepayments and other current assets	350,652	*28.69%*	242,203	*18.88%*	108,449	*44.78%*
Total current assets	1,218,695	*99.71%*	1,278,150	*99.62%*	-59,455	*-4.65%*
Noncurrent Assets						
Property and equipment - net	1,896	*0.16%*	3,021	*0.24%*	-1,125	*-37.24%*
Deferred tax assets-net	783	*0.06%*	999	*0.08%*	-216	*-21.62%*
Other non-current assets	874	*0.07%*	842	*0.07%*	32	*3.80%*
Total noncurrent assets	3,553	*0.29%*	4,862	*0.38%*	-1,309	*-26.92%*
Total Assets	1,222,248	*100.00%*	1,283,012	*100.00%*	-60,764	*-4.74%*
LIABILITIES AND EQUITY						

Current Liabilities						
Accounts payable and accrued expenses	51,565	*4.22%*	54,514	*4.25%*	-2,949	*-5.41%*
Income tax payable	12,018	*0.98%*	7,051	*0.55%*	4,967	*70.44%*
Short-term loans payable	0	*0.00%*	100,000	*7.79%*	-100,000	*-100.00%*
Advances from Parent Company		*0.00%*	20,000	*1.56%*	-20,000	*-100.00%*
Dividends payable	75,000	*6.14%*	50,000	*3.90%*	25,000	*50.00%*
Total current liabilities	138,583	*11.34%*	231,565	*18.05%*	-92,982	*-40.15%*
Noncurrent Liabilities						
Retirement benefit liability	765	*0.06%*	1,492	*0.12%*	-727	*-48.73%*
Accrued rent expense	361	*0.03%*	361	*0.03%*	0	*0.00%*
Total noncurrent liabilities	1,126	*0.090%*	1,853	*0.14%*	-727	*-39.23%*
Total Liabilities	139,709	*11.43%*	233,418	*18.19%*	-93,709	*-40.15%*
EQUITY						
Capital stock	750,000	*61.36%*	750,000	*58.46%*	0	*0.00%*
Retained earnings	331,774	*27.14%*	299,491	*23.34%*	32,283	*10.78%*
Remeasurement of retirement liability - net of tax	765	*0.06%*	103	*0.01%*	662	*642.72%*
Total Equity	1,082,539	*88.57%*	1,049,594	*81.81%*	32,945	*3.14%*
Total Liabilities and Equity	1,222,248	*100.00%*	1,283,012	*100.00%*	-60,764	*-4.74%*

Current Assets

Cash and cash equivalents amounted to ₱52.18 million as at December 31, 2018 with a decrease of 30.09% from December 31, 2017 balance of ₱74.64 million. The decrease is due basically to the net effect of the net operating cash flows, payment of loans, and collection of receivables and settlement of trade and non-trade payables during the year.

Receivables decreased by 24.49% from December 31, 2017 balance of ₱336.74 million to December 31, 2018 balance of ₱254.27 million due mainly to the net effect of collections made. Credit and collection team continuously strengthen its process to ensure timely collection of receivables.

Inventories decreased minimally by 10.08% from 2017 balance of ₱624.57 million to 2018 balance of ₱561.60 million due to timing of arrivals of orders.

Prepayments and other current assets increased by 44.78% or ₱108.45 million as of December 31, 2018, mainly due to the net effect of prepayments to suppliers for new orders and application of prepayments made for the purchases of inventories and its corresponding taxes and duties.

Non-current Assets

Property and equipment-net book values decreased by ₱1.13 million in 2018 mainly due to depreciation charges of the current year. There were only minimal acquisitions of office equipment and furniture in 2018.

Current Liabilities

Accounts Payable and accrued expenses pertain to the trade payable to suppliers and nontrade payable for operating costs. The account decreased minimally by ₱2.95 million as of December 31, 2018 from the balance of ₱54.5 million as of December 31, 2017 primarily due to net settlements of trade and non-trade liabilities and purchases during the year. The decrease in operating expenses also lowered the balance of nontrade payables in 2018.

Income tax payable increased by 70.44% or ₱4.97 million mainly due to additional income taxes incurred relative to the increase in net taxable income during the year 2018.

Short-term loans payable account decreased by ₱100 million in 2018 due to full payment made.

Noncurrent Liabilities

Retirement benefit liability amounted to ₱0.76 million and ₱1.49 million as of December 31, 2018 and 2017, respectively. The decrease was due to changes in financial and demographic assumptions as set forth in the Actuarial Valuation Report prepared for December 31, 2018.

Equity

Retained earnings increased by ₱32.28 million or 10.78% due to profit realized by Meritus net of the cash dividends declared amounting to ₱25.0 million.

Sources and Uses of Cash

A brief summary of cash flow movements is shown below:

(In Thousands)	**2018**	**2017**
Net cash used in operating activities	₱98,460	(₱84,618)
Net cash used in investing activities	(57)	(705)
Net cash from financing activities	(120,886)	69,370
Net decrease in cash and cash equivalents before impact of foreign exchange	(₱22,483)	(₱15,953)

Net cash from and used in operating activities during the current year is basically attributable to the cash generated from operations and effect of the net settlement of trade payable accounts by the purchase of inventory requirements and other related current operating items.

On the other hand, net cash used in investing activities mainly pertains to the funds used for additional asset acquisitions.

Net cash from and used in financing activities principally resulted from the net settlements and availment of bank loans by Meritus during the year.

Management believes that the current levels of internally generated funds from its operating activities and its present cash position enables Meritus to meet its immediate future liquidity requirements under its current work program commitments as well as other strategic investment opportunities. With its strong current financial position, this can be augmented through availments from existing untapped banking and credit facilities as and when required.

Material Events and Uncertainties

Below is the discussion and analysis of material events and uncertainties known to management that would address the past and would have an impact on future operations:

(i) Seasonal aspects that had a material effect on the financial condition or results of Meritus operations includes retail and liquor business which sales tend to peak during the gift-giving Christmas season;

(ii) There are no changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years;

(iii) There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period;

(iv) There are no contingent liabilities or assets since the last statement of financial position period;

(v) Sources of liquidity – Funding will be sourced from internally generated cash flow.

(vi) There are no events that will trigger direct or contingent financial obligation that is material to Meritus, including any default or acceleration of an obligation;

(vii) There are no material commitments for capital expenditures other than those performed in the ordinary course of trade or business;

(viii) There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the revenues or income from continuing operations;

(ix) There are no significant elements of income not arising from continuing operations;

(x) Due to Meritus' sound financial condition, there are no foreseeable trends or events that may have material impact on its short-term or long-term liquidity.

PREMIER

STATEMENTS OF COMPREHENSIVE INCOME OF PREMIER

	Years Ended December 31		
(in Thousands)	**2020**	**2019**	**2018**
NET SALES	₱1,221,017	₱1,603,044	₱2,368,581
COST OF GOODS SOLD	985,374	1,348,454	2,011,405
GROSS PROFIT	235,643	254,590	357,176
OPERATING EXPENSES	127,052	158,406	269,225
INCOME FROM OPERATIONS	108,591	96,184	87,951
SHARE IN NET LOSSES OF AN ASSOCIATE	(24,833)	(8,763)	-
OTHER CHARGES - Net	(10,993)	(20,574)	(21,426)
INCOME BEFORE INCOME TAX	72,765	66,847	66,525
PROVISION FOR INCOME TAX	30,030	19,808	14,193
NET INCOME	42,735	47,039	52,332
OTHER COMPREHENSIVE INCOME (LOSS)			
Item that will never be reclassified to profit or loss in subsequent periods			
Remeasurement gain (loss) on retirement benefits	(707)	(1,510)	9,019
Deferred income tax	212	453	(2,706)
	(495)	(1,057)	6,313
TOTAL COMPREHENSIVE INCOME	₱42,240	₱45,982	₱58,645

STATEMENTS OF FINANCIAL POSITION OF PREMIER

	December 31		
(*in Thousands*)	**2020**	**2019**	**2018**
ASSETS			
Current Assets			
Cash and cash equivalents	₱308,362	₱229,951	₱130,921
Trade and other receivables - net	311,201	498,148	796,755
Inventories	673,735	599,727	564,920
Prepaid expenses and other current assets	29,848	247,347	374,741
Total Current Assets	1,323,146	1,575,173	1,867,337
Noncurrent Assets			
Right-of-use assets - net	85,718	4,851	14,626
Property and equipment - net	12,653	6,541	7,773
Deferred income tax assets - net	4,554	3,705	3,920
Investment in an associate - net	93,361	118,194	-
Other noncurrent assets	5,793	3,203	2,808
Total Noncurrent Assets	202,079	136,494	29,127
	₱1,525,225	₱1,711,667	₱1,896,464
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	₱112,901	₱135,073	₱203,397
Due to related parties	192,700	192,852	297,700
Income tax payable	15,398	213	5,627
Loans payable	-	313,000	357,000
Dividends payable	100,000	100,000	100,000
Lease liabilities - current	29,032	5,425	10,833
Provision	11,975	13,901	13,901
Total Current Liabilities	462,006	760,464	988,458
Noncurrent Liabilities			
Lease liabilities - net of current portion	68,683	1,268	6,693
Retirement benefits liability	11,564	9,203	6,562
Total Noncurrent Liabilities	80,247	10,471	13,255
Total Liabilities	542,253	770,935	1,001,713
Equity			
Capital stock	150,000	150,000	150,000
Additional paid-in capital	1,500	1,500	1,500
Retained earnings	827,046	784,311	737,273
Accumulated remeasurements on retirement benefits	4,426	4,921	5,978
Total Equity	982,972	940,732	894,751
	₱1,525,225	₱1,711,667	₱1,896,464

SELECTED STATEMENTS OF CASH FLOWS INFORMATION OF PREMIER

(in Thousands)	Years Ended December 31		
	2020	**2019**	**2018**
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱72,765	₱66,847	₱66,525
Adjustments for:			
Depreciation and amortization	18,816	12,820	12,434
Interest expense	13,331	24,951	20,338
Provision for probable losses	-	-	8,153
Share in net loss of an associate	24,833	8,763	-
Interest income	(2,141)	(1,398)	(354)
Unrealized foreign exchange loss (gain) - net	(83)	(1,315)	985
Retirement benefits cost	1,653	1,130	1,348
Operating income before working capital changes	129,174	111,798	109,429
Decrease (increase) in:			
Trade and other receivables	187,060	298,607	(34,771)
Inventories	(74,008)	(34,807)	129,877
Prepaid expenses and other current assets	217,500	127,394	(307,590)
Decrease in trade and other payables	(23,923)	(63,692)	(79,534)
Cash generated from (used in) operations	435,803	439,300	(182,589)
Income taxes paid	(17,407)	(24,554)	(33,352)
Interest received	2,141	1,398	354
Net cash from (used in) operating activities	420,537	416,144	(215,587)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment	(10,168)	(1,814)	(7,275)
Increase in other noncurrent assets	(2,590)	(395)	(486)
Acquisition of shares of stock of an associate	-	(126,957)	-
Cash used in investing activities	(12,758)	(129,166)	(7,761)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Advances from a stockholder	(152)	(104,848)	-
Loans payable	(313,000)	(170,000)	(130,000)
Lease liabilities	(6,162)	(11,420)	(10,447)
Interest	(10,054)	(27,680)	(16,224)
Proceeds from availment of loans payable	-	126,000	437,000
Net cash from (used in) financing activities	(329,368)	(187,948)	280,329
NET INCREASE IN CASH AND CASH EQUIVALENTS	78,411	99,030	56,981
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	229,951	130,921	73,940
CASH AND CASH EQUIVALENTS AT END OF YEAR	₱308,362	₱229,951	₱130,921

KEY PERFORMANCE INDICATORS OF PREMIER

	December 31		
KEY PERFORMANCE INDICATORS	**2020**	**2019**	**2018**
Current ratio	2.86:1	2.07:1	1.89:1
Current assets to total assets	0.87:1	0.92:1	0.98:1
Debt to equity ratio	0.55:1	0.82:1	1.12:1

DISCUSSION OF THE FIGURES OF PREMIER

For The Years Ended December 31, 2020 vs December 31, 2019

The following discussion and analysis of Premier's results of operations, financial condition and certain trends, risks and uncertainties that may affect Premier's business should be read in conjunction with the annual audited financial statements of the company for the years ended December 31, 2020 and 2019.

Key Performance Indicators

The following financial ratios are considered by management as key performance indicators of Premier's operating results as well as its financial condition:

- Return on investment (Net income/ Ave. stockholders' equity) - measures the profitability of stockholders' investment
- Profit margin (Net income/ Net revenue) - measures the net income produced for each peso of sales
- EBITDA to interest expense (EBITDA/ Interest expense) – measures the ability of Premier to pay interest of its outstanding debts
- Current ratio (Current asset/ Current liabilities) - measures the short-term debt-paying ability of Premier
- Asset turnover (Net revenue/ Average total assets) - measures how efficiently assets are used to generate revenues
- Asset to equity ratio (Assets/ Shareholders' equity) - indicates Premier's leverage used to finance the firm
- Debt to equity ratio (Liabilities/ Shareholders' Equity) - measure of a Premier's financial leverage

The table below shows the key performance indicators for the past two years:

Performance Indicators	**2020**	**2019**
Return on investment	**4.44%**	**5.13%**
Profit margin	**3.50%**	**2.93%**
EBITDA to interest expense	**9.56x**	**4.40x**
Current ratio	**2.86:1**	**2.07:1**
Asset turnover	**0.75:1**	**0.89:1**
Asset to equity	**1.55:1**	**1.82:1**
Debt to equity ratio	**0.55:1**	**0.82:1**

These financial ratios were calculated based on the audited financial statements of Premier for the years ended December 31, 2020 and 2019.

Analysis of Financial Performance

Comparative Years 2020 and 2019

The table below shows the results of operations of Premier for the years ended December 31, 2020 and 2019:

(In Thousands)	**FY2020**	*%*	**FY2019**	*%*	**Inc (Dec)**	*%*
REVENUES	₱1,221,017	100.00%	₱1,603,044	100.00%	(₱382,027)	-23.83%
COST OF SALES	985,374	80.70%	1,348,454	84.12%	(363,080)	-26.93%

GROSS PROFIT	235,643	19.30%	254,590	15.88%	(18,947)	-7.44%
OPERATING EXPENSES	127,052	10.41%	158,406	9.88%	(31,354)	-19.79%
INCOME FROM OPERATIONS	108,591	8.89%	96,184	6.00%	12,407	12.90%
SHARE IN NET LOSSES OF AN ASSOCIATE	-24,833	-2.03%	-8,763	-0.55%	-16,070	183.38 %
OTHER CHARGES - net	-10,993	-0.90%	-20,574	-1.28%	9,581	-46.57%
INCOME BEFORE INCOME TAX	72,765	5.96%	66,847	4.17%	5,918	8.85%
INCOME TAX EXPENSE	30,030	2.46%	19,808	1.24%	10,222	51.61%
NET INCOME FOR THE YEAR	42,735	3.50%	47,039	2.93%	(4,304)	-9.15%

Revenues

Premier posted revenues of ₱1.22 billion during the year ended December 31, 2020, which decreased by 23.83% from its 2019 level. The decline is mainly attributable to the impact of COVID-19 mobility restrictions particularly the liquor bans imposed nationwide during the enhanced community quarantine lockdown that started on March 16, 2020 up to May 31, 2020 which was re-imposed in the NCR from August 4 to 18, 2020.

Cost of Sales

Cost of sales rate has improved in 2020 with a rate of 80.70% compared to 84.12% in 2019. This significant improvement was due to the effect of price increase and the decrease in discounts to customers.

Share in net Loss of an Associate

Share in net loss on investment to Pernod in 2020 amounted to ₱24.83 million.

Operating Expenses

Operating expenses decreased by 19.79% as compared to 2019 due mainly the decrease in revenues and cost saving measures in response to the decline in sales caused by the pandemic. Premier strengthened its position and ensures relevance through presence in social media and online channels.

Other Charges

Other charges decreased by 46.57% from its 2019 amount of ₱20.57 million basically due to net effect of interest income on time deposits and interest paid loans and advances.

Net Income

During the year ended December 31, 2020, Premier realized net income of ₱42.73 million which decreased by 9.15% mainly due to the decline in sales as a result of community lockdowns during the year.

Analysis of Financial Position

Shown below are the comparative financial position of Premier as of December 31, 2020 and 2019:

(In Thousands)	**FY2020**	*%*	**FY2019**	*%*	**Inc (Dec)**	**%**
ASSETS						
Current Assets						
Cash and cash equivalents	₱308,362	20.22%	₱229,951	13.43%	₱78,411	34.10%
Receivables - net	311,201	20.40%	498,148	29.10%	(186,947)	-37.53%

Inventories	673,735	44.17%	599,727	35.04%	74,008	12.34%
Prepayments and other current assets	29,848	1.96%	247,347	14.45%	(217,499)	-87.93%
Total current assets	1,323,146	86.75%	1,575,173	92.03%	(252,027)	-16.00%
Noncurrent Assets						
Property and equipment - net	12,653	0.83%	6,541	0.38%	6,112	93.44%
Right-of-use assets	85,718	5.62%	4,851	0.28%	80,867	1667.02 %
Investments	93,361	6.12%	118,194	6.91%	(24,833)	-21.01%
Deferred tax assets - net	4,554	0.30%	3,705	0.22%	849	22.91%
Other non-current assets	5,793	0.38%	3,203	0.19%	2,590	80.86%
Total noncurrent assets	202,079	13.25%	136,494	7.97%	65,585	48.05%
Total Assets	1,525,225	100.00%	1,711,667	100.00%	(186,442)	-10.89%
LIABILITIES AND EQUITY						
Current Liabilities						
Accounts payable and accrued expenses	112,901	7.40%	135,073	7.89%	(22,172)	-16.41%
Income tax payable	15,398	1.01%	213	0.01%	15,185	7129.11 %
Short-term loans payable	-	0.00%	313,000	18.29%	(313,000)	-100.00%
Dividends payable	100,000	6.56%	100,000	5.84%	-	0.00%
Lease liability	29,032	1.90%	5,425	0.32%	23,607	435.15%
Due to related parties	192,700	12.63%	192,852	11.27%	(152)	-0.08%
Other current liabilities	11,975	0.79%	13,901	0.81%	(1,926)	-13.86%
Total current liabilities	462,006	30.29%	760,464	44.43%	(298,458)	-39.25%
Noncurrent Liabilities						
Retirement benefit liability	11,564	0.76%	9,203	0.54%	2,361	25.65%
Lease liability-net of current portion	68,683	4.50%	1,268	0.07%	67,415	5316.64 %
Total noncurrent liabilities	80,247	5.26%	10,471	0.61%	69,776	666.37%
Total Liabilities	542,253	35.55%	770,935	45.04%	(228,682)	-29.66%
EQUITY						
Capital stock	150,000	9.83%	150,000	8.76%	-	0.00%
Additional paid-in capital	1,500	0.10%	1,500	0.09%	-	0.00%
Accumulated remeasurements on retirement benefits	4,426	0.29%	4,921	0.29%	(495)	-10.06%
Retained earnings	827,046	54.22%	784,311	45.82%	42,735	5.45%
Total Equity	982,972	64.45%	940,732	54.96%	42,240	4.49%
Total Liabilities and Equity	1,525,225	100.00%	1,711,667	100.00%	(186,442)	-10.89%

Current Assets

Cash and cash equivalents amounted to ₱308.36 million, ₱229.95 million as at December 31, 2020 and December 31, 2019, respectively. The increase was due basically to the net effect of the net operating cash flows, collection of receivables and settlement of trade and non-trade payables during the year.

Receivables decreased by 37.53% from December 31, 2019 balance of ₱498.15 million to 2020 balance of ₱311.20 million due mainly to the net effect of collections made. Collection efforts has been strengthened to ensure timely collections from customers.

Inventories increased by 12.34% from December 31, 2019 balance of ₱599.73 million to 2020 balance of ₱673.74 million due principally to lower sales during the year particularly the corresponding scaling down of orders from customers caused by enhanced community quarantine.

Prepayments and other current assets decreased by 87.93% from December 31, 2019 balance of ₱247.35 million to 2020 balance of ₱29.85 million was mainly due to minimal advances to suppliers made during and application of previous advances to purchases for current year.

Non-current Assets

Property and equipment-net book value as of December 31, 2020 increased by 93.44% from its December 31, 2019 balance due to some capital expenditures for leasehold improvements.

Right-of-use assets (ROU) represents the values recognized from long-term lease contracts covering office space and warehouses. Significant increase in book value of ROU as of December 31, 2020 amounting to ₱80.867 million was due principally to additional ROU assets recognized from new lease contracts entered into, net of amortization recognized during the same year.

Investments in an associate decreased by ₱24.83 million or 21.01% in 2020 mainly due to the recognition of share in the loss of investee.

Other non-current assets increased by ₱2.59 million in mainly due to the payment of deposits on lease.

Current Liabilities

Accounts payable and accrued expenses mainly pertains to the trade payable to suppliers. In December 31, 2020, balance of ₱112.90 million decreased by 16.41% from December 31, 2019 balance of ₱135.07 million were primarily due to settlements of trade and non-trade liabilities

I**ncome tax payable** significantly increased by ₱15.19 million mainly due to higher income taxes incurred relative to the increase in net taxable income during the year.

Short-term loans payable decreased in 2020 due to full settlements made.

Lease liabilities due within one-year account increased by ₱23.607 million from ₱5.43 million in December 2019 to ₱29.032 million in December 2020 due principally to the net effect of additional leases, interest expense amortization recognized and lease payments made during the current period.

Noncurrent Liabilities

Lease liabilities net of current portion represents the values recognized from long-term lease contracts covering office space and warehouses. Account balance account increased by ₱67.42 million from ₱1.27 million in December 2019 to ₱68.68 million in December 2020 due principally to the net effect of additional leases, and the reclassification to current portion for the interest expense amortization recognized and lease payments made during the current period.

Retirement benefit liability increased to ₱11.56 million in 2020. The increase of ₱2.36 million from the 2019 balance was due to changes in financial and demographic assumptions as set forth in the Actuarial Valuation Report for December 31, 2020.

Equity

Accumulated remeasurements on retirement benefits pertain to adjustments made in compliance with the accounting standard covering employee benefits. As at December 2020 and 2019, the account balances amounted to ₱4.43 million and ₱4.92 million, respectively.

Retained earnings increased in December 2020 by ₱42.74 million or 5.45% from ₱784.31 million to ₱827.05 million due to profit realized by the company.

Sources and Uses of Cash

A brief summary of cash flow movements is shown below:

(In Thousands)	**2020**	**2019**

Net cash used in operating activities	₱420,537	₱416,144
Net cash used in investing activities	(12,758)	(129,166)
Net cash from financing activities	(329,368)	(187,948)
Net decrease in cash and cash equivalents	₱78,411	₱99,030

Net cash generated from operating activities is basically attributable to the net cash generated from operations and effect of the net settlement of trade payable accounts by the purchase of inventory requirements and other related current operating items.

On the other hand, net cash used in investing activities mainly pertains to the funds used for additional assets acquisition and some capital expenditures.

Net cash used in financing activities principally resulted from the net settlements and availment of bank loans for working capital requirements and payments for lease liabilities

Management believes that the current levels of internally generated funds from its operating activities and its present cash position enables Premier to meet its immediate future liquidity requirements under its current level of business. With its strong current financial position, this can be augmented through availments from existing untapped banking and credit facilities as and when required.

Material Events and Uncertainties

Below is the discussion and analysis of material events and uncertainties known to management that would address the past and would have an impact on future operations:

(i) Seasonal aspects that had a material effect on the financial condition or results of Premier's operations includes retail and liquor business which sales tend to peak during the gift-giving Christmas season;

(ii) There are no changes in estimates of amounts reported in the current financial year or changes in estimates of amounts reported in prior financial years;

(iii) There are no material events subsequent to the end of the period that have not been reflected in the financial statements;

(iv) There are no contingent liabilities or assets since the last statement of financial position period;

(v) Sources of liquidity – Funding will be sourced from internally generated cash flows;

(vi) There are no events that will trigger direct or contingent financial obligation that is material to Premier, including any default or acceleration of an obligation;

(vii) There are no material commitments for capital expenditures other than those performed in the ordinary course of trade or business;

(viii) There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the revenues or income from continuing operations;

(ix) There are no significant elements of income not arising from continuing operations;

(x) Due to Premier's sound financial condition, there are no foreseeable trends or events that may have material negative impact on its short-term or long-term liquidity.

For The Years Ended December 31, 2019 vs December 31, 2018

The following discussion and analysis of Premier's results of operations, financial condition and certain trends, risks and uncertainties that may affect Premier's business should be read in conjunction with the annual audited financial statements of the company for the years ended December 31, 2019 and 2018.

Key Performance Indicators

The following financial ratios are considered by management as key performance indicators of Premier's operating results as well as its financial condition:

- Return on investment (Net income/ Ave. stockholders' equity) - measures the profitability of stockholders' investment
- Profit margin (Net income/ Net revenue) - measures the net income produced for each peso of sales
- EBITDA to interest expense (EBITDA/ Interest expense) – measures the ability of Premier to pay interest of its outstanding debts
- Current ratio (Current asset/ Current liabilities) - measures the short-term debt-paying ability of Premier
- Asset turnover (Net revenue/ Average total assets) - measures how efficiently assets are used to generate revenues
- Asset to equity ratio (Assets/ Shareholders' equity) - indicates Premier's leverage used to finance the firm
- Debt to equity ratio (Liabilities/ Shareholders' Equity) - measure of a Premier's financial leverage

The table below shows the key performance indicators for the past two years:

Performance Indicators	2019	2018
Return on investment	**5.13%**	**6.05%**
Profit margin	**2.93%**	**2.21%**
EBITDA to interest expense	**4.40x**	**4.94x**
Current ratio	**2.07:1**	**1.89:1**
Asset turnover	**0.89:1**	**1.34:1**
Asset to equity	**1.82:1**	**2.12:1**
Debt to equity ratio	**0.82:1**	**1.12:1**

These financial ratios were calculated based on the audited financial statements of Premier for the years ended December 31, 2019 and 2018:

Analysis of Financial Performance

Comparative Years 2019 and 2018[6], as restated

The table below shows the results of operations of Premier for the years ended December 31, 2019 and 2018:

(In Thousands)	FY2019	%	FY2018	%	Inc (Dec)	%
REVENUES	1,603,044	100.00%	2,368,581	100.00%	(765,537)	-32.32%

[6] Due to the retrospective application of PFRS 16, Premier restated its balance sheet as of December 31, 2018 presented as comparative in Premier audited financial statements as of December 31, 2019. See "Presentation of Financial Information" on page vii of this Prospectus.

COST OF SALES	1,348,454	84.12%	2,011,405	84.92%	(662,951)	-32.96%
GROSS PROFIT	254,590	15.88%	357,176	15.08%	(102,586)	-28.72%
OPERATING EXPENSES	158,406	9.88%	269,225	11.37%	(110,819)	-41.16%
INCOME FROM OPERATIONS	96,184	6.00%	87,951	3.71%	8,233	9.36%
SHARE IN NET LOSS ON INVESTMENT IN AN ASSOCIATE	-8,763	-0.55%	0.00%	0.00%	(8,763)	100.00%
OTHER INCOME (CHARGES) - net	-20,574	-1.28%	(21,426)	-0.90%	852	-3.98%
INCOME BEFORE INCOME TAX	66,847	4.17%	66,525	2.81%	322	0.48%
INCOME TAX EXPENSE	19,808	1.24%	14,193	0.60%	5,615	39.56%
NET INCOME FOR THE YEAR	47,039	2.93%	52,332	2.21%	(5,293)	-10.11%

Revenues

Premier posted a revenue of ₱1.603 billion during the year ended December 31, 2019, which decreased by 32.32 % versus 2018. The decline is mainly attributable to the transfer of distribution of Pernod brand to a separate joint venture company, Pernod Ricard Philippines, Inc. (Pernod), wherein Premier has a 30% equity interest.

Cost of Sales

Premier's cost of sales rate has minimal improvement in 2019 with a rate of 84.12% compared to 84.92% in 2018. This improvement was due to the effect of price increase and the decrease in discounts to customers.

Operating Expenses

Premier's operating expenses during 2019 decreased by 41.16% as compared to 2018 due mainly to the decreased in marketing expenses which includes trade deals, bundling and samplings related to Pernod. Distribution costs significantly decreased as a result of decrease in revenues.

Share in loss on investment to Pernod in 2019 amounted to ₱8.76 million.

Other Charges

Other charges of Premier in 2019 decreased by 3.98% from its 2018 amount of ₱21.43 million basically due to net effect of interest income on cash in bank and interest paid on loans and advances.

Net Income

During the year ended December 31, 2019 Premier realized net income of ₱47.039 million in 2019 which decreased by 10.11% versus 2018 mainly due to the decline in sales as a result of the transfer of distribution to Pernod products.

Analysis of Financial Position

Shown below are the comparative financial position of Premier as of December 31, 2019 and 2018:

(In Thousands)	**FY2019**	%	**FY2018**	%	**Inc (Dec)**	**%**
ASSETS						
Current Assets						

Cash and cash equivalents	229,951	13.43%	130,921	6.90%	99,030	75.64%
Receivables - net	498,148	29.10%	796,755	42.01%	(298,607)	-37.48%
Inventories	599,727	35.04%	564,920	29.79%	34,807	6.16%
Prepayments and other current assets	247,347	14.45%	374,741	19.76%	(127,394)	-34.00%
Total current assets	1,575,173	92.03%	1,867,337	98.46%	(292,164)	-15.65%
Noncurrent Assets						
Property and equipment - net	6,541	0.38%	7,773	0.41%	(1,232)	-15.85%
Right-of-use assets	4,851	0.28%	14,626	0.77%	(9,775)	-66.83%
Investments	118,194	6.91%	-	0.00%	118,194	100%
Deferred tax assets - net	3,705	0.22%	3,920	0.21%	(215)	-5.48%
Other non-current assets	3,203	0.19%	2,808	0.15%	395	14.07%
Total noncurrent assets	136,494	7.97%	29,127	1.54%	107,367	368.62%
Total Assets	1,711,667	100.00%	1,896,464	100.00%	(184,797)	-9.74%
LIABILITIES AND EQUITY						
Current Liabilities						
Accounts payable and accrued expenses	135,073	7.89%	203,397	10.73%	(68,324)	-33.59%
Income tax payable	213	0.01%	5,627	0.30%	(5,414)	-96.21%
Short-term loans payable	313,000	18.29%	357,000	18.82%	(44,000)	-12.32%
Dividends payable	100,000	5.84%	100,000	5.27%	-	0.00%
Lease liability	5,425	0.32%	10,833	0.57%	(5,408)	-49.92%
Due to related parties	192,852	11.27%	297,700	15.70%	(104,848)	-35.22%
Other current liabilities	13,901	0.81%	13,901	0.73%	-	0.00%
Total current liabilities	760,464	44.43%	988,458	52.12%	(227,994)	-23.07%
Noncurrent Liabilities						
Retirement benefit liability	9,203	0.54%	6,562	0.35%	2,641	40.25%
Lease liability-net of current portion	1,268	0.07%	6,693	0.35%	(5,425)	-81.05%
Total noncurrent liabilities	10,471	0.61%	13,255	0.70%	(2,784)	-21.00%
Total Liabilities	770,935	45.04%	1,001,713	52.82%	(230,778)	-23.04%
EQUITY						
Capital stock	150,000	8.76%	150,000	7.91%	-	0.00%
Additional paid-in capital	1,500	0.09%	1,500	0.08%	-	0.00%
Remeasurement of retirement liability - net of tax	4,921	0.29%	5,978	0.32%	(1,057)	-17.68%
Retained earnings	784,311	45.82%	737,273	38.88%	47,038	6.38%
Total Equity	940,732	54.96%	894,751	47.18%	45,981	5.14%
Total Liabilities and Equity	1,711,667	100.00%	1,896,464	100.00%	(184,797)	-9.74%

Current Assets

Cash and cash equivalents amounted to ₱229.95 million and ₱130.92 million as at December 31, 2019 and December 31, 2018, respectively. The increase was due basically to the net effect of the net operating cash flows, collection of receivables and settlement of trade and non-trade payables during the year.

Receivables decreased by 37.48% from December 31, 2018 balance of ₱796.76 million to 2019 balance of ₱498.15 million due mainly to the net effect of collections made. Credit and collections team and its process has been strengthened to ensure timely collections from customers.

Inventories increased by 6.16% from December 31, 2018 balance of ₱564.92 million to 2019 balance of P599.73 million was due to the net effect of increases in revenues and stocking requirements.

Prepayments and other current assets decreased by 34% from December 31, 2018 balance of ₱374.74 million to 2019 balance of ₱247.35 million as a result of applications of prepayments to suppliers and advances for taxes on 2019 purchases.

Non-current Assets

Property and equipment-net book value as of December 31, 2019 decreased by 15.85% December 31, 2018 mainly due to depreciation charges during the year.

Right-of-use assets (ROU) represents the values recognized from long-term lease contracts covering office space and warehouses. The decrease of 66.83% of December 31, 2019 balance versus December 31, 2018 was mainly due to the amortization charges during the year.

Investment in an associate represents equity investment in Pernod Ricard Philippines which was made in February 2019.

Other non-current assets increased by ₱2.59 million in 2020 and ₱0.395 million in 2019 mainly due to the payment of deposits on lease.

Current Liabilities

Accounts payable and accrued expenses pertains principally to trade payable to suppliers. In December 31, 2019, balance of ₱135.07 million decreased by 33.59% from December 31, 2018 balance of ₱203.40 million due to settlements made during the year.

Income tax payable decreased by 96.21% mainly due to lower income taxes incurred relative to the decrease in net taxable income during the year.

Short-term loans payable decreased by ₱44million from 2018 balance mainly due to settlements made.

Lease liabilities due within one-year account decreased by ₱5.41 million from ₱10.83 million in December 2018 to ₱5.42 million in December 2019 due principally to the net effect of interest expense amortization recognized and lease payments made during the current period.

Noncurrent Liabilities

Lease liabilities net of current portion represents the values recognized from long-term lease contracts covering office space and warehouses. Account balance decreased by ₱5.42 million from ₱6.69 million in December 2018 to ₱1.27 million in December 2019 due principally to the net effect of the reclassification to current portion for the interest expense amortization recognized and lease payments made during the current period pertaining current portions

Retirement benefit liability increased by ₱2.64 million in 2019 from its balance of ₱6.56 million in 2018, was due to changes in financial and demographic assumptions as set forth in the Actuarial Valuation Report for December 31, 2018.

Equity

Accumulated remeasurements on retirement benefits pertain to adjustments made in compliance with the accounting standard covering employee benefits. As at December 2019 and 2018, the account balances amounted to ₱4.92 million and ₱5.98 million, respectively.

Retained earnings increased by ₱47.04 million in 2019 or 6.38% from ₱737.27 million to ₱784.31 million due to profit realized by the company.

Sources and Uses of Cash

A brief summary of cash flow movements is shown below:

(In Thousands)	**2019**	**2018**
Net cash used in operating activities	₱416,144	(₱215,587)
Net cash used in investing activities	(129,166)	(7,761)
Net cash from financing activities	(187,948)	280,329
Net decrease in cash and cash equivalents	₱99,030	₱56,981

Net cash from and used in operating activities is basically attributable to the cash generated from operations and effect of the net settlement of trade payable accounts by the purchase of inventory requirements and other related current operating items.

On the other hand, net cash used in investing activities mainly pertains to the funds used in the investment in Pernod Ricard and additional assets acquisition and some capital expenditures.

Net cash from and used in financing activities principally resulted from the net settlements and availment of bank loans for working capital requirements and payments for lease liabilities.

Management believes that the current levels of internally generated funds from its operating activities and its present cash position enables Premier to meet its immediate future liquidity requirements under its current level of business. With its strong current financial position, this can be augmented through availments from existing untapped banking and credit facilities as and when required.

Material Events and Uncertainties

Below is the discussion and analysis of material events and uncertainties known to management that would address the past and would have an impact on future operations:

(i) Seasonal aspects that had a material effect on the financial condition or results of Premier's operations includes retail and liquor business which sales tend to peak during the gift-giving Christmas season;

(ii) There are no changes in estimates of amounts reported in the current financial year or changes in estimates of amounts reported in prior financial years;

(iii) There are no material events subsequent to the end of the period that have not been reflected in the financial statements;

(iv) There are no contingent liabilities or assets since the last statement of financial position period;

(v) Sources of liquidity – Funding will be sourced from internally generated cash flows;

(vi) There are no events that will trigger direct or contingent financial obligation that is material to Premier, including any default or acceleration of an obligation;

(vii) There are no material commitments for capital expenditures other than those performed in the ordinary course of trade or business;

(viii) There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the revenues or income from continuing operations;

(ix) There are no significant elements of income not arising from continuing operations;

(x) Due to Premier's sound financial condition, there are no foreseeable trends or events that may have material negative impact on its short-term or long-term liquidity.

For The Years Ended December 31, 2018 vs December 31, 2017

The following discussion and analysis of Premier's results of operations, financial condition and certain trends, risks and uncertainties that may affect Premier's business should be read in conjunction with the annual audited financial statements of the company for the years ended December 31, 2018 and 2017.

Key Performance Indicators

The following financial ratios are considered by management as key performance indicators of Premier's operating results as well as its financial condition:

- Return on investment (Net income/ Ave. stockholders' equity) - measures the profitability of stockholders' investment
- Profit margin (Net income/ Net revenue) - measures the net income produced for each peso of sales
- EBITDA to interest expense (EBITDA/ Interest expense) – measures the ability of Premier to pay interest of its outstanding debts
- Current ratio (Current asset/ Current liabilities) - measures the short-term debt-paying ability of Premier
- Asset turnover (Net revenue/ Average total assets) - measures how efficiently assets are used to generate revenues
- Asset to equity ratio (Assets/ Shareholders' equity) - indicates Premier's leverage used to finance the firm
- Debt to equity ratio (Liabilities/ Shareholders' Equity) - measure of a Premier's financial leverage

The table below shows the key performance indicators for the past two years:

Performance Indicators	**2018**	**2017**
Return on investment	**6.03%**	**13.31%**
Profit margin	**2.20%**	**5.15%**
EBITDA to interest expense	**4.60x**	**41.27x**
Current ratio	**1.91:1**	**2.11:1**
Asset turnover	**1.36:1**	**1.35:1**
Asset to equity	**2.10:1**	**1.92:1**
Debt to equity ratio	**1.10:1**	**0.92:1**

These financial ratios were calculated based on the audited financial statements of Premier for the years ended December 31, 2018 and 2017.

Analysis of Financial Performance

Comparative Years 2018, as restated, [7] and 2017[7]

The table below shows the results of operations of Premier for the years ended December 31, 2018 and 2017:

(In Thousands)	**FY2018**	*%*	**FY2017**	*%*	**Inc (Dec)**	*%*
REVENUES	2,368,581	100.00%	2,025,392	100.00%	343,189	16.94%
COST OF SALES	2,011,405	84.92%	1,644,156	81.18%	367,249	22.34%

[7] The amounts presented for 2018 and 2017 in this analysis are based on the issued 2018 Audited Financial Statements which was prior to the adoption of PFRS 16.

GROSS PROFIT	357,176	15.08%	381,236	18.82%	(24,060)	-6.31%
OPERATING EXPENSES	270,211	11.41%	229,755	11.34%	40,456	17.61%
INCOME FROM OPERATIONS	86,965	3.67%	151,481	7.48%	(64,516)	-42.59%
OTHER INCOME (CHARGES) - net	(20,627)	-0.87%	(5,063)	-0.25%	(15,564)	307.41%
INCOME BEFORE INCOME TAX	66,338	2.80%	146,418	7.23%	(80,080)	-54.69%
INCOME TAX EXPENSE	14,135	0.60%	42,028	2.08%	(27,893)	-66.37%
NET INCOME FOR THE YEAR	52,203	2.20%	104,390	5.15%	(52,187)	-49.99%

Revenues

Premier posted a revenue of ₱2.369 billion during the year ended December 31, 2018, which increased by 16.94% from its 2017 level. The increase is mainly attributable to the launch of new product line for brandy and beers. The increase in 2018 sales could be attributed to pipeline orders where distributors purchased large amounts of the newly introduced product. Orders for subsequent years normalize thereafter.

Cost of Sales

Premier's cost of sales in 2018 increased by 22.34%. Cost of sales ratio to revenues in 2018 increased to 84.92% compared to 81.18% in 2017 leading to a lower gross profit. This is attributable to launch of promotional activities and customer listing spend.

Operating Expenses

Premier's operating expenses during 2018 increased by 17.61% as compared to 2017 due mainly to the increased in marketing expenses which includes trade deals, bundling and samplings. It also included the marketing and sampling expenses for the new product line for brandy and beer.

Other Income

Significant increase in other income of Premier in 2018 pertains to the increase of interest expense attributable to bank loans secured in 2018.

Net Income

During the year ended December 31, 2018, Premier realized net income of ₱52.20 million which decreased by 49.99% mainly due to the increase in advertising expense for the new product line and interest expenses.

Analysis of Financial Position

Shown below are the comparative financial position of Premier as of December 31, 2018 and 2017:

(In Thousands)	**FY2018**	*%*	**FY2017**	*%*	**Inc (Dec)**	**%**
ASSETS						
Current Assets						
Cash and cash equivalents	130,921	6.96%	73,940	4.60%	56,981	77.06%
Receivables - net	796,755	42.36%	761,984	47.36%	34,771	4.56%
Inventories	564,920	30.03%	694,797	43.18%	(129,877)	-18.69%
Prepayments and other current assets	374,742	19.92%	67,150	4.17%	307,592	458.07%
Total current assets	1,867,338	99.28%	1,597,871	99.31%	269,467	16.86%
Noncurrent Assets						
Property and equipment - net	7,772	0.41%	3,479	0.22%	4,293	123.40%
Deferred tax assets - net	3,050	0.16%	5,279	0.33%	(2,229)	-42.22%
Other non-current assets	2,808	0.15%	2,322	0.14%	486	20.93%

Total noncurrent assets	13,630	0.72%	11,080	0.69%	2,550	23.01%
Total Assets	1,880,968	100.00%	1,608,951	100.00%	272,017	16.91%
LIABILITIES AND EQUITY						
Current Liabilities						
Accounts payable and accrued expenses	218,924	11.64%	286,013	17.78%	(67,089)	-23.46%
Income tax payable	5,627	0.30%	24,366	1.51%	(18,739)	-76.91%
Short-term loans payable	357,000	18.98%	50,000	3.11%	307,000	614.00%
Dividends payable	100,000	5.32%	100,000	6.22%	-	0.00%
Due to related parties	297,700	15.83%	297,700	18.50%	-	0.00%
Total current liabilities	979,251	52.06%	758,079	47.12%	221,172	29.18%
Noncurrent Liabilities						
Retirement benefit liability	6.563	0.35%	14,234	0.88%	(7,671)	-53.89%
Total noncurrent liabilities	6.563	0.35%	14,234	0.88%	(7,671)	-53.89%
Total Liabilities	985,814	52.41%	772,313	48.00%	213,501	27.64%
EQUITY						
Capital stock	150,000	7.97%	150,000	9.32%	-	0.00%
Additional paid-in capital	1,500	0.08%	1,500	0.09%	-	0.00%
Remeasurement of retirement liability - net of tax	5,978	0.32%	(335)	-0.02%	6,313	-1884.48%
Retained earnings	737,676	39.22%	685,473	42.60%	52,203	7.62%
Total Equity	895,154	47.59%	836,638	52.00%	58,516	6.99%
Total Liabilities and Equity	1,880,968	100.00%	1,608,951	100.00%	272,017	16.91%

Current Assets

Cash and cash equivalents amounted to ₱130.92 million and ₱73.94 million as at December 31, 2018 and December 31, 2017, respectively. The increase was due basically to the net effect of the net operating cash flows, collection of receivables and settlement of trade and non-trade payables during the year.

Receivables increased by 4.56% from December 31, 2017 balance of ₱761.98 million to 2018 balance of ₱796.76 million due mainly to the net effect of increase in sales and collections made.

Inventories decreased by 18.69% from December 31, 2017 balance of ₱694.79 million to 2018 balance of ₱564.92 million due to additional stocking requirements in anticipation of increased sales.

Prepayments and other current assets by 458.07% from December 31, 2017 balance of ₱67.15 million to 2018 balance of ₱374.74 million. The increase was due to advance payments for suppliers for the current year's purchase orders which are to be shipped in 2019.

Non-current Assets

Property and equipment-net book value as of December 31, 2018 increased by 123.40% from its December 31, 2017 balance due to some capital expenditures for leasehold improvements.

Other non-current assets increased by ₱0.49 million in 2018 mainly due to the payment of deposits on lease.

Current Liabilities

Accounts payable and accrued expenses pertains mainly to the trade payable to suppliers. In December 31, 2018, balance of ₱205.02 million, excluding provisions amounting to ₱13.90 million decreased by 28.32% from December 31, 2017 balance of ₱286.01 million was primarily due to settlements of trade and non-trade liabilities.

Income tax payable decreased by 76.91% mainly due to lower income taxes incurred relative to the decrease in net taxable income during the year.

Short-term loans payable increased in 2018 due to additional availments of bank loans to fund additional working capital requirements.

Noncurrent Liabilities

Retirement benefits liability decreased by 53.90% from December 31, 2017 balance of ₱14.23 million to 2018 balance of ₱6.56 million, pertains to all factors affecting valuations.

Equity

Accumulated remeasurement on retirement benefits pertain to adjustments made in compliance with the accounting standard covering employee benefits. As at December 2018 and 2017, the account balances amounted to ₱5.978 million and ₱(0.335 million) respectively due to changes in financial and demographic assumptions as set forth in the Actuarial Valuation Report for December 31, 2018.

Retained earnings increased by ₱52.20 million in 2018 or 7.62% due to profit realized by the company.

Sources and Uses of Cash

A brief summary of cash flow movements is shown below:

(In Thousands)	**2018**	**2017**
Net cash used in operating activities	(₱242,745)	₱80,459
Net cash used in investing activities	(7,274)	(1,040)
Net cash from financing activities	307,000	(20,000)
Net decrease in cash and cash equivalents	₱56,981	₱59,419

Net cash from and used in operating activities is basically attributable to the cash generated from operations and effect of the net settlement of trade payable accounts by the purchase of inventory for requirements and other related current operating items.

On the other hand, net cash used in investing activities mainly pertains to the funds used for additional assets acquisition and some capital expenditures.

Net cash generated from and used in financing activities principally resulted from the availment of bank loans for working capital requirements in 2018. Payment of bank loan was made in 2017 amounting to ₱20 million.

Management believes that the current levels of internally generated funds from its operating activities and its present cash position enables Premier to meet its immediate future liquidity requirements under its current level of business. With its strong current financial position, this can be augmented through availments from existing untapped banking and credit facilities as and when required.

Material Events and Uncertainties

Below is the discussion and analysis of material events and uncertainties known to management that would address the past and would have an impact on future operations:

(i) Seasonal aspects that had a material effect on the financial condition or results of Premier's operations includes retail and liquor business which sales tend to peak during the gift-giving Christmas season;

(ii) There are no changes in estimates of amounts reported in the current financial year or changes in estimates of amounts reported in prior financial years;

(iii) There are no material events subsequent to the end of the period that have not been reflected in the financial statements;

(iv) There are no contingent liabilities or assets since the last statement of financial position period;

(v) Sources of liquidity – Funding will be sourced from internally generated cash flows;

(vi) There are no events that will trigger direct or contingent financial obligation that is material to Premier, including any default or acceleration of an obligation;

(vii) There are no material commitments for capital expenditures other than those performed in the ordinary course of trade or business;

(viii) There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the revenues or income from continuing operations;

(ix) There are no significant elements of income not arising from continuing operations;

(x) Due to Premier's sound financial condition, there are no foreseeable trends or events that may have material negative impact on its short-term or long-term liquidity.

RISK FACTORS

An investment in the Offer Shares involves a number of risks. Investors should carefully consider all the information contained in this Prospectus, including the risk factors described below, before deciding to invest in the Offer Shares. The occurrence of any of the following events, or other events not currently anticipated, could have a material adverse effect on the Group's business, prospects, financial condition, results of operations, the market price of the Offer Shares and its ability to make dividend distributions to its shareholders. All or part of an investment in the Offer Shares could be lost. The price of securities can and does fluctuate, and any individual security is likely to experience upward or downward movements and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. The Group's past performance is not a guide to the Group's future performance.

This section does not purport to disclose all of the risks and other significant aspects of investing in the Offer Shares. The risks described below are not the only risks facing the Group. Additional risks and uncertainties not currently known to it or those it currently views to be immaterial may also materially and adversely affect its business, financial condition or results of operations. Investors should undertake independent research and study the trading of securities before commencing any trading activity. An investor should seek professional advice if he/she is uncertain of, or have not understood, any aspect of this Offer or the nature of risks involved in purchasing, holding and trading the Offer Shares. Investors should consult their own counsel, accountant and other advisors as to the legal, tax, business, financial and related aspects of an investment in the Offer Shares. Investors may request information on the securities and Issuer thereof from the SEC and the PSE which are available to the public.

The risk factors discussed in this section are of equal importance and are separated into categories for ease of reference only. The order in which risks are presented is not necessarily an indication of the likelihood of the risks actually materializing, of the potential significance of the risks or of the scope of any potential harm to the Group's business, results of operations, financial condition and prospects.

RISKS RELATING TO THE GROUP'S BUSINESS

Demand for the Group's products and services may be adversely impacted by changes in the economy.

Certain segments of the Group's business and results of operations are highly dependent on demand from its customers for its products and services, and such demand may be adversely impacted by changes in the economy. As with other retail businesses, demand for its products and services depends in part on prevailing economic conditions. Negative developments in the local or national economy, credit conditions and availability, disposable income, employment conditions or other factors may decrease consumer spending generally or demand for its products and services, thus resulting in decreased demand for some or all of its products and services. In particular, the Group's business is subject to changes in the retail market environment in the Philippines. The Group cannot provide assurance of effective mitigation to such systemic risks.

Any changes in this market, including adverse regulatory developments or adverse developments in consumers' disposable income, could have an adverse effect on the Group's business due to the discretionary nature of the products as non-essential goods. The outlook for the Philippine economy remains uncertain and may be affected by future government policies, developments in the global economy or international relations and other factors. See "*Risks Relating to the Philippines—Political instability may have a negative effect on the Philippine economy and business environment which could have a material adverse impact on the Group's business*."

To mitigate this risk, the Group's extensive portfolio caters to a diverse range of consumers in the market that allows the Group to adapt to changes in economic conditions.

The Group may not timely identify or effectively respond to consumer needs, expectations or trends and source and sell the appropriate mix of products to suit changing customer preferences.

Consumer demand for its products is significantly affected by consumer preferences. The Group's success depends in part on its ability to identify social, style and other trends that affect customer preferences, and to source and sell products that both meet the Group's standards for quality and respond to changing customers' preferences. The rapid availability of new products and changes in consumer preferences have made it more difficult to reliably predict sales demand. The Group relies on experience, data and established processes to accurately forecast and manage fluctuations in demand. These processes include conducting internal and customer surveys, reviewing industry reports, attending trade shows and industry benchmarking to assess changes in consumer preferences. Failure to source and effectively market products, or to accurately forecast changes in customer preferences, could negatively affect the Group's customer satisfaction levels, its relationship with its customers and demand for its products and services. In addition, it may be affected negatively by changes in the consumer preferences relating to the method of shopping, for example, through online shopping.

In the event that it is unable to identify and adapt to such changes in consumer preferences quickly or the products which it currently carries are superseded by merchandise carried by its competitors, consumer demand for the Group's products may decline and its business, financial condition, results of operations and prospects may be materially and adversely affected. To mitigate this risk, the Group closely monitors the market and regularly commissions studies to identify consumer preferences, trends, and material developments in the market. Moreover, since the Group is not dependent on one brand and has strong relationships with its international suppliers, it is able to adjust in a timely manner with respect to the importation of brands that are on trend or that the market is responding to at any particular time.

Strong competition could negatively affect prices and demand for the Group's products and could decrease the Group's market share.

The liquor and wine distribution industry in the Philippines is highly competitive. The Group competes with various distributors and manufacturers of liquor selling merchandise falling under the same categories that the Group offers based on factors such as price, store location, product assortment, availability and quality, customer service, and brand recognition, or a combination of these factors. Moreover, the Group anticipates competition from new market entrants and joint partnerships between domestic distributors and international suppliers. To differentiate its products from those of its competitors and to establish their brands, each Subsidiary has a dedicated marketing team to promote each of their key products, and a designated brand manager for certain large brands. Intense competitive pressures, including those arising from its expansion strategy or its inability to adapt effectively and quickly to a changing competitive landscape could affect its prices, its margins or demand for its products. Despite these risks, the Group believes that will be able to maintain its position in the market by relying on its scale, strong brands under its portfolio, and readily available funding.

The Group is dependent on international suppliers that are subject to macroeconomic, social and political developments and conditions in the countries where they operate, which may affect their respective businesses and thereby also impact the supply or price of their products that the Group distributes.

The Group relies on third-party suppliers for the provision of its liquor and alcoholic products. It may experience material disruptions in the supply of products due to prolonged interruptions in the operations of these suppliers, which may in turn be caused by a number of factors, including equipment failures or property damage experienced by these suppliers, changes in laws and regulations that affect their manufacturing processes, financial difficulties, and labor disputes faced by these suppliers. Other factors may also disrupt the Group's ability to obtain products from these suppliers including weather-related events; natural disasters; trade policy changes or restrictions; tariffs or import-related taxes; third-party strikes, lock-outs, work stoppages or slowdowns; shipping capacity constraints; port congestion; third-party contract disputes; supply or shipping interruptions or costs; military conflicts; acts of terrorism; or other factors beyond its control. Any such disruption could negatively impact the Group's financial performance or financial condition. The Group cannot provide assurance of effective mitigation to such risk.

Although the Group selects its suppliers, in part, based on their size and production capacities, there can be no assurance that its suppliers will have sufficient resources to continue to meet the Group's demands. Although the Group has fixed contracts with its suppliers and has historically had positive and long-term relationships with most of them, there can also be no assurance that no disagreements or disputes may arise that would adversely affect their relationship with the Group. In the event that these suppliers cannot fulfill their obligations to supply sufficient quantities and in such quality as required, the Group may not be able to find suitable alternative suppliers on a timely basis to supply the same or similar types and quantities of the liquor and alcoholic products, which may materially and adversely affect the Group's business, financial condition and results of operations.

Although the top ten (10) suppliers of the Subsidiaries account for 80.6% of the Group's products for the calendar year 2020, these suppliers are located in different parts of the world. *See Business—Suppliers and Key Distribution Agreements.*

The Group maintains a balanced portfolio of third-party as well as its own house brands. Currently, its own house brands, such as 'Alfonso', are driving growth and contributing to the majority of the Group's revenue. The Company is not heavily dependent on third party brands.

The Group is not entirely dependent on one geographic location/country/economy and not also dependent one alcohol beverage, category or brand. It has a presence in every major spirit category as well as in wines and in specialty beverage, thereby minimizing the risk of a major disruption to the Group's operations. Moreover, the Group manages its inventory by to factoring in supply disruptions ensure that it has sufficient supply to meet local demand.

Sales of 'Alfonso' account for a majority of the Group's revenue.

Sales of 'Alfonso' account for approximately 60% of the Group's revenue. As such, it is highly dependent on the sales generated by 'Alfonso'. Since the Group, however, maintains a diverse portfolio of products and has a presence in every major spirit category as well as in wines and in specialty beverage, it is not entirely dependent on the sales generated by 'Alfonso'. Nevertheless, given that 'Alfonso' accounts for a majority of the Groups' revenue, any change affecting the demand or supply of 'Alfonso' will have an adverse impact on the results of operation of the Group. See "*Risk Factors—The Group may not timely identify or effectively respond to consumer needs, expectations or trends and source and sell the appropriate mix of products to suit changing customer preferences"* and "*The Group is dependent on international suppliers that are subject to macroeconomic, social and political developments and conditions in the countries where they operate, which may affect their respective businesses and thereby also impact the supply or price of their products that the Group distributes."*

The Group is controlled by the Co Family and the Group's interests may differ significantly from the interests of other shareholders.

The Group is controlled by the members of the Co Family, who serve as directors and officers of the Company. The Group expects that it will continue to enter into transactions with companies directly or indirectly controlled by or associated with the Co Family. Currently, the Co Family, directly and indirectly through its wholly owned company, VFC Land Resources, Inc., owns a 30% stake in Bodegas Williams & Humbert ("**Bodegas**"), the manufacturer of brands, such as 'Alfonso', which accounts for 60% of the Group's revenue. To ensure a high standard of best practice for the Group and its stockholders, it is the policy of the Group that the Board shall conduct themselves with honesty, integrity and fairness in performance of their duties and their dealings that would ensure the honesty of any related-party transactions between and among the company, its subsidiaries and affiliates, stockholders, officers and directors, and of interlocking director relationship by members of the Board. See "*Related Party Transactions*". These transactions may involve potential conflicts of interest which could be detrimental to the Group or its shareholders. There is nothing to prevent other companies that are controlled by the Co Family from engaging in activities that compete directly with the Group's businesses or activities, which could have a negative impact on the Group's business. The interests of the Co Family as the Group's controlling shareholders may differ significantly from or compete with the Group's interests or the interests of the Group's other shareholders, and there can be no assurance that the Co Family will exercise influence over the Group in a manner that is in the best interests of the Group's other shareholders. To mitigate this risk, the Group adheres to its Manual on Corporate Governance. See "*Related Party Transactions".*

Certain materials contracts of the Group have not been formalized and documented.

Montosco has had a long-standing relationship with Bodegas since 2008. Moreover, Mr. Lucio Co has been doing business with Bodegas since 1999. As a result of this history and relationships—see the discussion under "*Related Party Transactions—*Bodegas was entrusted by Montosco to create a brandy product based on Montosco's own formulation, taste, appearance and packaging, which became the 'Alfonso' brandy. While Bodegas produces the 'Alfonso' brandy, Montosco claims ownership over the brand and formulation of the 'Alfonso' brandy. Owing to the established nature of this relationship, the companies have continued to supply and purchase 'Alfonso' brandy despite the absence of any currently effective and formalized written agreements. Bodegas currently distributes the 'Alfonso' brandy in certain international markets, which sales do not generate revenue for the Group. While the Group intends to include provisions for generating revenue from the sales of 'Alfonso' brandy in all markets, there can be no assurance that Montosco will be able to successfully conclude formal licensing or other agreements with Bodegas that generates such revenue in the future. While the relationship between the principal owners of both parties currently remains strong and there have historically been no material disputes between them, in the event of any dispute involving the parties, Montosco may have difficulty proving its ownership over the 'Alfonso' brand, and establishing and/or enforcing its rights and interests due to the absence of a written agreement. To mitigate this risk, Montosco is undertaking the formalization of its agreement with Bodegas on a long-term basis. and such negotiations toward formal agreements are continuing at the present time. Although the Co Family, directly and indirectly through its wholly owned company, VFC Land Resources, Inc., owns 30% of Bodegas, there can be no assurance that the terms of such written agreement will become effective on terms favorable to

Montosco and the Group. Further, Bodegas may assert or claim rights adverse to Montosco and the Group over the 'Alfonso' brandy formulation, distribution, and/or brand including rights of ownership and/or distribution or assert terms due to past practice that may be adverse to the interests of the Group.

The Group has several related party transactions.

The Company has a number of related party transactions with affiliated companies. These transactions are included among those described in the section of this Prospectus entitled "Related Party Transactions" on page 235 and in the notes to the Company's financial statements appearing in the appendices of this Prospectus. The Company's practice has been to enter into contracts with these affiliate companies on commercial terms, which are at least as favorable as the terms available to or from non-affiliated parties.

Certain companies controlled by Cosco Capital, Inc. enter into significant commercial transactions with the Subsidiaries. As of December 31, 2020, due to related parties under current liability in Group's financial statements amounted to ₱200.553 million (which only accounts to 9.46% of total current liabilities). The Group enters into a number of transactions with related parties, which primarily consist of lease agreements. Generally, transactions entered with related parties are made at terms equivalent to those that prevail in arm's length transactions on terms comparable to those available from or to unrelated third parties, and must be approved by the Board of Directors. The Group's related party transactions are described in greater detail under "*Related Party Transactions*" and the notes to the Group's financial statements appearing in the appendices of this Prospectus. The Group's practice is to enter into contracts with these affiliated companies on commercial terms which are at least as favorable as the terms available to or from non-affiliated parties.

Such interdependence may mean that any material adverse changes in the operations or financial condition of the companies which are controlled by or under common control of Cosco Capital, Inc. could adversely affect the Group's results of operations. While the Company's affiliation with Cosco Capital, Inc. may bring positive synergies, its growth strategy is not fully reliant on the said affiliation, as the vast majority of its network expansion will be outside the properties of the said affiliates. See "*Related Party Transactions*."

Under Section 50 of the National Internal Revenue Code, in the case of two or more businesses owned or controlled directly or indirectly by the same interests, the BIR Commissioner is authorized to distribute, apportion, or allocate gross income or deductions between or among such businesses upon determination of the necessity to prevent evasion of taxes or to clearly reflect the income of any such business. In January 23, 2013, the BIR issued Regulation No. 2-2013 on Transfer Pricing Regulations (the "**Transfer Pricing Regulations**") which adheres to the arm's length methodologies set out under the Organization for Economic Cooperation and Development Transfer Pricing Guidelines in addressing Base Erosion and Profit Shifting ("**BEPS**"). The Transfer Pricing Regulations are applicable to cross-border and domestic transactions between related parties and associated enterprises. The BIR Transfer Pricing Regulations defines related parties as two or more enterprises where one enterprise participates directly or indirectly in the management, control, or capital of the other; or if the same persons participate directly or indirectly in the management, control, or capital of the enterprises. The arm's length principle requires the transaction with a related party to be made under comparable conditions and circumstances as a transaction with an independent party such that if two related parties derive profits at levels above or below comparable market levels solely by reason of the special relationship between them, the profits will be deemed as non-arm's length. In such a case, the BIR pursuant to the BIR Commissioner's authority to distribute, apportion or allocate gross income or deductions between or among two or more businesses owned or controlled directly or indirectly by the same interests (if such is necessary in order to clearly reflect the income of such business), may make the necessary transfer pricing adjustments to the taxable profits of the related parties to ensure that taxpayers clearly reflect income attributable to controlled transactions and to prevent the avoidance of taxes with respect to such transactions. While the Group believes that it enters into transactions with related parties on an arm's length basis and documented pursuant to the Transfer Pricing Regulations, there can be no assurance that the BIR will confirm these transactions as arm's length on the basis of the Transfer Pricing Regulations and there can be no assurance that any transfer pricing adjustments by the BIR will not have a material adverse effect on the financial condition or results of operations.

Although the Group has instituted internal policies with respect to related party transactions and believes that all past related party transactions have been conducted at arm's length on commercially reasonable terms, these transactions may involve conflicts of interest, which, although not contrary to law, may negatively impact the Group and have an adverse effect on its business or results of operations. These transactions may involve potential conflicts of interest, which could be detrimental to the Group and/or its shareholders.

The Group operates in a highly regulated industry.

The Group operates in a highly regulated environment. The Subsidiaries are subject to extensive regulatory requirements regarding the distribution, marketing, advertising and labeling of its products in the Philippines.

These include the requirements of the Food and Drug Administration ("FDA"), Bureau of Customs ("BOC"), Department of Environment and Natural Resources, Bureau of Internal Revenue and Intellectual Property Office. *See "Regulatory and Environmental Matters" on page 209 of the Prospectus.* For instance, each Subsidiary is required to register their products with the FDA. Further, the Subsidiaries must register with the BOC to enable them to import products. If the Subsidiaries are unable to renew their BOC registrations or to do so within a timely fashion, their shipments may be put on hold and they may be prevented from lodging new import entries, which will have an adverse effect on its business, revenue, and results of operation. This regulatory risk is managed through close monitoring and coordination with the regulatory agencies on the application and renewal of permits. *See "Regulatory Compliance" on page 209 of the Prospectus.*

Decisions and changes in the legal and regulatory environment in the domestic market and in the countries in which it operates or seeks to operate could limit its business activities or increase its operating costs. The government may impose regulations such as increases in sales or specific taxes which may materially and adversely affect the Group's operations and financial performance. To address regulatory risks like the imposition of higher excise taxes, the Group would employ an increase in its selling prices and make efforts to reduce costs.

Through years of operating in the industry, the Subsidiaries have developed good working relationships with their regulators allowing the Group to closely liaises with the appropriate regulatory agencies to anticipate any potential problems and directional shifts in policy.

The success of the business depends in part on the Group's ability to develop and maintain good relationships with key suppliers and distributors.

The Group derives its revenue from outright sales and sales of concession products, and its success depends on its ability to retain key relationships with existing suppliers and to attract new suppliers and liquor and wine producers on terms and conditions favorable to it. The Group has long-standing working relationships with a broad range of national and multinational wine and liquor distributors and manufacturers from all over the world. In some instances, these relationships also grant the Group exclusive rights to distribute key brands in the Philippines. See "*Business—Suppliers and Key Distribution Agreements.*

The Group obtains discounts and rebates from suppliers, tied to meeting sales targets, which allow it to maintain its competitive pricing. Should changes occur in market conditions or its competitive position, it may not be able to meet these targets or maintain or negotiate adequate support, which could have an adverse effect on its business, financial condition and results of operations. The Group cannot provide assurance of effective mitigation to such risk.

If the Group is unable to maintain good relationships with its existing suppliers and concessionaires (which provide support teams for the sale of the consigned products), or if it is unable to develop and maintain new supplier and concessionaire relationships, it will be unable to carry merchandise and products that are in demand and can generate profit. Furthermore, if any of its outright sales suppliers or concessionaires changes its distribution methods, it may experience a disruption in its product supply. As a result, the Group's market positioning, image and reputation may be adversely affected, and its revenue and profitability may be impaired.

To mitigate this risk, the Group endeavours to maintains its long-standing good working relationship with the international partners through mutual cooperation and open communications. See *Business-Suppliers and Key Distribution Agreements.*

Any damage to the reputation of the alcoholic brands distributed by the Subsidiaries could harm the Group's business.

The reputation and brand image of the alcohol brands carried by the Subsidiaries are key factors in the success of the Group's business. The Group believes that maintaining and enhancing the reputation of its distributed brands is integral to its business and to the implementation of its growth strategy. Although the Group endeavours to select only reputable brands, nevertheless, the strength of these brands could also be affected due to noncompliance with laws and regulations, misconduct by employees or sales personnel or merchandisers assigned to its stores by its suppliers, customer claims, employee dissatisfaction with employment practices or other negative publicity involving the Group. Given that many of the Group's suppliers are market-leading, multinational brand owners, such suppliers typically respond directly and immediately to protect their brand and reputation.

The Group may be subject to negative publicity, including inaccurate adverse information.

Customers value readily available information and often act on such information without further investigation or authentication or regard to its accuracy. Social media and websites immediately publish posts from users, often without filters or checks on the accuracy of the content posted. Allegations against the Group may be posted on social media, in internet chat rooms or on blogs or websites by anyone on an anonymous basis. In addition, the Group may be the target of harassment or other detrimental conduct by third parties, including its competitors. The Group's reputation may be negatively affected as a result of the public dissemination of anonymous allegations or demeaning statements about its business, even if these allegations or statements are unfounded and it may be required to spend significant time and money to address such allegations. Inaccurate adverse information may harm the business and the Group may not be able to redress or correct inaccurate posts in a timely manner, or at all.

The Group's business may become the subject of negative media coverage and public attention, which may develop strong dynamics and adversely affect its business. In addition, third parties may communicate complaints to regulatory agencies, and it may be subject to Government or regulatory investigation as a result of such complaints. There is no assurance that the Group will be able to conclusively refute such allegations in a timely manner, or at all.

Negative publicity and complaints could have a material adverse effect on the Group's business, financial condition, cash flows, results of operations and prospects. To mitigate this risk, the Group maintains a dedicated marketing team that handles all publicity related matters, ensuring that any such issues are addressed immediately and adequately.

Intellectual property claims by third parties or the Group's failure or inability to protect its intellectual property rights could diminish the value of its brand and weaken its competitive position.

The Group believes that the trademarks and other proprietary rights of the alcohol and wine brands it distributes have significant value and are important to identifying and differentiating certain of its products and services and its brand from those of its competitors. There can be no assurance that third parties will not assert rights in, or ownership of, its name, trademarks and other intellectual property rights. The costs of defending and enforcing its intellectual property rights may cause it to incur significant time and legal expense, and the Group may not be entirely successful in protecting its assets and enforcing its rights. If the Group is unable to protect and maintain its intellectual property rights, the value of its brand could be diminished, and its competitive position could suffer. To mitigate this risk, the Group only deals with reputable brands that have the capacity and resources to defend its brand in case of any intellectual property claims by third parties.

The Group may not be able to hire, retain and train sufficient qualified personnel to support its operations and it may be subject to increased labor costs.

The Group employs a large number of employees in connection with its other operations. Its success depends on its ability to hire, retain and educate an effective workforce with the requisite skills and knowledge to serve its customers. Consequently, the Group has implemented a structured recruitment policy with the aim to recruit suitably qualified employees. See "*Business—Human Resources—Recruitment and Promotion Policy".* Additionally, recent trends in employment regulation, such as restrictions on employers' discretion to hire employees on a temporary basis or to offer employment conditions that differ between full-time and part-time employees for the sole reason that the period of employment is stipulated in the employment contract, have led to increased fixed labor costs for employers seeking to hire part-time and temporary workers. Stricter regulation of labor and employment may affect the Group's ability to hire sufficient employees in a cost-efficient manner at its stores. If it experiences difficulties in maintaining a qualified workforce or experience increased labor costs associated with its workforce, its ability to compete effectively in its target markets, provide high-quality customer service, open new stores and execute its business strategy could be adversely impacted, and its results of operations could in turn be negatively affected. The employees required by the business of the Group, however, do not require technical skills and there a lot of other suppliers in the market that can provide the services required by the Group.

The Group's business is subject to seasonal influences.

The Group experiences seasonal fluctuations in its operations. Historically, its sales tend to peak in the fourth quarter of each year, primarily attributable to the Christmas and New Year holidays. The first quarter historically tends to be the slowest quarter after the slowdown of festivities and gift giving during the fourth quarter. In recent years, however, the Group no longer heavily relies on the Christmas season since the Group has noted that sales in the other months of the year have improved as the country matured and disposable income increased. The diversity of the Group's portfolio lowers dependence on the latter part of the year.

In preparation for its peak selling periods, it procures additional inventory, which would require additional cost. If sales during the Group's peak selling periods are significantly lower than it expects for any reason, or if there is any prolonged disruption in its operations during its peak selling periods, it may be unable to make purchases in a timely manner and may be left with a substantial amount of unsold inventory, especially seasonal merchandise that is difficult to liquidate after the applicable season. This may materially and adversely affect its business, financial condition and results of operations.

To hasten the movement of seasonal inventory, the Group also creates seasonal campaigns and offers discounts during specific occasions and on low seasons.

The Group's margins may be affected by increases in its operating and other expenses.

The Group's operations may be subject to increases in operating and other expenses due to a number of factors including, but not limited to, any of the following:

- increases in rent;
- a change in laws, regulations or government policies which increases the cost of compliance with such laws, regulations or policies;
- increase in excise tax and VAT;
- increases in service costs;
- increases in labor costs;
- increases in the rate of inflation;
- adverse changes in the cost of existing and future debt financing;
- increases in insurance premiums;
- increases in the cost of utilities; and
- increases in property taxes and other statutory charges.

Any increase in the Group's operating and other expenses will have an impact on the Group's cash flow. Due to the nature of the Group's business, the Group's margins may be affected by increases in the Group's operating and other expenses. The resulting buffer available to account for changes to costs is consequently small. The Group is eyeing several strategic acquisitions related to enhancing branch network and enabling the Group to achieve competitive pricing. See "*Business—Strengths and Strategies—Business Strategies".* If the Group's stores do not generate sufficient revenue to meet the Group's operating expenses, debt service and capital expenditure requirements, the Group's business, results of operations and financial condition could be materially and adversely affected. The Group cannot provide assurance of effective mitigation to such systemic risk.

The Group's business is sensitive to changes in purchase and selling prices.

The Group's margins are sensitive to price increases in the products distributed by the Group. There can be no assurance that the Group will be able to successfully contain the growth of the Group's purchase prices. If these prices do rise, the Group may need to pass all or a portion of these additional costs on to the Group's customers to maintain the Group's gross profit margins. However, it may not be possible for the Group to significantly increase its retail prices to offset price increases by suppliers, particularly if the Group's main competitors choose not to implement such price.

As competition in the Philippines intensifies, any unilateral price increases may lead to declines in sales, loss of customer traffic, loss of market share and other adverse consequences. Although price increases are generally done on a gradual basis to mitigate their impact, the Group may nevertheless be significantly constrained in its pricing policy. In the event that the Group is unable to pass increases in prices charged by the Group's suppliers on to the Group's customers, the Group's financial condition and results of operations may be materially and adversely affected. Due to the Group's extensive and diverse portfolio, however, it has the ability to pass on price increases for its niche products as against its mainstream alcoholic beverages.

Any future changes in PFRS may affect the financial reporting of the Group's business.

PFRS continues to evolve as standards and interpretations are promulgated and come into effect. For example, PFRS 16 replaces the accounting requirements for leases under the old standard (PAS 17, Leases). The new standard requires all leases, except for short-term and low-value leases, of a lessee to be reported on the statement of financial position as an asset and liability. PFRS 16 shall be effective for annual periods beginning on or after January 1, 2019. The Group has adopted PFRS 16 retrospectively with the cumulative effect of initial application recognized at January 1, 2019, as permitted under the transitional provisions of the standard and therefore comparative information is not required to be restated. The adoption of PFRS 16 has resulted in changes in the accounting of the Group's lease transactions. Prior to 2019, lease payments in respect of the Group's warehouses were treated as rent expense. Upon adoption of this standard, the present value of future lease payments throughout the expected lease period, including probable lease extensions, are recognized as lease liability and the corresponding right-of-use asset is recognized in view of the right obtained by the lessee to use the relevant facilities. Under the Group's statements of comprehensive income, amortization and interest expense on lease liability are recognized in 2019. To mitigate any potential risk to the Group, the Group shall ensure close coordination with its auditors and full compliance with relevant regulations.

Any mergers, acquisitions, investments and other strategic transactions that the Group may consider pursuing in the future may not achieve the expected results.

The Group may consider and enter into strategic transactions, including mergers, acquisitions, investments, alliances, and other growth and market expansion strategies, with the expectation that these transactions will result in increases in sales, cost savings, synergies and various other benefits. Assessing the viability and realizing the benefits of these transactions is subject to significant uncertainty. For each of the Group's acquisitions, the Group needs to successfully integrate the target company's products, services, associates and systems into the Group's business operations. Integration can be a complex and time-consuming process, and if the integration is not fully successful or is delayed for a material period of time, the Group may not achieve the anticipated synergies or benefits of the acquisition. Furthermore, even if the target companies are successfully integrated, the acquisitions may fail to further the Group's business strategy as anticipated, expose it to increased competition or challenges with respect to the Group's products or services, and expose it to additional liabilities. Any impairment of goodwill or other intangible assets acquired in a strategic transaction may reduce the Group's earnings.

To mitigate this risk, the Group ensures that any acquisition or investment is within the Group's strengths and the expertise of its management. In addition, any acquisition or investment by the Group must be consistent with its overall business strategies. Furthermore, the Group undertakes the necessary due diligence review with respect to its acquisitions and investments. See "*Business—Strengths and Strategies*".

The Group is subject to the risk of fluctuations in foreign currency exchange rates.

While the Group's sales are all denominated in Philippine Peso, the Group's operations involve the purchase of products from distributors and suppliers who sell products that may be denominated in currencies other than Philippine Pesos, such as the U.S. Dollar and Euro. Such fluctuations between the value of the Philippine Peso and other currencies may affect the price of products when converted into Philippine Pesos and may have an adverse effect on the Group's financial performance. To mitigate this risk, the Group has multi-currency shifting options with its some of its suppliers, which allows it to elect to pay its suppliers in either Euro or U.S. Dollars. However, in the event of a general weakening of the Philippine Peso, the Group cannot provide assurance of effective mitigation to such risk.

The Group is subject to the risk of litigation and other legal proceedings in the ordinary course of business.

Although the Group is not party to any material ongoing litigation, the Group may be adversely affected by complaints and litigation from customers or regulatory authorities resulting from product quality, illness, injury or other safety concerns or other issues stemming from one or more products or advertising. The Group requires its product suppliers to satisfy certain standards regarding the quality and specification of its products. The Group does not currently have any product liability insurance. In the event of a product liability claim or product recall being required in circumstances where the financial consequences are not satisfied by a supplier, it may have a material adverse effect on the Group's financial performance. Any such litigation, claims or complaints and any adverse publicity surrounding such allegations and/or actions could materially adversely affect the Group's business, reputation, financial condition and/or operating results. The Group may also experience reduced demand for the Group's products, as a result of negative publicity surrounding its products in general or in relation to particular brands sold by other retailers.

To mitigate this risk, the Group strives to maintain good relationship with customers, suppliers, contractors, regulators and other parties it regularly deals with. The Group also endeavours to amicably discuss and resolve potential disputes, resort to alternative methods of dispute resolution, and exhaust all legal remedies available.

The Group is subject to various risks for which the Group may not be adequately insured.

The Group maintains all-risk liability insurance that the Group considers to be insurance coverage customary in the Group's industry. See "*Business—Insurance*". Nonetheless, such insurance does not cover all risks associated with the Group's business. Accidents and other events could potentially lead to interruptions of the Group's operations or cause the Group to incur significant costs, all of which may not be fully covered by the Group's insurance policies. As the Group expands, the Group's inventory levels will increase, for which obtaining additional insurance coverage may be required. In addition, the Group's insurance coverage is subject to various limitations and exclusions, retention amounts and limits and the Group does not maintain business interruption insurance or product liability insurance. Furthermore, if any of the Group's insurance providers become insolvent, the Group may not be able to successfully claim payment from such insurance provider. Moreover, the Group's insurance policies and terms of coverage will be subject to renewals and negotiations on a periodic basis and there is no assurance that adequate insurance coverage will be available on commercially reasonable terms in the future. Any material increase in insurance rates, decrease in available coverage or any failure to maintain adequate insurance in the future could adversely affect the Group's business, financial condition and results of operations. The Group cannot provide assurance of effective mitigation to such risk.

The Group is subject to various laws and regulations, and any violations of applicable laws or regulations or changes to such laws and regulations could adversely affect the Group's business and the Group's results of operations.

The Group's business and operations are subject to a wide range of laws and regulations, including those relating to employment, working conditions, consumer protection, the environment, competition, trade and intellectual property. The Group endeavours to comply with applicable laws and regulations. See "*Regulatory and Environmental Matters*."

New laws, rules or regulations, or revisions to existing laws, rules or regulations, could impose additional restrictions and requirements on the Group's business and operations and could result in additional compliance costs, capital expenditures or other costs. As a result, the Group could experience disruptions to the Group's operations and be unable to execute the Group's business strategy, and the Group's results of operations could be adversely affected. In addition, the Group's ability to comply with applicable laws and regulations can be affected by a variety of factors, including the effectiveness of the Group's compliance and risk management policies, the ability of the Group's management to adequately monitor the Group's operations and intentional or unintentional misconduct or errors of the Group's officers, employees, affiliates or other parties with whom the Group does business. If the Group fails to comply with applicable laws and regulations, the Group may be subject to investigations, fines, penalties, sanctions and private litigation, and the Group could lose regulatory permissions or licenses necessary for the Group's business or experience harm to the Group's reputation. To mitigate this risk, the Group closely monitors regulations, maintains open dialogue and communication with the appropriate regulatory authorities and endeavours to adequately and timely comply with all laws and regulations.

The Group may fail to fulfil the terms and conditions of licenses, permits and other authorizations, or fail to renew them on expiration.

The Group is required to maintain licenses, permits and other authorizations, including those relating to certain construction activities for new and existing stores, and are also required to obtain and renew various permits, including business permits and permits concerning, for example, health and safety, environmental standards and distribution standards. The Group's licenses, permits and other authorizations contain various requirements that must be complied with to keep such licenses, permits and other authorizations valid. If the Group fails to meet the terms and conditions of any of the Group's licenses, permits or other authorizations necessary for the Group's operations, these may be suspended or terminated, leading to temporary or potentially permanent closing of stores, suspension of construction activities or other adverse consequences. In addition, the Group cannot be certain that any given license, permit or authorization will be deemed sufficient by the relevant governmental authorities to fully cover activities conducted in reliance on such license, permit or authorization.

Permits and approvals are regularly monitored by the Group to ensure that all are properly renewed and maintained. See "*Regulatory Compliance*". Nevertheless, there can be no assurance that the Group will continue to be able to renew the necessary licenses, permits and other authorizations for the Group's stores as necessary or that such licenses, permits and other authorizations will not be revoked. If the Group is unable to obtain or renew them or are only able to do so on unfavorable terms, this could have an adverse effect on the Group's business, financial condition and results of operations. To mitigate this risk, the required permits and regulatory approvals are closely regularly monitored by the Group.

The Group is controlled by the Cosco Capital group and the Group's interests may differ significantly from the interests of other shareholders.

The Group is controlled by the Cosco Capital group and members of the Co Family serve as directors and officers of Cosco Capital and the Group. The Group expects that it will continue to enter into transactions with companies directly or indirectly controlled by or associated with the Cosco Capital group. To ensure a high standard of best practice for the Company and its stockholders, it is the policy of the Company that the Board shall conduct themselves with honesty, integrity and fairness in performance of their duties and their dealings that would ensure the honesty of any related-party transactions between and among the company, its subsidiaries and affiliates, stockholders, officers and directors, and of interlocking director relationship by members of the Board. See "*Related Party Transactions*". These transactions may involve potential conflicts of interest which could be detrimental to the Group or the Group's shareholders. There is nothing to prevent other companies that are controlled by the Cosco Capital group from engaging in activities that compete directly with the Group's retail businesses or activities, which could have a negative impact on the Group's business. The interests of the Cosco Capital group as the Group's controlling shareholders may differ significantly from or compete with the Group's interests or the interests of the Group's other shareholders, and there can be no assurance that Cosco Capital group will exercise influence over the Group in a manner that is in the best interests of Cosco Capital group's other shareholders. To mitigate this risk, the Group adheres to its Manual on Corporate Governance and complies with related party policies contained therein. See "*—The Group is party to a number of related party transactions*" and "*Board of Directors and Senior Management—Corporate Governance".*

The Group's business and operations are dependent upon key executives.

The Group's key executives and members of management have greatly contributed to the Group's success with their knowledge, business relationships and expertise, having extensive experience in the Philippine retail space. For more information on the Group's key personnel, see "*Board of Directors and Senior Management.*" If the Group is unable to fill any vacant key executive or management positions with qualified candidates, the Group's business, operating efficiency and financial performance may be adversely affected.

To mitigate this risk, the Company maintains a competent and dynamic team of professional executives and managers engaged in the management of the business. See *"Board of Directors and Senior Management*".

Exposure to customer credit risk, and payment defaults by customers could have a material adverse effect on the Group's financial condition, results of operations and liquidity.

The Group relies on sales to its customers as its primary source of income. Under normal circumstances, the relevant Subsidiary extends credit to a customer, and the length of repayment to be based on the customer's credit worthiness. Failure to collect from its customers will have a material adverse effect on the Group's financial condition, results of operation and liquidity.

There can be no assurance that the Group will not suffer from substantial payment defaults by the customer and that such defaults will not have a material adverse effect on its financial condition and results of operations.

In order to mitigate this risk, management monitors and evaluates the customer's credit worthiness on a monthly basis, which it uses to determine the credit to be extended for future transactions. The Group also has a dedicated team that deals directly with the customers to ensure payments are made in a timely manner. During the COVID-19 pandemic, the Group required the customers to pay cash on demand to prevent payment defaults.

Demand for the Group's products and services may be adversely affected by government-imposed liquor bans and other restrictions caused by the community quarantines.

Given the imposition of ECQ, and other community quarantine measures for the duration of the year 2020, as well as mobility restrictions still currently being imposed, the full year 2020 performance reflects the full impact of the lockdown, thereby continuing and amplifying trends observed during the first quarter of 2020. The re-imposition of stricter quarantine measures following the rise of COVID-19 cases in the country may continue to impact the financials of the Group in 2021.

Several local government units have also issued partial or full liquor bans through the quarantine periods. Certain cities have fully banned the sale, purchase, delivery and consumption of liquor. Other cities have limited their alcohol bans to certain time periods or certain locations. Several food and drinking establishments that serve the Group's products were ordered closed by the LGUs for COVID-19 protocol violations or have ceased operations due to businesses losses, partly attributable to the government-imposed restrictions.

To mitigate the effects of these government-imposed liquor bans and restrictions, the Group has shifted the focus of its marketing efforts to boost home consumption. Nevertheless, the extent to which the COVID-19 related regulations will continue to impact the Company will depend on future developments, which are highly uncertain and cannot be predicted at this point.

Increases in applicable tax rates, in particular excise taxes applicable to alcoholic beverages, and changes in applicable taxes, incentives and taxation laws, may reduce demand for its products and services

The Group is subject to various taxes, including VAT, excise taxes, duties and tariffs. An increase in prices due to additional taxes may affect demand for its products in the Philippines. In particular, increases in excise taxes on alcoholic beverages may reduce overall consumption of these products and reduce its margins, or both. Previous increases in excise tax rates, which result in the amount the consumers need to pay in order to purchase the goods, have adversely affected sales volumes of its beverage business. Increases in excise tax, changes in the applicable tax regime or other taxes and incentives to which the Group is subject, or the imposition of new taxes on its operations or products, including as a result of ongoing tax reforms by the Government may (i) reduce consumption of its products if passed on to the consumers by way of upward price adjustments, (ii) reduce its margins if prices remain unchanged, or (iii) have both such effects if additional taxes are not fully passed on to the consumers. These, in turn, may materially and adversely affect the Group's business, financial condition and results of operations. The Group cannot provide assurance of effective mitigation to such systemic risk. Compared to local manufacturers, however, the margins of the Group's goods are less sensitive due to its premium niche.

The Group may fail to realize the business growth opportunities, benefits and other synergies anticipated from, or may incur unanticipated costs associated with or resulting from, the consolidation of its liquor business.

The consolidation of the liquor business of the Group's Subsidiaries under the Company may give rise to unanticipated costs that affect the overall financials of the Group. The consolidation may also lead to the Group failing to realize certain business growth opportunities, benefits, and other synergies.

If the Group is unable to realize synergies or other benefits as a result of the consolidation of its liquor business, or to generate additional revenue to offset any unanticipated costs associated with or resulting from the consolidation of its liquor business, its growth and ability to compete may be impaired, which would require the Group to focus on addressing the unanticipated costs or the lost business growth opportunities, benefits, and other synergies, rather than other profitable areas of its business, and may otherwise cause a material adverse effect on the Group's business, results of operations and financial condition. However, the Group anticipates that the consolidation of its liquor business under the Company may be a net positive and may lead to increased interest and business opportunities, especially since there will be no change in the operations of the operating companies.

The Group is dependent on logistics and transportation and any failures or slowdowns may have an adverse effect on the Group's business.

Logistics and other transportation related costs have a significant impact on the Group's results of operations. Multiple forms of transportation are used to bring the Group's products into the Philippines and then to the market and to its customers. They include ships and trucks. Disruption to the timely supply of these services or increases in the cost of these services for any reason, including availability or cost of fuel, regulations affecting the industry, service failures by the Group's third-party logistics service providers, availability of various modes of transportation, or natural disasters (which may impact the transportation infrastructure or demand for transportation services), could have an adverse effect on the Group's ability to serve its customers, and could have a material adverse effect on its financial performance.

The Group's ability and the ability of its suppliers and other business partners to make, move and sell products are critical to its success. Damage or disruption to the Group's importation or distribution capabilities due to weather, natural disaster, fire, terrorism, pandemics, strikes or other reasons could impair the Group's ability to sell its products. Failure to take adequate steps to mitigate the likelihood or potential impact of such events, or to effectively manage such events if they occur, particularly when a product is sourced from a single supplier or location or if such events impact its seasonal packing, could adversely affect business and results of operations. To mitigate this risk, the Group utilizes various suppliers for the different products that they sell.

The Group relies on third parties to manage some of its warehouses and to undertake deliveries for the Group. Activity at these warehouses could be disrupted by a number of factors, including the COVID-19 pandemic, labor issues, failure to meet customer standards, bankruptcy or other financial issues affecting the third-party providers, or other matters affecting any such third party's ability to service the Group's customers effectively. Any disruption to these distribution centers could adversely affect the Group's business.

To manage these risks, the Group is circumspect in the selection of its third-party providers. Further, it develops and executes a long-term strategic plan and annual operating plan supported by a contingency plan and risk management measures. It also has in place disaster recovery plans and business continuity plans. The Group also has future plans to strengthen its supply chain and lessen its reliance on third party contractors, as discussed in the "*Use of Proceeds*" section.

Third-party contractors may fail to perform their obligations, or the Group may be unable to find new contractors to meet increased consumer demand, which may affect the Group's businesses and results of operations, including revenues and profitability, which could be materially and adversely affected.

The Group's third-party contractors may fail to perform their obligations, or it may be unable to find new contractors to meet increased consumer demand, which may affect its businesses and results of operations, including revenues and profitability, which could be materially and adversely affected. The Group outsources part of its manufacturing, production and logistics operations to third party contractors. The ability of the Group to bring products to the market could suffer if a significant number of its third-party contractors fail to manufacture or distribute products in a timely manner. While it only engages the services of reputable contractors, its third-party contractors may experience labor disruptions or otherwise encounter production difficulties which may affect the quantity and quality of its products. In addition, it may not successfully renew existing agreements or have contractual disputes with its third-party contractors. There is no assurance that the Group will continue to find sufficient new third party contractors to meet increased customer demand in the future, which could materially and adversely affect its businesses and prospects. Furthermore, it operates in an industry that is subject to many regulatory regimes, including, but not limited to, labor, safety, health, environmental, and insolvency matters. Failure on the part of a significant number of third-party contractors to comply with any of these regulatory regimes could materially and adversely affect its businesses and prospects.

To manage these risks, the Group is circumspect in the selection of its third-party providers. Further, it develops and executes a long-term strategic plan and annual operating plan supported by a contingency plan and risk management measures. It also has in place disaster recovery plans and business continuity plans. The Group also has future plans to strengthen its supply chain and lessen its reliance on third party contractors, as discussed in the "*Use of Proceeds*" section.

Outbreak of diseases, food and beverage safety and foodborne illness concerns could adversely affect the Group's financial condition and results of operations.

The business of the Group is subject to risk of losses caused by any outbreak of a contagious disease that could adversely affect consumer demand for its products, and its ability to adequately staff operations and distribution networks of its products, as well as the general level of economic activity in the Philippines. There can be no assurance that its policies and controls in its facilities to prevent the outbreak and recurrence of diseases, including the strict visitor screening and sanitation procedures for entrance to any of its facilities, will be successful in preventing disease outbreaks or recurrences or that any actual or suspected outbreak of any contagious disease affecting beverage industry in the Philippines or elsewhere will not occur. The Group cannot assure its prospective investors that any future outbreak of a contagious disease will not have a material adverse effect on its business, financial condition and results of operations. Moreover, there can be no assurance that its internal controls and policies, especially since these products are produced and manufactured by its international partners, will be fully effective in preventing all food and beverage safety issues concerning the products it sells, including any occurrences of foodborne illnesses such as Salmonella, E. coli and Hepatitis A.

New illnesses resistant to its current precautions may develop in the future, or diseases with long incubation periods could arise, that could give rise to claims or allegations on a retroactive basis. One or more instances of food and beverage safety or a foodborne illness related to its products could negatively affect its sales. While the Group endeavours to select only suppliers that are compliant with food safety regulations, this risk exists even if it were later determined that the illness was wrongly attributed to their products. The occurrence of food and beverage safety or a foodborne illness incident, or negative publicity or public speculation about an incident, could have a material adverse effect on its business, financial condition and results of operations.

To mitigate this risk, the Group ensures that it only deals with reputable suppliers that are compliant with the relevant regulations in the Philippines and the Group's contracts with its suppliers normally contain indemnity provisions in case of any issues that may arise in relation to the safety of their respective brands.

Labor disputes, including failure to maintain satisfactory labor relations, or changes in employment laws may disrupt operations and could adversely affect its business, prospects, financial condition and results of operations.

The Group is subject to a variety of national and local laws and regulations in the Philippines, including those relating to labor. There can be no assurance that it will not experience labor unrest, activism, and difficulty negotiating collective bargaining agreements or disputes or actions in the future, some of which may be significant and could adversely affect its business, prospects, financial condition and results of operations.

The Group generally considers its labor relations to be good and harmonious. However, there can be no assurance that it will not experience future disruptions to its operations due to labor disputes. In addition, any changes in labor laws and regulations could result in the Group having to incur substantial additional costs to comply with increased minimum wage and other labor laws. Any of these events may materially and adversely affect its business, financial condition and results of operations.

Various labor laws govern its relationship with its employees and affect operating costs. These laws include minimum wage requirements, mandatory health benefits, overtime compensation, and other terms and conditions of employment. These and significant changes in labor regulations, for example, in respect of outsourcing services to independent third party contractors, could materially affect its business, financial condition, operating results or cash flow. Outsourcing carries with it certain inherent risks including potential actions from employees of its third-party service providers who may claim an employee-employer relationship with the Group and the risk that third party contracting arrangements in place are found by the DOLE to be "labor-only contracting", which could have a significant impact on its labor costs. In addition, labor disputes involving a substantial number or all of its employees may harm its reputation, disrupt its operations and reduce its revenues, and resolution of disputes may increase its costs. See "*Regulatory and Environmental Matters*."

The Group is also exposed to litigation risk from employees of its various third party contractors, who may implead the Company as party to their labor cases and labor disputes against these third party contractors. Any adverse decision rendered against the Group in such cases or disputes could have a material adverse effect on its business, financial condition and results of operations. To mitigate this risk, the Group closely monitors labor regulations and endeavours to comply with all the relevant labor regulations in the Philippines.

The Group may not be able to generate sufficient cash flow, raise capital or obtain financing on acceptable terms, which could adversely affect the execution of future business activities.

The Group's future business activities are expected to be funded through a combination of internally-generated funds and external fund-raising activities, including debt and equity financing. Continued access to debt and equity financing as a source of funding for new projects and acquisitions and for refinancing maturing debt is subject to many factors, including: (i) Philippine regulations limiting bank exposure (including single borrower limits) to a single borrower or related group of borrowers, (ii) compliance with existing debt covenants, (iii) the ability to service new debt, and (iv) perceptions in the capital markets regarding the Group and the industry in which it operates and other factors, some of which may be outside of its control, including general conditions in the debt and equity capital markets, political instability, economic downturn, social unrest, changes in the Philippine regulatory environment or the bankruptcy of an unrelated company operating in one or more of the same industries as the Group, any of which, could increase its cost of borrowing or other financing or restrict its ability to obtain debt or equity financing. In addition, disruptions in global capital and credit markets may occur, continue indefinitely or intensify, and such disruptions could adversely affect its access to financing. There can be no assurance that it will be able to arrange its required financing on acceptable terms, if at all. Any inability to obtain financing from banks and other financial institutions or from capital markets would adversely affect its ability to execute its future business activities as well as its financial condition and prospects.

The public ownership of the Company is currently below 20% prior to the completion of this Offering.

The public ownership of the Company is currently at [0.34%], which is below the 20% minimum public ownership requirement for publicly-listed companies, in accordance with the requirements of the SEC and PSE for listed companies that like the Company, that have undertaken backdoor listing. As of the date of this Prospectus, the Company's shares have been suspended from trading and while the Company is seeking the lifting of such suspension for the benefit of its shareholders, there can be no assurance that the relevant regulators, which include the SEC, the PSE and the BIR, will grant the Company's request or when such request would be granted. In the event that the Company's shares remain suspended during the Offer Period, such trading suspension may cause the price of the Shares to be higher than the price that would otherwise exist in the absence of such trading suspension. Further, there is no assurance that the price of the Shares will not decline significantly after such trading suspension is lifted.

The Company intends to comply with and exceed the minimum public ownership requirement through this Offer. On the Listing Date, the Company's public ownership will increase to at least 20% which would make it compliant with the MPO Rule.

However, if subsequently the Company's public ownership level decreases to below the MPO Rule minimum, then trading in the Company's shares may be suspended. Listed companies that become non-compliant with the minimum public ownership rules may be suspended from trading for a period of not more than six months and will automatically be delisted if they remain non-compliant after the lapse of the suspension period.

Under BIR Revenue Regulations No. 16-2012, the sale, barter, transfer, and/or assignment of shares of listed companies that fail to meet the MPO Rule will be subject to capital gains tax and documentary stamp tax. Unless temporary relief is granted and the trading suspension is not lifted, any sale of the Offer Shares will be subject to capital gains tax and documentary stamp tax.

RISKS RELATING TO THE PHILIPPINES

Political instability in the Philippines may have a negative effect on the Philippine economy and business environment which could have a material adverse impact on the Group's business.

The Philippines has from time to time experienced political and military instability. In recent history, there has been political instability in the Philippines, including impeachment proceedings against two former presidents and the chief justice of the Supreme Court of the Philippines, hearings on graft and corruption issues against various government officials, and public and military protests arising from alleged misconduct by previous and current administrations. There can be no assurance that acts of political violence will not occur in the future and any such events could negatively impact the Philippine economy. An unstable political environment may negatively affect the general economic conditions and operating environment in the Philippines, which in turn could have a material adverse effect on the business, operations, and financial condition of the Group.

In addition, the Group may be affected by political and social developments in the Philippines and changes in the political leadership and/or government policies in the Philippines. Such political or regulatory changes may include (but are not limited to) the introduction of new laws and regulations that could impact Group's business.

There can be no assurance that the administration to be elected in the 2022 elections will continue to implement social and economic policies that promote a favorable and stable macroeconomic and business environment. Policy instabilities or fundamental change of policy directions, including those with respect to Philippine foreign policy, may lead to an increase in political or social uncertainty and the loss of investor confidence in the Philippines. A change of administration brought about by the 2022 elections may also raise the risks of social and political unrest. Any potential instability could have an adverse effect on the Philippine economy, which may impact the Group's business, prospects, financial condition and results of operations, and the Group cannot provide assurance of effective mitigation to such political instability.

The Group's business activities and assets are based in the Philippines, therefore, any downturn in the Philippine economy could have a material adverse impact on the Group's business, financial condition, results of operations, and prospects.

The Group derives its operating income and operating profits from the Philippines and, as such, the Group is highly dependent on the state of the Philippine economy. Factors that may adversely affect the Philippine economy include:

- decreases in business, industrial, manufacturing or financial activities in the Philippines, the Southeast Asian region or globally;
- foreign exchange rate fluctuations;
- foreign exchange controls;
- inflation or increase in interest rates;
- levels of employment, consumer confidence and income;
- Philippine government budget deficits;
- the emergence of infectious diseases in the Philippines or in other countries in Southeast Asia, such as COVID-19;
- natural disasters, including but not limited to tsunamis, typhoons, earthquakes, fires, floods and similar events;
- political instability, terrorism or military conflict in the Philippines, other countries in the region or globally; and
- other regulatory, social, political or economic developments in or affecting the Philippines.

Any future deterioration in economic conditions in the Philippines due to these or other factors could materially and adversely affect the Group's customers and contractual counterparties. This, in turn, could materially and adversely affect the Group's financial position and results of operations. Therefore, changes in the conditions of the Philippine economy could materially and adversely affect the Group's business, financial condition or results of operations. The Group cannot provide assurance of effective mitigation to such systemic risks.

Natural or other catastrophes, including severe weather conditions, may materially disrupt the Group's operations and financial condition.

The Philippines has experienced a number of major natural catastrophes over the years, including typhoons, droughts, volcanic eruptions and earthquakes. Recently, the Philippine Institute of Volcanology and Seismology ("**Philvolcs**") raised alert levels over Taal volcano to level 4, indicating that a hazardous explosive eruption is possible within hours to days. Philvolcs subsequently lowered alert levels to level 3, indicating decreased tendency towards hazardous explosive eruption. On February 14, 2020, Philvolcs further lowered alert levels to level 2. On July 1, 2021, Philvolcs again raised the alert levels over Taal to level 3, due to increased seismic activity. There can be no assurance that the occurrence of such natural catastrophes will not materially disrupt the Group's operations, and consequently, may adversely affect the Group's business, financial condition and results of operations.

Further, while the Group does obtain all-risk insurance, the Group does not carry any insurance for certain catastrophic events, and there are certain losses for which the Group cannot obtain insurance at a reasonable cost or at all. The Group also does not carry any business interruption insurance. Any material uninsured loss could materially and adversely affect the Group's business, financial condition and results of operations, as such the Group cannot provide assurance of effective mitigation to such risk.

Credit ratings of the Philippines and Philippine companies could materially and adversely affect the Group and the market or price of the Shares.

The sovereign credit ratings of the Philippines directly affect companies residing and domiciled in the Philippines as international credit rating agencies issue credit ratings by reference to that of the sovereign. In 2013, the Philippines earned investment grade status from all three major credit ratings agencies — Fitch (BBB-), Standard and Poor's ("S&P") (BBB-) and Moody's (Baa3). In 2014, S&P and Moody's upgraded their ratings to "BBB" and "Baa2" in May and December, respectively, with both agencies affirming these ratings in 2015. In December 2017, Fitch upgraded the country's rating to BBB, with a stable outlook, on strong economic conditions and planned tax reform, and affirmed such rating last January 2021, while S&P raised its outlook to Positive from Stable last April 2018 and affirmed the BBB+ rating in 2020. All ratings are a notch above investment grade and the highest that the country has received so far from any credit ratings agency.

International credit rating agencies issue credit ratings for companies with reference to the country in which they reside. As a result, the sovereign credit ratings of the Philippines directly affect companies that reside in the Philippines, such as the Company.

With investment grade status from three credit rating agencies, the Philippines is now eligible to be part of investment grade indices. These ratings reflect an assessment of the Government's overall financial capacity to pay its obligations and its ability or willingness to meet its financial commitments as they become due. The ratings of the Government directly affect companies residing in the Philippines, as international credit rating agencies issue credit ratings by reference to that of the sovereign.

On July 12, 2021, Fitch Ratings has affirmed Philippines' Long-Term Foreign-Currency Issuer Default Rating at 'BBB' and revised the Outlook to Negative from Stable, indicating that the country's credit rating may be lowered in the medium term or in the next one to two years.

No assurance can be given that international credit rating organizations will not downgrade the credit ratings of the Philippines or Philippine companies. As such, the Group cannot provide assurance of effective mitigation to such systemic risks. Any such downgrade could have an adverse impact on liquidity in the Philippine financial markets, the ability of the Government and Philippine companies, including the Group, to raise additional financing and the interest rates and other commercial terms at which such additional financing is available and could have a material adverse effect on the Company.

Acts of terrorism could destabilize the country and could have a material adverse effect on the Group's assets and financial condition.

The Philippines has been subject to a number of terrorist attacks in the past several years. The Philippine army has been in conflict with various groups which have been identified as being responsible for kidnapping and terrorist activities in the Philippines as well as clashes with separatist groups. In addition, bombings have taken place in the Philippines, mainly in cities in the southern part of the country. For example, in January 2019, bombs were detonated in the Jolo Cathedral in the Municipality of Jolo, Sulu and a Mosque in Zamboanga City, Zamboanga del Sur. In May 2017, a clash erupted in Marawi, Lanao del Sur between government security forces and the ISIS-affiliated Maute group, following the Government's offensive to capture alleged ISIS leader in Southeast Asia, Isnilon Hapilon, who was believed to be in the city. President Duterte immediately declared Martial Law in Mindanao amid protests from the opposition and sectors of civil society. In a special joint session convened on July 22, 2017, both Houses of Congress voted to extend Martial Law until the end of 2017. On October 17, 2017, President Duterte declared the liberation of Marawi City. The clashes resulted in the loss of lives of civilians, soldiers and ISIS-inspired extremists, as well as damage to property and livelihood of Marawi residents and the reconstruction of the city is on-going. On December 13, 2017, both Houses of Congress again granted President Duterte's request to extend Martial Law in Mindanao until December 31, 2018. For the third time on December 17, 2018, Martial Law was extended by both Houses of Congress until December 31, 2019. In December 2019, however, President Duterte announced that he had decided not to extend Martial Law in Mindanao any further.

An increase in the frequency, severity or geographic reach of these terrorist acts, violent crimes, bombings and similar events could have a material adverse effect on investment and confidence in, and the performance of, the Philippine economy. Any such destabilization could cause interruption to the Group's business and materially and adversely affect the Group's financial conditions, results of operations and prospects.

Continued conflicts between the Government and separatist groups could lead to further injuries or deaths by civilians and members of the Armed Forces of the Philippines, which could destabilize parts of the Philippines and adversely affect the Philippine economy. There can be no assurance that the Philippines will not be subject to further acts of terrorism or violent crimes in the future, which could have a material adverse effect on the Group's business, financial condition, and results of operations. Consequently, the Group cannot provide assurance of effective mitigation to such systemic risk.

The continuing impacts of the COVID-19 pandemic are highly unpredictable, volatile, and uncertain, and have had, and will continue to have, certain negative impacts on business operations, demand for products and services, costs of doing business, availability of labor, access to inventory, supply chain operations, the Group's financial performance, and the ability to predict future performance, among others.

The COVID-19 pandemic has created significant public health concerns as well as economic disruption, uncertainty, and volatility, all of which have impacted and may continue to impact the Company's businesses. While the Company has taken numerous steps to mitigate the impact of the pandemic on its results of operation, there can be no assurance that these efforts will be successful. As of the date of this Prospectus, Metro Manila is under Enhanced Community Quarantine ("**ECQ**"), while other areas continue to be placed under other levels of community quarantine and there is no assurance that areas that are currently under General Community Quarantine ("**GCQ**") or Modified GCQ will not be put under more stringent community quarantine in the future. Due to numerous uncertainties and factors beyond its control, the Company is unable to predict the impact that COVID-19 will have going forward on its businesses, results of operations, cash flows, and financial condition. These factors and uncertainties include, but are not limited to:

- the severity and duration of the pandemic or other additional periods of increases or spikes in the number of COVID-19 cases in future periods in areas in which the Company operates;

- the duration and degree of governmental, business or other actions in response to the pandemic, including but not limited to quarantine, stay-at-home or other lockdown measures;

- restrictions on operations up to and including complete or partial closure of offices, plants, facilities and distribution centers;

- restrictions on alcohol consumption and liquor bans that are imposed during the quarantine period;

- economic measures, fiscal policy changes, or additional measures that have not yet been effected;

- the health of, and effect of the pandemic on, the Company's personnel and the Company's ability to maintain staffing needs to effectively operate its businesses;

- evolving macroeconomic factors, including general economic uncertainty, unemployment rates, and recessionary pressures;

- the impact of the pandemic and related economic uncertainty on consumer confidence, economic well-being, spending, and shopping behaviors, both during and after the crisis;

- impacts—financial, operational or otherwise—on the Company's supply chain, including manufacturers or suppliers of products and logistics or transportation providers, and on the Company's service providers or third-party contractors;

- volatility in the credit and financial markets during and after the pandemic;

- the impact of any litigation or claims from customers, suppliers, regulators or other third parties relating to COVID-19 or the Company's actions in response thereto;

- the pace of recovery when the pandemic subsides; and

- the long-term impact of the pandemic on the Group's businesses.

The above factors and uncertainties, or others of which the Company is not currently aware, may result in adverse impacts to the Company's businesses, results of operations, cash flows, and financial condition. In particular, the COVID-19 pandemic has, and is expected to continue to have, an adverse effect on the Company's businesses and results of operations. While the country was subjected to **ECQ** at the onset of the pandemic, the community quarantine measures eventually eased up throughout the year. Metro Manila shifted to GCQ on June 1, 2020, and retained this status until the end of the 2020. Other parts of the country were able to shift to the more lax modified general community quarantine ("**MGCQ**") by the end of 2020. For the first few months of 2021, the guidelines on transportation and interregional travel eased. However, with the rise of the COVID-19 cases, Metro Manila and the provinces of Bulacan, Cavite, Laguna and Rizal, were placed under a stricter version of GCQ for a two-week period beginning on March 22, 2021 as part of the Philippine Government's efforts to control the surge in the COVID-19 cases. The restrictions limit travel in and out of covered areas, prohibit in-door dining, and impose curfews. On March 27, 2021, following a spike in COVID-19 cases, the Philippine Government placed Metro Manila and certain neighboring provinces under ECQ from March 29, 2021 until April 11, 2021. On April 11, 2021, the Government announced that Metro Manila and certain neighboring provinces would shift to MECQ starting April 12, 2021 until April 30, 2021, which was extended through May 15, 2021. For the months of June and July, Metro Manila was under GCQ, at times with heightened restrictions. However, because of the sudden surge in COVID-19 cases and the alarming reports on the transmissibility and severity of the Delta variant, the government again imposed ECQ over Metro Manila and other areas in the country from August 6, 2021 until August 20, 2021, then subsequently relaxed the restrictions over Metro Manila to MECQ from August 21, 2021 until August 31, 2021. Metro Manila is currently under GCQ until October 31, 2021.

Given the imposition of ECQ, and other community quarantine measures for the duration of the year 2020, as well as mobility restrictions still currently being imposed, the full year 2020 performance reflects the full impact of the lockdown, thereby continuing and amplifying trends observed during the first quarter of 2020. The re-imposition of stricter quarantine measures following the rise in cases of COVID-19 in the country may continue to impact the financials of the Group in 2021.

Several local government units have also issued partial or full liquor bans through the quarantine periods. Certain cities have fully banned the sale, purchase, delivery and consumption of liquor. Other cities have limited their alcohol bans to certain time periods. To mitigate the effects of these liquor bans, the Group has focused its marketing efforts to boost home consumption.

The extent to which the COVID-19 pandemic will continue to impact the Company will depend on future developments, including the timeliness and effectiveness of actions taken or not taken to contain and mitigate the effects of COVID-19 both in the Philippines and internationally by governments, central banks, healthcare providers, health system participants, other businesses and individuals, which are highly uncertain and cannot be predicted.

To the extent the COVID-19 pandemic adversely affects the business and financial results of the Company, it may also have the effect of heightening many of the other risks described in this Prospectus.

Other than COVID-19, other public health epidemics or outbreaks of diseases could have an adverse effect on economic activity in the Philippines, and could materially and adversely affect the Group's business, financial condition and results of operations.

On September 19, 2019, the Department of Health declared a polio epidemic after a case of the disease was recorded in Lanao del Sur. Low vaccination coverage, poor early surveillance of polio symptoms, and substandard sanitation practices are seen as the culprits in this re-emergence.

On August 6, 2019, the Department of Health declared a national dengue epidemic in the wake of the 146,062 cases recorded since January up to July 20, 2019 – a number 98% higher than the same period in 2018. There were 662 deaths. Furthermore, seven out of the 17 regions of the Philippines have exceeded the epidemic threshold of dengue in their regions for the past three consecutive weeks. The Department of Health also saw a slight increase in diphtheria in 2019, recording a total of 167 cases and 40 deaths from January to September 2019. This is slightly higher than figures from the same period in 2018, with 122 cases and 30 deaths.

The outbreak of a virus or any public health epidemic in the Philippines could have an adverse effect on the Philippine economy, and could materially and adversely affect the Group's business, financial condition and results of operations.

To mitigate the effects of these possible public health epidemics or outbreak of diseases, the Group's diverse product portfolio and extensive knowledge on its consumers and industry trends provides the Group with flexibility to adapt to such circumstances. As an example, the Group has shifted the focus of its marketing efforts to boost home consumption during the COVID-19 pandemic. Nevertheless, the extent to which the COVID-19 related regulations will continue to impact the Company will depend on future developments, which are highly uncertain and cannot be predicted.

Territorial disputes with China and a number of Southeast Asian countries may disrupt the Philippine economy and business environment.

The Philippines, China and several Southeast Asian nations have been engaged in a series of longstanding territorial disputes over certain islands in the West Philippine Sea, also known as the South China Sea. The Philippines maintains that its claim over the disputed territories is supported by recognized principles of international law consistent with the United Nations Convention on the Law of the Sea ("**UNCLOS**"). Despite efforts to reach a compromise, a dispute arose between the Philippines and China over a group of small islands and reefs known as the Scarborough Shoal. Actions taken by both sides have threatened to disrupt trade and other ties between the two countries, including a temporary ban by China on Philippine banana imports, a temporary suspension of tours to the Philippines by Chinese travel agencies and the rejection by China of the Philippines' request for arbitral proceedings administered in accordance with the UNCLOS to resolve the disputes.

In 2016, the Permanent Court of Arbitration ruled in favor of the Philippines and against China in relation to the ongoing disputes over islands in the West Philippine Sea. Despite this, China has categorically stated that it will not recognize said ruling. Without a formal enforcement mechanism, the territorial dispute remains unresolved and has resulted in some tension between Filipino and Chinese nationals at sea. On June 9, 2019, a fishing boat manned by Filipino fishermen was rammed by a Chinese vessel at Recto Bank, an underwater feature being claimed by both the Philippines and China in the portion of the South China Sea portion that Manila calls the West Philippine Sea. The Filipino fishermen were abandoned in open sea and were eventually rescued by a Vietnamese vessel. This incident increased tensions between China and the Philippines. The owners of the Chinese vessel have since apologized to the Filipino fishermen and remuneration is being arranged for the fishermen.

There had been other occurrences of territorial disputes with Malaysia and Taiwan. In March 2013, several hundred armed Filipino-Muslims illegally entered Malaysia in a bid to enforce an alleged historical claim on the territory. Clashes between the Filipino-Muslim individuals and the Malaysian armed forces resulted in casualties on both sides. Taiwan imposed economic sanctions on the Philippines as a result of an incident in May 2013, whereby a Taiwanese fisherman was unintentionally killed by a Philippine coast guard ship that opened fire on his vessel in a disputed exclusive economic zone between Taiwan and the Philippines. The sanctions were eventually lifted after a formal apology was issued by the Philippine government.

Should territorial disputes between the Philippines and other countries in the region continue or escalate further, the Philippines and its economy may be disrupted, and its operations could be adversely affected as a result. The Group cannot provide assurance of effective mitigation to such systemic risk.

RISKS RELATING TO THE OFFER AND THE OFFER SHARES

The market for the Offer Shares may not always be active or liquid and the price of the Offer Shares may fall.

Trading volumes on the PSE have historically been significantly smaller than other major securities markets in more developed countries and have also been highly volatile. There can be no assurance that an active market for the Offer Shares will develop following the Offer or if developed, that such market will be sustained.

The price at which the Offer Shares will trade on the PSE at any point in time during or after the Offer may vary significantly from the Offer Price, and the Company cannot provide assurance of effective mitigation to such risk.

The market price of the Shares may be volatile, which could cause the value of investors' investments in the Shares to decline. An individual security may experience upward or downward movements, and may even lose all its value. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. There is an extra risk of losing money when securities are bought from companies with relatively low capitalization. There may be a substantial difference between the buying price and the selling price of such securities. These fluctuations may be exaggerated if the trading volume of the Company's Offer Shares is low.

The market price of Shares could be affected by several factors, including:

- general market, political and economic conditions;
- changes in earnings estimates and recommendations by financial analysts;
- changes in market valuations of listed stocks in general and other retail stocks in particular;
- the market value of the Group's assets;
- changes to Government policy, legislation or regulations; and
- general operational and business risks.

In addition, many of the risks described in this *"Risk Factors"* section of this Prospectus could materially and adversely affect the market price of the Shares.

In part as a result of the global economic downturn, the global equity markets have experienced price and volume volatility that has affected the share prices of many companies. Share prices for many companies have experienced wide fluctuations that have often been unrelated to the operating performance of those companies. Fluctuations such as these may adversely affect the market price of the Shares. The Group cannot provide assurance of effective mitigation to such risk.

As a result of the change in par value, material adjustments have been made to the market price of the Shares, which may affect the value of a shareholder's investment in the Shares.

On October 26, 2020 and November 20, 2020, the Board of Directors and the stockholders of the Company, respectively, approved the increase in the Company's authorized capital stock from ₱327,600,000.00 divided into 1,200,000,000 common shares with a par value of ₱0.023 per common share and 3,000,000,000 preferred shares with a par value of ₱0.10 per preferred share to ₱2,000,000,000.00 divided into 20,000,000,000 common shares with a par value of ₱0.10 per common share (the "**Amendment**"). The SEC approved the application for the Amendment on June 30, 2021.

As a result of the change in the Company's par value, the number of shares held by existing shareholders were reduced. As a necessary consequence of the increase in par value following the Amendment, the PSE announced a price adjustment from the last traded price of ₱2.95 to ₱12.82 with effect from September 13, 2021. Such price adjustments may affect the value of a shareholder's investment in the Shares. There is no assurance of any effective mitigants to such risks.

There can be no guarantee that the Offer Shares will be listed on the PSE.

Purchasers of the Offer Shares will be required to pay for such Offer Shares on the Trading Participants and Retail Settlement Date, which is expected to be on or about [November 10, 2021], or such other date that may be agreed by the Company and the Joint Lead Underwriters, and on the Institutional Offer Settlement Date, which is expected to be on or about [November 17, 2021], or such other date that may be agreed by the Company and the Joint Lead Underwriters. There can be no guarantee that listing will occur on the anticipated Listing Date or at all. Notice of any adjustment to the Listing Date shall be made by publication by the Company in two newspapers of general circulation, provided that any adjustment to the Listing Date shall be subject to the approval of the PSE and SEC. Further, there can be no assurance that during the Offer Period through the Listing Date, there will be no developments in relation to COVID-19 and the response of the PSE, SEC, or any other relevant government authority or private parties that may adversely affect the ability of the Company, the Joint Lead Underwriters, Selling Agents, or any of the parties relevant to the Offer and/or the Listing (including but not limited to the clearing of funds, lodgement of the Shares or the trading of securities) to perform their functions contemplated by the Offer during the time indicated in this Prospectus, as expected by the Company. Delays in the admission and the commencement of trading in shares on the PSE have occurred in the past. If the PSE does not admit the Offer

Shares onto the PSE, the market for the Offer Shares will be illiquid and shareholders may not be able to trade the Offer Shares. While the Company endeavours to comply with all the listing requirements of the PSE, there is no assurance of any effective mitigants to such risk. This may materially and adversely affect the value of the Offer Shares.

Future sales of the Shares in the public market could adversely affect the prevailing market price of the Shares and shareholders may experience dilution in their holdings.

In order to finance the expansion of the Group's business and operations, the Board will consider the funding options available to them at the time, which may include the issuance of new Shares. If additional funds are raised by the Company through the issuance of new equity or equity-linked securities other than on a pro rata basis to existing shareholders, the percentage ownership of existing shareholders may be reduced, shareholders may experience subsequent dilution or such securities may have rights, preferences and privileges senior to those of the Offer Shares.

Further, the market price of the Shares could decline as a result of future sales of substantial amounts of the Shares in the public market or the issuance of new Shares, or the perception that such sales, transfers or issuances may occur. This could also materially and adversely affect the prevailing market price of the Shares or the Group's ability to raise capital in the future at a time and at a price the Group deems appropriate.

There is no restriction on the Group's ability to issue Shares or the ability of any of the Group's shareholders to dispose of, encumber or pledge, their Shares, and there can be no assurance that the Group will not issue Shares or that such shareholders will not dispose of, encumber or pledge, their Shares.

Investors may incur immediate and substantial dilution as a result of purchasing Shares in the Offer.

The issue price of the Shares in the Offer may be substantially higher than the net tangible book value of net assets per share of the outstanding Shares. Therefore, purchasers of Shares in the Offer may experience immediate and substantial dilution and the Group's existing shareholders may experience a material increase in the net tangible book value of net assets per share of the Shares they own. See "*Dilution*" on page 134 of this Prospectus.

There can be no assurance that the Group will be able to pay dividends

On July 9, 2021, the Company's Board of Directors approved and adopted an annual dividend payment ratio of at least 20% of its net income after tax for the preceding fiscal year, subject to the requirements of applicable laws and regulations, and circumstances which restrict the payment of dividends, including, but are not limited to, the following: (i) when the Corporation undertakes major projects and developments requiring substantial cash expenditures; or (ii) when the Corporation is restricted from paying dividends due to its loan covenants. Under Philippine law, however, dividends may only be declared and paid out of unrestricted retained earnings, which shall be payable in cash, property or stock to all shareholders on the basis of outstanding stock held by them. Consequently, the ability of the Company to declare dividends will be adversely affected, if the Group has no unrestricted retained earnings from operations.

Further, the Board may, at any time, modify such dividend pay-out ratio taking into consideration various factors including, but not limited to the following: (i) when the Corporation undertakes major projects and developments requiring substantial cash expenditures; or (ii) when the Corporation is restricted from paying dividends due to its loan covenants. See "*Dividends and Dividend Policy*" beginning on page 127 of this Prospectus.

No assurance can be given as to the Group's ability to make dividends. Nor is there any assurance that the level of dividends will increase over time, or that the Group will generate adequate income available for dividends to shareholders.

The Offer Shares may not be suitable investment for all investors

Each prospective investor in the Offer Shares must determine the suitability of that investment in light of its own circumstances. In particular, each prospective investor should: have sufficient knowledge and experience to make a meaningful evaluation of the Group, the Company, and its businesses, the merits and risks of investing in the Offer Shares and the information contained in this Prospectus; have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Offer Shares and the impact the Offer Shares will have on its overall investment portfolio; have sufficient financial resources and liquidity to bear all of the risks of an investment in the Offer Shares, including where the currency for purchasing and receiving dividends on the Offer Shares is different from the potential investor's currency; understand and be familiar with the behavior of any relevant financial markets; and be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

RISKS RELATING TO CERTAIN INFORMATION IN THE PROSPECTUS

Certain information contained herein is derived from unofficial publications.

Certain information in this Prospectus relating to the Philippines, the retail industry and market, and the liquor and wine distribution business, including statistics relating to market size, is derived from various Government and private publications. This Prospectus also contains industry information which was prepared from available public sources and independent market research conducted by IWSR to provide an overview of the segments of the retail industry in which the Company operates. The Group has obtained the consent of IWSR but cannot guarantee that the information is accurate. The information contained in that section may not be consistent with other information regarding the Philippine alcohol and liquor beverage segment and the consumer retail segment. Similarly, industry forecasts and other market research data, including those contained or extracted herein, have not been independently verified by the Group nor the Joint Lead Underwriters, nor any of the Group's respective affiliates or advisors, and may not be accurate, complete, up to date or consistent with other information compiled within or outside the Philippines. Prospective investors are cautioned accordingly.

There may be possible deviation in the Use of Proceeds.

The intended use of proceeds from the Offer is set out under "*Use of Proceeds*" on page 123 of this Prospectus. It is the Company's current intention to apply the net proceeds from the Offer in the manner as described in that section.

However, as new business opportunities arise, or as unforeseen events occur, the Company may opt to reallocate a portion or all of the net proceeds to other business plans or to other uses or hold such funds in bank accounts or short-term securities, if such action is considered to be in the best interests of the Company. As a consequence, the actual application of the proceeds from the Offer may deviate from the intended use as described in this document. Any such material deviation, however, will be disclosed in accordance with the relevant rules of the SEC and/or PSE.

In addition, the business plans of the Company as described herein are based on assumptions of future events, which by their nature, are subject to uncertainty. As such, while the Company exerts reasonable efforts in planning, there is no assurance that the plans of the Company will materialize as intended.

The presentation of financial information in this Prospectus, including pro forma consolidated condensed financial information may be of limited use to investors and may not accurately show or serve as an adequate basis from which to evaluate the Company's financial position, future prospects, business performance and results of operations.

The presentation of financial information in this Prospectus comprises historical information of the Company as at and for the years ended December 31, 2020, December 31, 2019, December 31, 2018, and December 31, 2017. The historical financial information presented may be of limited use to investors. While the presentation of separate historical financial results of the Subsidiaries included in this Prospectus may provide a reference to investors, there is no assurance that such presentation accurately depicts what the Company's financial results would have been had the acquisition of the Subsidiaries been effected earlier, nor is such presentation indicative of future prospects, business performance, results of operations or financial position. The Company has also included pro forma condensed consolidated financial information of the Company in the appendices of this Prospectus. The pro forma consolidated results of operations and financial position of the Company included herein are necessarily based on certain assumptions, and such information is not necessarily indicative of the operating results or financial position that would have been achieved had these transactions been completed prior to such periods, nor is it indicative of future results of operations or financial position, and should not be relied upon as being so indicative.

Accordingly, the Company's consolidated financial information in this Prospectus, including the Company's pro forma consolidated financial information may not provide a meaningful basis for evaluating the Company's future prospects, business and results of operations. Further, there can be no reliance on the Company's historical results of operations as an indication of future performance.

USE OF PROCEEDS

The Company's total proceeds from the sale of the Offer Shares will be ₱[6,000] million to ₱[7,500] million based on an Offer Price of [₱2.00] to [₱2.50] per Offer Share. It is estimated that the net proceeds from the sale of the Offer Shares will be approximately ₱[5,821.5] to ₱[7,286.0] million after deducting the applicable underwriting fees, cost and expenses for the Offer payable by the Issuer, estimated to be at ₱[178.5] to ₱[214.0] million.

In general, the Company intends to use the net proceeds from the sale of the Offer Shares towards funding the Group's strategic growth and expansion strategies and programs principally involving strategic acquisitions and investments that will strengthen its supply chain and control of product costs, expand its product brand portfolio offerings, enhance its e-commerce platform and expand its logistics and distribution capabilities in order to deliver consistent and long-term values to its customers and stakeholders, working capital and for general corporate purposes.

Specifically, the Group intends to achieve the following objectives through the planned utilization and deployment of the net proceeds from the sale of the Offer Shares:

1. Strategic strengthening and control of supply chain and product costs
2. Fill in gaps in its existing product portfolio
3. Maintain its leadership position in the imported spirits, wines and specialty beverages segment
4. Solidify relationships with brand owners
5. Consistently deliver value and exceed customer expectations
6. Enhance communication and engagement of its customers
7. Invest in its employees, systems and processes
8. Embrace sustainability
9. Future-proof the Company

In order to achieve these objectives, the proposed use of the net proceeds from the sale of Offer Shares are further broken down as follows:

Use of Proceeds	**Estimated Amounts based on an Offer Price of ₱[2.00]**	**Estimated Amounts based on an Offer Price of ₱[2.50]**	**Percentage of Total Net Proceeds**	**Estimated Timing of Disbursement**
	₱ millions	**₱ millions**		
1. Strategic acquisition opportunities	[3,200.0]	[4,000.0]	[55]%	[2021 – 2023]
2. Expansion of product portfolio and distribution channels	[1,200.0]	[1,500.0]	[21]%	[2022 – 2023]
3. Investments in distribution and logistics network	[800.0]	[1,000.0]	[14]%	[2022 – 2023]
4. Working capital	[400.0]	[500.0]	[7]%	[2022 – 2023]
5. General corporate purposes	[221.5]	[286.0]	[4]%	[2022 – 2023]
Estimated Net Proceeds....................	**₱ [5,821.5]**	**₱ [7,286.0]**		

In the event that the net proceeds from the sale of the Offer Shares is less than the expected amount, the Company intends to allocate the proceeds in order of priority as follows:

1. Strategic acquisition opportunities;
2. Expansion of product portfolio and distribution channels;
3. Investments in distribution and logistics network;
4. Working capital; and
5. General corporate purposes.

The proceeds from the sale of the Offer Shares will be fully utilized for the above-listed purposes which are focused on growing the business and will not be used to pay down any debt.

STRATEGIC ACQUISITION OPPORTUNITIES

Approximately [55]% or ₱[3,200] to ₱[4,000] million of the net proceeds from the sale of the Offer Shares will be used to fund potential acquisition opportunities within the next two (2) years. In order to accelerate expansion, the Company intends to acquire other liquor businesses that have a strategic fit to the current operations. The Company has not yet identified any specific acquisition opportunities / targets for the immediate future.

EXPANSION OF PRODUCT PORTFOLIO AND DISTRIBUTION CHANNELS

Approximately [21]% or ₱[1,200] to ₱[1,500] million of the net proceeds from the sale of the Offer Shares will be used to fund the further development of the Group's product portfolio and distribution channels. Out of the ₱[1,200] to ₱[1,500] million of the net proceeds intended for the expansion of product portfolio and distribution channels, ₱[800] to ₱[1,000] million will be allotted for the development, incubation and launch of new products and ₱[400] to ₱[500] million will be allotted for the expansion of the Group's distribution channels. The Company intends to implement its proposed use of proceeds in relation to "*Expansion of Product Portfolio and Distribution Channels*" through its subsidiaries by way of on-lending or equity infusion or a combination of both.

As part of the Group's initiative to maintain its leadership position in the imported spirits, wines and specialty beverages segment, the Group intends to fill in the gaps in its existing product portfolio by developing, incubating and launching new products.

At the back of an expanding product portfolio, the Group intends to further expand its distribution channels via the following initiatives:

1. Business-to-consumer (new model): establishing a strategic presence in the e-commerce space; and
2. Business-to-business (existing model): expanding and strengthening the existing distribution channels.

INVESTMENTS IN DISTRIBUTION AND LOGISTICS NETWORK

Approximately [14]% or ₱[800] to ₱[1,000] million of the net proceeds from the sale of the Offer Shares will be used to fund the capital expenditures necessary for the Group's investments in its distribution and logistics network.

The Group intends to spend approximately ₱[600] to ₱[750] million to develop and expand the capacity of its existing warehousing and distribution facilities. Expenses for the facilities will include capital expenditures (i.e. building improvements, computer hardware/software systems, equipment, furniture and fixtures and acquisition of the related assets) and contractor fees. The Company intends to implement its proposed use of proceeds in relation to "*Investments in Distribution and Logistics Network*" through its Subsidiaries by way of on-lending or equity infusion or a combination of both.

The Group also intends to set up new warehousing and distribution facilities within 2022 – 2023. Expenses for the new facilities will include capital expenditures (i.e. lease payments, building improvements, computer hardware/software systems, equipment, furniture and fixtures and acquisition of the related assets), obtaining necessary permits and licenses, and contractor fees.

As part of the capacity augmentation of the warehousing and distribution facilities, the Group intends to complement these initiatives by implementing a logistics modernization program to drive improved operational efficiency. The Group intends to spend approximately ₱[200] to ₱[250] million for such purpose.

WORKING CAPITAL

Approximately [7]% or ₱[400] to ₱[500] million of the net proceeds from the sale of the Offer Shares will be used to augment the Group's working capital requirements in order to support the expanded business activities driven by strategic acquisition and product portfolio expansion initiatives. The Company intends to implement its proposed use of proceeds in relation to "*Working Capital*" through its Subsidiaries by way of on-lending or equity infusion or a combination of both.

GENERAL CORPORATE PURPOSES

The Group intends to use the remainder of the net proceeds of approximately [4]% or ₱[221.5] to ₱[286.0] million for general corporate purposes. The Company intends to implement its proposed use of proceeds in relation to

“*General Corporate Purposes*” through its subsidiaries by way of advances or equity infusion or a combination of both.

The proposed use of proceeds described above represents best estimates of the use of net proceeds of the Offer Shares based on the Company’s current plans and expenditures. Other than as described above, no part of the net proceeds from the Offer Shares shall be used to acquire assets outside of the ordinary course of business, or to reimburse any officer, director, employee or shareholder of the Company for services rendered, assets previously transferred, money loaned or advanced, or otherwise. The actual amount and timing of disbursement of the net proceeds from the Offer Shares for the uses stated above will depend on various factors which include, among others, changing market conditions or new information regarding the cost or feasibility of our expansion projects. Our cost estimates may change as we develop our plans, and actual costs may be different from our budgeted costs. To the extent that the net proceeds from the Offer Shares are not immediately applied to the above purposes, we will invest the net proceeds in interest-bearing short-term demand deposits and/or money market instruments, and/or repay existing debt.

In the event of any deviation, adjustment, or reallocation in the planned use of proceeds, the Company shall inform the PSE in writing at least 30 calendar days before such deviation, adjustment, or reallocation is implemented. Any material or substantial adjustments to the use of proceeds, as indicated above, should be approved by the Company’s board of directors and disclosed to the PSE. In addition, the Company shall submit via PSE EDGE the following disclosures to ensure transparency in the use of proceeds:

(1) any disbursements made in connection with the planned use of proceeds from the Offer Shares;

(2) quarterly progress report on the application of the proceeds from the Offer Shares on or before the first 15 calendar days of the following quarter; the quarterly progress reports should be certified by the Company’s Chief Financial Officer or Treasurer and external auditor;

(3) annual summary of the application of the proceeds on or before January 31 of the following year, which will be certified by the Company’s Chief Financial Officer or Treasurer and external auditor; and

(4) approval by the Company’s board of directors of any reallocation on the planned use of proceeds. The actual disbursement or implementation of such reallocation must be disclosed by the Company at least 30 calendar days prior to the said actual disbursement or implementation.

The quarterly and annual reports required in items (2) and (3) above must include a detailed explanation for any material variances between the actual disbursements and the planned use of proceeds in the Prospectus, if any. The detailed explanation must state the approval of our Board as required in item (4) above. The Company will submit an external auditor’s certification of the accuracy of the information reported by the Company to the PSE in its quarterly and annual reports.

EXPENSES

The Company estimates that the total expenses for the Offer will be:

	Estimated Amounts at an Offer Price of ₱[2.00] per Offer Share (₱ millions)	**Estimated Amounts at an Offer Price of ₱[2.50] per Offer Share (₱ millions)**
Estimated Total proceeds from the Offer	**₱[6,000]**	**₱[7,500]**
Estimated Expenses:		
Underwriting fees for the Offer(1)	₱[130.1]	₱[162.6]
Selling fees to be paid to the PSE Trading Participants(2)	₱[12.0]	₱[15.0]
Documentary Stamp Taxes	₱[3.0]	₱[3.0]

SEC registration, research and listing fees	₱[2.5]	₱[2.5]
PSE listing fee	₱[8.4]	₱[8.4]
Estimated professional fees (3)	₱[22.0]	₱[22.0]
Estimated other expenses (including printing costs, logistics and miscellaneous expenses)	₱[0.5]	₱[0.5]
Total estimated expenses from the Offer	**₱[178.5]**	**₱[214.0]**
Estimated net proceeds from the Offer	**₱[5,821.50]**	**₱[7,286.0]**

Notes:

(1) The underwriting fees that the Joint Lead Underwriters shall receive from the Company are estimated to be equivalent to [2.25]% of the gross proceeds of the sale of the Offer Shares less the fees to be paid to the PSE Trading Participants.

(2) PSE Trading Participants who take up Trading Participants and Retail Offer Shares shall be entitled to a selling fee of [1.00]%, inclusive of VAT, of the Trading Participants and Retail Offer Shares taken up and purchased by the relevant PSE Trading Participant.

(3) This includes estimated legal fees of ₱14,700,000.00, accounting fees of ₱4,000,000.00, estimated receiving agency fee of ₱1,200,000.00, and estimated other professional fees of ₱2,100,000.00

The actual underwriting and selling fees and other Offer-related expenses may vary from the estimated amounts indicated above. The estimated amounts used to determine the estimated net proceeds are presented in this Prospectus for convenience only.

DIVIDENDS AND DIVIDEND POLICY

LIMITATIONS AND REQUIREMENTS

Under Philippine law, a corporation can only declare dividends to the extent that it has unrestricted retained earnings that represent the undistributed earnings of the corporation which have not been allocated for any managerial, contractual or legal purpose and which are free for distribution to the shareholders as dividends. The amount of retained earnings available for declaration as dividends may be determined pursuant to regulations issued by the SEC.

The approval of the board of directors is generally sufficient to approve the distribution of dividends, except in the case of stock dividends which requires the approval of stockholders representing not less than two-thirds of the outstanding capital stock at a regular or special meeting duly called for the purpose.

The Revised Corporation Code of the Philippines requires a Philippine corporation with retained earnings in excess of 100% of its paid-in capital to declare and distribute as dividends the amount of such surplus. Notwithstanding this general requirement, a Philippine corporation may retain all or any portion of such surplus in the following cases: (i) when justified by definite expansion plans approved by the board of directors of the corporation; (ii) when the required consent of any financing institution or creditor to such distribution has not been secured; (iii) when retention is necessary under special circumstances, such as when there is a need for special reserves for probably contingencies; or (iv) when the non-distribution of dividends is consistent with the policy or requirement of a Government office.

RECORD DATE AND PAYMENT DATE

Pursuant to existing Philippine SEC rules, any declaration of cash dividends must have a record date not less than 10 nor more than 30 days from the date of declaration. For stock dividends, the record date should not be less than 10 nor more than 30 days from the date of the shareholders' approval. In either case, the set record date is not to be less than 10 trading days from receipt by the PSE of the notice of declaration of dividend. In the event that a stock dividend is declared in connection with an increase in authorized capital stock, the corresponding record date is to be fixed by the Philippine SEC.

In relation to foreign shareholders, dividends payable may not be remitted using foreign exchange sourced from the Philippine banking system unless the investment was first registered with the BSP.

Pursuant to the "Amended Rules Governing Pre-emptive and other Subscription Rights and Declaration of Stock and Cash Dividends" of the Philippine SEC, all cash dividends and stock dividends declared by a company shall be remitted to PDTC for immediate distribution to participants not later than 18 trading days after the record date (the "**Payment Date**"); provided that in the case of stock dividends, the credit of the stock dividend shall be on the Payment Date which in no case shall be later than the stock dividends' listing date. If the stock dividend shall come from an increase in capital stock, all stock shall be credited to PDTC for immediate distribution to its participants not later than 20 trading days from the record date set by the Philippine SEC, which in no case shall be later than the stock dividends' listing date.

DIVIDEND POLICY

Pursuant to a board approval on July 9, 2021, the Company intends to maintain an annual dividend payment ratio of at least 20% of its consolidated net income from the preceding fiscal year, subject to the requirements of applicable laws and regulations, and the absence of circumstances which restrict the payment of dividends, including, but are not limited to, the following: (i) when the Corporation undertakes major projects and developments requiring substantial cash expenditures; or (ii) when the Corporation is restricted from paying dividends due to its loan covenants. Further, the Company's Board of Directors is authorized to modify such dividend payout ratio, at any time, depending upon the results of operations and future projects and plans of the Company. Further, the Company's Board of Directors is authorized to modify such dividend payout ratio, at any time, depending upon the results of operations and future projects and plans of the Company. Dividends shall be declared and paid out of the Company's unrestricted retained earnings which shall be payable in cash, property, or stock to all shareholders on the basis of outstanding stock held by them. Unless otherwise required by law, the Board, at its sole discretion, shall determine the amount, type and date of payment of the dividends to the shareholders, taking into account various factors, including:

- the level of the Company's earnings, cash flow, return on equity and retained earnings;

- the Company's results for and financial condition at the end of the year in respect of which the dividend is to be paid and expected financial performance;

- the projected levels of capital expenditures and other investment programs;

- restrictions on payments of dividends that may be imposed on the Company by any of its financing arrangements and current or prospective debt service requirements; and

- such other factors as the Board deems appropriate.

DIVIDEND POLICY OF THE SUBSIDIARIES

Pursuant to their respective board approvals on September 2, 2021, each Subsidiary intends to maintain an annual dividend payment ratio of at least 20% of its net income from the preceding fiscal year, subject to the requirements of applicable laws and regulations, and the absence of circumstances which restrict the payment of dividends, including, but are not limited to, the following: (i) when the corporation undertakes major projects and developments requiring substantial cash expenditures; or (ii) when the corporation is restricted from paying dividends due to its loan covenants. Further, the respective boards of directors of the Subsidiaries are authorized to modify such dividend payout ratio, at any time, depending upon the results of operations and future projects and plans of such Subsidiary. Dividends shall be declared and paid out of unrestricted retained earnings which shall be payable in cash, property, or stock to all shareholders on the basis of outstanding stock held by them.

HISTORY OF DIVIDEND PAYMENT

The Company has not declared and paid dividends in the last three (3) years. However, its newly acquired Subsidiaries have declared dividends as follows:

In ₱	2020	2019	2018	TOTAL
Montosco	200,000,000.00	50,000,000.00	100,000,000.00	**350,000,000.00**
Meritus	-	-	25,000,000.00	**25,000,000.00**
Premier	-	-	-	**-**
	200,000,000.00	**50,000,000.00**	**125,000,000.00**	**375,000,000.00**

Premier did not declare cash dividends over the past three fiscal years, because it needed its profits and operating cash flows to fund its expanding working capital and related corporate requirements given the diversified product portfolio that it carries and promotes nationwide. On August 19, 2021, Premier distributed to its shareholders a cash dividend amounting to ₱100 million, which was approved in 2015.

RECENT SALES OF UNREGISTERED OR EXEMPT SECURITIES, INCLUDING RECENT ISSUANCE OF SECURITIES CONSTITUTING AN EXEMPT TRANSACTIONS

On March 29, 2021, the Board of Directors of the Company approved the issuance of 11,250,000,000 common shares of the Company to Cosco Capital, which were created and issued out of an increase in the authorized capital stock of the Company, in exchange for 100% of the outstanding shares of Montosco, Meritus, and Premier (the "**Share Swap Transaction**"). Specifically, (a) 9,488,444,240 common shares of the Company were swapped with 7,500,000 common shares of Cosco Capital in Montosco; (b) 907,885,074 common shares of the Company were swapped with 7,500,000 common shares of Cosco Capital in Meritus; and finally, (c) 853,670,686 common shares of the Company were swapped with 1,500,000 common shares of Cosco Capital in Premier. The Share Swap Transaction was approved by the SEC on June 30, 2021.

As a result of the Share Swap Transaction, the Company now legally and beneficially owns 100% of the outstanding shares of each of Montosco, Meritus, and Premier, while Cosco Capital now owns a controlling equity interest in the Company. The Share Swap Transaction was exempt from the mandatory tender offer requirement since such subscription was from the increase in authorized capital stock of the Company, and thus, not covered by the mandatory tender offer requirement. In addition, there was no effective change in control and beneficial ownership in the Company after the Share Swap Transaction.

In compliance with Section 3 of the PSE Rules on Backdoor Listing, and Article V, Part A of the PSE Consolidated Listing and Disclosure Rules, as amended on the Rule on Additional Listing of Shares, on August 19, 2021, the Company filed the application for listing with the PSE of the additional shares of stock issued in connection with the increase of the capital stock and the Share Swap Transaction to comply with the PSE listing rules. Since the Share Swap Transaction involves related parties, Article V, Part A of the PSE Consolidated Listing and Disclosure Rules, as amended requires the conduct of a rights or public offering as a condition to listing, unless such requirement is waived by the minority stockholders. The additional listing of shares without the conduct of a rights or public offering was approved by the stockholders on May 28, 2021.

Under the sequential listing policy of the PSE, shares issued in earlier transactions must be listed prior to shares that are issued in subsequent transactions. Consequently, the listing of the shares of the Company subject of the Share Swap Transaction must be approved by the PSE before it approves the listing of the Offer Shares, pursuant to the PSE's sequential listing policy.

DETERMINATION OF THE OFFER PRICE

The Offer Price has been set at [₱2.00] to [₱2.50] per Offer Share. The final Offer Price will be determined through a book-building process and discussion between the Company and the Joint Lead Underwriters. The market price for the Shares derived from day-to-day trading as of July 7, 2021 is ₱2.95. Investors should not rely on the historical market price of the Shares on the PSE as an indicator of the value of the Shares.

Generally accepted valuation methods such as discounted cash flow analysis and relative valuation were used in determining the initial offer price range. The initial offer price range is not comparable with the par value of the Shares, as the latter pertains to a designated value by the Company while the Offer Price range is determined through the aforementioned analytical valuation methods.

While the Company calculates its net tangible book value by deducting from total assets, all intangible assets and total liabilities, this does not affect the determination of the final Offer Price which will be determined through a book-building process and discussion between the Company and the Joint Lead Underwriters.

The factors to be considered in determining the final Offer Price will be, among others, the Company's after-tax earnings, its ability to generate earnings and cash flows, price to earnings multiple, its short and long-term prospects, the level of demand from institutional investors, overall market conditions at the time of launch of the Offer, the Amendment, the Share Swap Transaction and the market price of comparable listed companies. The Offer Price may not have any correlation to the actual book value of the Offer Shares.

CAPITALIZATION

As of December 31, 2020, the Company's authorized capital stock was Three Hundred Twenty-Seven Million Six Hundred Thousand Pesos (₱327,600,000.00) divided into One Billion Two Hundred Million (₱1,200,000,000) common shares with par value of Two and Three-Tenths Centavos (₱0.023) per share, and Three Billion (3,000,000,000) preferred shares with par value of Ten Centavos (₱0.10) per share. On June 30, 2021, the SEC approved the increase in the authorized capital stock of the Company to Two Billion Pesos (₱2,000,000,000.00) divided into Twenty Billion (20,000,000,000) common shares with a par value of Ten Centavos (₱0.10) per share. Of the net increase of ₱1,672,400,000.00, 11,250,000,000 common shares have been subscribed by Cosco Capital, Inc. at ₱2.00 per share and ₱22,500,000,000.00 have been fully paid by way of a share-for-share swap pursuant to the Share Swap Transaction.

The following table sets forth: (i) the Company's debt, equity and capitalization as at December 31, 2020 prior to the Amendment and restatement, as shown in the Company's audited financial statements as of December 31, 2020, (ii) the Group's debt, equity and capitalization as at December 31, 2020 after the Amendment and restatement, as shown in the Company's interim consolidated financial statements as of June 30, 2021, (iii) the Group's debt, equity and capitalization as at June 30, 2021, as shown in the interim consolidated financial statements as of June 30, 2021, and (iv) as adjusted to give effect to the issuance of the Offer Shares (based on an Offer Price of [₱2.50] per Offer Share). This table should be read in conjunction with the Company's audited financial statements as at December 31, 2020 and the Company's interim consolidated financial statements as at June 30, 2021 and notes thereto, included in the Prospectus.

	As of December 31, 2020 (Prior to the Amendment and the restatement) Based on the Company's Audited Financial Statements	**As of December 31, 2020 (After the Amendment and as restated) Based on the Company's Interim Consolidated Financial Statements**	**As of June 30, 2021 Based on the Company's Interim Consolidated Financial Statements**	**As Adjusted After Giving Effect to the Offer (based on an Offer Price of [₱2.50] per Offer Share)**
	₱	₱	₱	₱
	(*in thousands*)	(*in thousands*)	(*in thousands*)	(*in thousands*)
Total Debt	0	42,000	0	0
Equity				
Capital stock	25,875	1,150,875	1,150,875	1,450,875
Additional paid-in capital	46,033	21,421,033	21,374,233	28,386,594
Retained earnings	(57,863)	4,753,957	5,456,770	5,456,770
Equity adjustments from common control transactions	0	(20,848,500)	(20,848,500)	(20,848,500)
Accumulated remeasurements on retirement benefits	0	4,691	5,076	5,076
Other reserves	0	(1,318)	(1,318)	(1,318)
Total Equity	**14,045**	**6,480,738**	**7,137,136**	**14,449,497**
Total Capitalization	**14,045**	**6,522,738**	**7,137,136**	**14,449,497**

Adjustments related to the Share Swap Transaction

The following adjustments have been reflected in the interim consolidated financial statements:

- Share Swap Transaction representing the issuance of 11,250,000,000 common shares of the Company with a par value of ₱0.10 at ₱2.00 per share in exchange for Cosco Capital's investments in the Subsidiaries, pursuant to the Share Swap Transaction, as follows:

    - 9,488,444,240 common shares of the Company will be swapped with 7,500,000 common shares of Cosco Capital in Montosco;
    - 907,885,074 common shares of the Company will be swapped with 7,500,000 common shares of Cosco Capital in Meritus; and,
    - 853,670,686 common shares of the Company will be swapped with 1,500,000 common shares of Cosco Capital in Premier.

The details of the Share Swap Transaction are as follows:

	% Ownership	Amount *(in Thousands)*
Transfer value as approved by the SEC		
Montosco	100%	₱18,976,888
Meritus	100%	1,815,771
Premier	100%	1,707,341
		22,500,000
Par Value of the Company's shares to be issued under the Share Swap Transaction		1,125,000
Additional paid-in capital		21,375,000

- Eliminating Entries
  The following table represents the elimination of investments in Montosco, Meritus and Premier:

(*in Thousands*)	Montosco	Meritus	Premier	Total
Capital Stock	₱750,000	₱750,000	₱150,000	1,650,000
Additional paid-in capital	-	-	1,500	1,500
Equity adjustments from common control transactions	18,226,888	1,065,771	1,555,841	20,848,500
The Company Investments	(18,976,888)	(1,815,771)	(1,707,341)	(22,500,000)
	₱-	₱-	₱-	₱-

DILUTION

If you invest in the Offer Shares, your interest will be diluted for each Offer Share you purchase to the extent of the difference between the Offer Price per Offer Share and Group's pro forma net book value per Share after the Offer. As of June 30, 2021, the Group's net book value per Share is ₱[0.6201] based on the Group's book value (or the Group's total assets *less* total liabilities as at June 30, 2021) and [11,508,750,313] common shares issued and outstanding. This table should be read in conjunction with the Group's interim consolidated financial statements as at June 30, 2021 and notes thereto, included in this Prospectus.

After giving effect to the sale of the Offer Shares (based on an Offer Price of ₱[2.50] per Offer Share), and after deducting estimated fees and expenses of the Offer, the net book value per Share would be ₱[0.9959] per Offer Share. At the Offer Price of ₱[2.50], the Shares will be purchased at a premium of ₱[1.5322] to the net book value per Share.

The following table illustrates dilution on a per Share basis based on an Offer Price of ₱[2.50] per Offer Share:

(Amounts in Millions, except per share data)	
Offer Price per Offer Share	₱ [2.5000]
Net book value as of June 30, 2021 (A)..	₱ [7,137.14]
Issue and outstanding Shares after the Share Swap Transaction (B)	[11,508.75]
Net book value per Share as of June 30, 2021 (C = A/B)..........................	₱ [0.6201]
Net book value adjusted after the Offer (D) ………………………..	₱ [14,449.50]
Issued and outstanding Shares after the Offer (E)…………………………….	[14,508.75]
Net book value per Share as adjusted after the Offer (F = D/E)................	₱ [0.9959]
Dilution to investors in the Offer	₱ [1.5041]

On October 26, 2020 and November 20, 2020, the Board and the stockholders, respectively, approved the increase in the Company's authorized capital stock from ₱327,600,000.00 divided into 1,200,000,000 common shares with a par value of ₱0.023 per common share and 3,000,000,000 preferred shares with a par value of ₱0.10 per preferred share to ₱2,000,000,000.00 divided into 20,000,000,000 common shares with a par value of ₱0.10 per common share ("**Amendmen**t").

On March 8, 2021, the Company and Cosco Capital agreed on the consideration of a tax-free share swap to be 11,250,000,000 Shares at ₱2.00 per share in exchange for Cosco Capital's 100% outstanding shares in the Subsidiaries. This price is based on a valuation report dated April 8, 2021 prepared by Price Waterhouse & Cooper, which takes into account the effect of the Amendment on the valuation of the Company.

The SEC approved the application for the Amendment on June 30, 2021.

Prior to the issuance of the SEC approval of the Amendment, Invescap held 956,203,336 Shares or 85.00% of the issued and outstanding Shares of the Company, while the public shareholders held 168,795,132 Shares, representing 15.00% of the Company's issued and outstanding Shares.

The following table sets forth the shareholdings, and percentage of Shares outstanding of the existing and new shareholders of the Company after the Amendment, Share Swap Transaction, and the Offer.

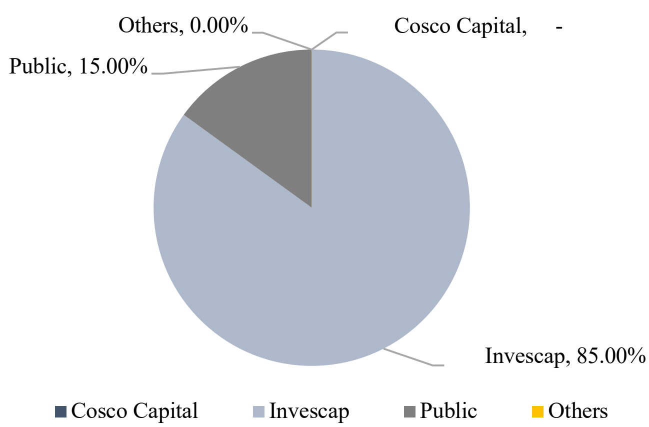
	Ownership Structure as of June 30, 2021, Pre Amendment		Post Amendment		Post Share Swap Transaction[2]		Post Offer	
	Number	%	Number	%	Number	%	Number	%
Cosco Capital	-	-	-	-	11,250,000,000	97.75%	11,250,000,000	77.54%
Invescap	956,203,336	85.00%	219,926,768	85.00%	219,926,768	1.91%	219,926,768	1.52%
Public	168,795,132	15.00%	38,823,199	15.00%	38,823,199	0.34%	3,038,823,199	20.94%
Others[1]	1,501	0.00%	346	0.00%	346	0.00%	346	0.00%
Total	**1,124,999,969**	**100.00%**	**258,750,313**	**100.00%**	**11,508,750,313**	**100.00%**	**14,508,750,313**	**100.00%**

(1) Others include the Company's directors and officers.
(2) As disclosed in the Company's public ownership report as of June 30, 2021.

The following charts and tables display the foregoing information in a visual format including the effects of the Company's Amendment, Share Swap Transaction and the Offer.

Prior to the Amendment

The chart and table below display the amounts and percentages of the Company owned by Cosco Capital, Invescap, the public, and others prior to the Amendment and as of March 31, 2021.

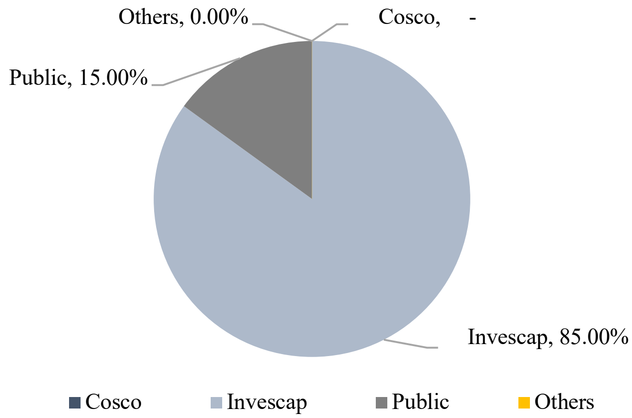


	Shares
Cosco	-
Invescap	956,203,336
Public	168,795,132
Others[1]	1,501
Total	**1,124,999,969**

(1) Others include the Company's directors and officers.

After the Amendment, Prior to the Share Swap Transaction

The chart and table below display the amounts and percentages of the Company owned by Cosco Capital, Invescap, the public, and others after the Amendment.

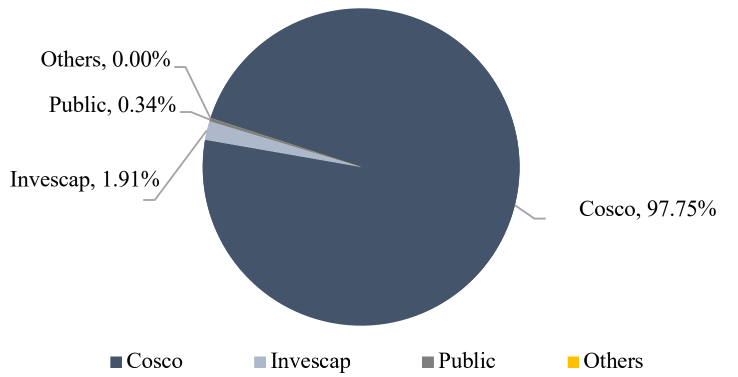


	Shares
Cosco	-
Invescap	219,926,768
Public	38,823,199
Others[(1)]	346
Total	**258,750,313**

(1) Others include the Company's directors and officers.

After the Amendment and the Share Swap Transaction

The chart and table below display the amounts and percentages of the Company owned by Cosco Capital, Invescap, the public, and others after the Share Swap Transaction.

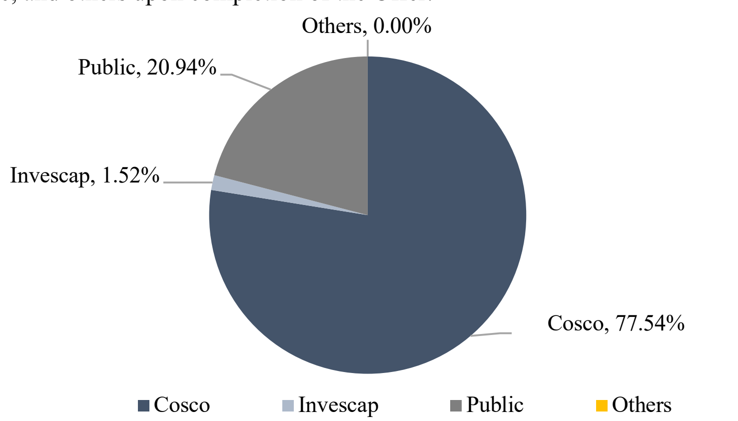


	Shares[2]
Cosco	11,250,000,000
Invescap	219,926,768
Public	38,823,199
Others[1]	346
Total	**11,508,750,313**

(1) Others include the Company's directors and officers.
(2) As disclosed in the Company's public ownership report as of June 30, 2021.

After the Offer

The chart and table below display the amounts and percentages of the Company owned by Cosco Capital, Invescap, the public, and others upon completion of the Offer.



	Shares
Cosco	11,250,000,000
Invescap	219,926,768
Public	3,038,823,199
Others[1]	346
Total	**14,508,750,313**

(1) Others include the Company's directors and officers.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Prospective investors should read this discussion and analysis of the Group's financial condition and results of operations in conjunction the sections entitled "Summary of Financial Information." The summary financial information as of and for the years ended December 31, 2018, 2019 and 2020 were derived from the Company's audited financial statements, which were prepared in accordance with PFRS and were audited by R.S. Bernaldo & Associates (2018) and R.G. Manabat & Co. (2019 and 2020) in accordance with the PSA. The Company's interim consolidated financial statements as at June 30, 2021 and for the six-month periods ended June 30, 2021 and 2020 were reviewed by R.G. Manabat & Co. The summary financial information as at June 30, 2021 and for the six months ended June 30, 2021 and 2020 were derived from the Company's reviewed interim consolidated financial statements. Note however, that during these covered periods the Company had no operations.

The comparative financial information as at December 31, 2020 and for the three-month and six-month periods ended June 30, 2020 which were presented in the interim consolidated financial statements pertain to the combined financial information of the Company and its Subsidiaries. The Company was only required to present consolidated financial statements as at and for the six-month period ended June 30, 2021, when the Company and Cosco Capital entered into a Share Swap Transaction resulting to the Company's acquisition of its Subsidiaries. The comparative financial information were presented as if the entities had always been combined in accordance with the retrospective approach for presentation taken by the Group in applying the pooling of interest method for the business combination involving entities under common control.

The retrospective approach discussed above was not applied in the financial information as at and for the years ended December 31, 2020, 2019 and 2018 which were presented in this section unless otherwise stated.

The discussion and analysis of the Company's financial condition and plan of operations should be read in conjunction with its audited financial statements and the related notes as of December 31, 2020, 2019, and 2018, and its reviewed interim consolidated financial statements as at June 30, 2021 and for the six-month periods ended June 30, 2021 and 2020, which are included in this Prospectus.

(In Thousands)	**FY2020**	**FY2019**	**FY2018**	**2020 vs 2019**	**2019 vs 2018**
Operating Expenses	**₱(1,088,535)**	**₱ (1,048,021)**	**₱(947,771)**	3.87%	10.58%
Interest Income	**0**	**0**	**0**	0.00%	0.00%
Net Loss	**₱(1,088,535)**	**₱(1,048,021)**	**₱(947,771)**	3.87%	10.58%

(In Thousands)	**1H2021**	**% to Sales**	1H2020, as restated	% to Sales	**% Change**
Net Sales	**₱4,299,008**	**100.0%**	₱3,189,385	100.0%	**34.8%**
Cost of Sales	**3,163,752**	**73.6%**	2,372,932	74.4%	**33.3%**
Gross Profit	**1,135,256**	**26.4%**	816,453	25.6%	**39.0%**
Operating Expenses	**301,666**	**7.0%**	255,070	8.0%	**18.3%**
Gross Income	**833,590**	**19.4%**	561,383	17.6%	**48.5%**
Share in the net income of an investee	**5,694**	**0.1%**	(5,070)	-0.2%	**-212.3%**
Other charges – net	**(579)**	**0.0%**	(10,128)	-0.3%	**-94.3%**
Net Income before tax	**838,705**	**19.5%**	546,185	17.1%	**53.6%**
Provision for income tax	**135,892**	**3.2%**	143,498	4.5%	**-5.3%**
Net Income after tax	**₱702,813**	**16.3%**	₱402,687	12.6%	**74.5%**

**Based on interim consolidated financial statements*

	FY2020	% to Total Assets	FY 2019	% to Total Assets	FY 2018	% to Total Assets	FY 2020 vs FY 2019	FY 2019 vs FY 2018
ASSETS								
Current Assets								
Cash in bank	**0**	**0.0%**	**0**	**0.0%**	**0**	0.0%	0.00%	0.00%
Noncurrent assets								
Other non-current assets	**23,993,425**	**100.0%**	**23,897,634**	**100.0%**	**23,796,027**	100.0%	0.40%	0.43%
Total Assets	**23,993,425**	**100.0%**	**23,897,634**	**100.0%**	**23,796,027**	100.0%	0.40%	0.43%
LIABILITIES AND EQUITY								
Current Liabilities								
Accounts payable	**1,439,000**	**6.0%**	**1,439,000**	**6.0%**	**1,439,000**	6.0%	0.00%	0.00%
Accrued expenses	**656,676**	**2.7%**	**562,576**	**2.4%**	**567,276**	2.4%	16.73%	-0.83%
Due to Related Parties	**7,852,438**	**32.7%**	**6,762,212**	**28.3%**	**5,607,884**	23.6%	16.12%	20.58%
Total liabilities	**9,948,114**	**41.5%**	**8,763,788**	**36.7%**	**7,614,160**	32.0%	13.51%	15.10%
EQUITY								
Capital Stock	**25,875,000**	**107.8%**	**25,875,000**	**108.3%**	**25,875,000**	108.7%	0.00%	0.00%
Additional paid in-capital	**46,033,000**	**191.9%**	**46,033,000**	**192.6%**	**46,033,000**	193.4%	0.00%	0.00%
Deficit	**-57,862,689**	**-241.2%**	**-56,774,154**	**-237.6%**	**-55,726,133**	-234.2%	1.92%	1.88%
Total Equity	**14,045,311**	**58.5%**	**15,133,846**	**63.3%**	**16,181,867**	68.0%	-7.19%	-6.48%
Total liabilities and equity	**23,993,425**	**100.0%**	**23,897,634**	**100.0%**	**23,796,027**	100.0%	0.40%	0.43%

(in Thousands)	**June 30, 2021 (Unaudited)**	**% to Total Assets**	**December 31, 2020 (Audited, as restated)**	**% to Total Assets**	**% Change**
Cash and cash equivalents	**₱1,722,209**	**20.1%**	₱2,534,103	28.9%	(32.0%)
Trade and other receivables – net	**1,044,115**	**12.2%**	1,574,625	18.0%	(33.7%)
Inventories	**3,702,283**	**43.1%**	3,659,336	41.8%	1.2%
Prepaid expenses and other current assets	**1,749,072**	**20.4%**	639,010	7.3%	173.7%
Total Current Assets	**8,217,679**	**95.7%**	8,407,074	95.9%	(2.3 %)
Right-of-use assets – net	**198,226**	**2.3%**	185,853	2.1%	6.7%
Property and equipment – net	**27,084**	**0.3%**	32,213	0.4%	(15.9%)
Deferred income tax assets - net	**4,223**	**0.0%**	4,762	0.1%	(11.3%)
Investment in an associate	**99,055**	**1.2%**	93,361	1.1%	6.1%
Other noncurrent assets	**40,781**	**0.5%**	40,497	0.5%	0.7%
Total Noncurrent Assets	**369,369**	**4.3%**	356,686	4.1%	3.6%
Total Assets	**₱8,587,048**	**100.0%**	₱8,763,760	100.0%	(2.0%)
Trade and other payables	**₱836,761**	**9.7%**	1,325,766	15.1%	(36.9%)
Due to related parties	**185,978**	**2.2%**	200,553	2.3%	(7.3%)
Loan payable	**-**	**-**	42,000	0.5%	(100.0%)
Dividends payable	**100,000**	**1.2%**	300,000	3.4%	(66.7%)
Income tax payable	**92,476**	**1.1%**	185,438	2.1%	(50.1%)
Lease liabilities – current	**53,688**	**0.6%**	52,553	0.6%	2.2%
Provisions	**11,975**	**0.1%**	11,975	0.1%	-

Total Current Liabilities	**1,280,878**	**14.9%**	2,118,285	24.2%	(39.5%)
Lease liabilities - net of current portion	**152,625**	**1.8%**	149,407	1.7%	2.2%
Retirement benefits liability	**16,409**	**0.2%**	15,330	0.2%	7.0%
Total Noncurrent Liabilities	**169,034**	**2.0%**	164,737	1.9%	2.6%
Total Liabilities	**1,449,912**	**16.9%**	2,283,022	26.1%	(36.5%)
Capital stock	**1,150,875**	**13.4%**	1,150,875	13.1%	-
Additional paid in capital	**21,374,233**	**248.9%**	21,421,033	244.4%	(0.2%)
Retained earnings (deficit)	**5,456,770**	**63.5%**	4,753,957	54.2%	14.8%
Equity adjustments from common control transactions	**(20,848,500)**	**-242.8%**	(20,848,500)	(237.9%)	-
Accumulated remeasurements on retirement benefits	**5,076**	**0.1%**	4,691	0.1%	8.2%
Other reserves	**(1,318)**	**(0.0%)**	(1,318)	(0.0)	
Total Equity	**7,137,136**	**83.1%**	6,480,738	73.9%	10.10%
	₱8,587,048	**100.0%**	₱8,763,760	100.0%	(2.0%)

**Based on interim consolidated financial statements*

KEY PERFORMANCE INDICATORS

The following financial ratios are considered by management as key performance indicators of the Group's operating results as well as its financial condition:

- Return on investment (Net income/ Ave. stockholders' equity) - measures the profitability of stockholders' investment
- Profit margin (Net income/ Net revenue) - measures the net income produced for each peso of sales
- EBITDA to interest expense (EBITDA/ Interest expense) – measures the ability of the Group to pay interest of its outstanding debts
- Current ratio (Current asset/ Current liabilities) - measures the short-term debt-paying ability of the Group
- Asset turnover (Net revenue/ Average total assets) - measures how efficiently assets are used to generate revenues
- Asset to equity ratio (Assets/ Shareholders' equity) - indicates the Group's leverage used to finance the firm
- Debt to equity ratio (Liabilities/ Shareholders' Equity) -measures the Group's financial leverage

The table below sets forth key performance indicators for the Company for the years ended December 31, 2020, 2019 and 2018.

KEY PERFORMANCE INDICATORS	2020	December 31 2019	2018
Return on investment	0.00	0.00	0.00
Profit margin	0.00	0.00	0.00
EBITDA to interest expense	0.00	0.00	0.00
Current ratio	0.00	0.00	0.00
Asset turnover	0.00	0.00	0.00
Asset to equity	1.71	1.58	1.47
Debt to equity ratio	0.71	0.58	0.47

**Based on the Company's standalone audited financial statements*

KEY PERFORMANCE INDICATORS	**June 30, 2021**	December 31, 2020, as restated
Current ratio	6.42	3.97
Asset to equity	1.20	1.35
Debt to equity ratio	0.20	0.35

	June 30, 2021	June 30, 2020, as restated
Return on investment	0.10	0.07
Profit margin	0.16	0.13
EBITDA to interest expense	156.48	29.46
Asset turnover	0.50	0.39

For the Six-Months ended June 30, 2021 vs. Six-Months ended June 30, 2020, as restated

Top Key Performance Indicators

The following are the financial soundness indicators used by the Group as at June 30 and December 31 and for the six-month periods ended June 30:

	June 30, 2021	December 31, 2020, as restated
Current Ratio (1)	**6.42:1**	3.97:1
Asset to Equity Ratio (2)	**1.20:1**	1.35:1
Debt to Equity Ratio (3)	**0.20:1**	0.35:1
Debt to Total Assets Ratio (4)	**0.17:1**	0.26:1
Book Value per Share (5)	**P0.62**	P0.56

	June 2021	June 2020, as restated
Earnings per Share (6)	**P0.06**	P0.03
Return on Assets (7)	**8.10%**	4.88%
Return on Equity (8)	**10.32%**	7.06%

(1) Current Assets over Current Liabilities

(2) Total Assets over Total Equity

(3) Total Liabilities over Total Equity
(4) Total Liabilities over Total Assets
(5) Total Equity over Total Common Shares Outstanding
(6) Net income after tax over Weighted Average Common Shares Outstanding
(7) Net income after tax over Average Total Assets
(8) Net income after tax over Average Total Equity

Financial Performance

The following table shows the interim consolidated statements of comprehensive income for the six-month period ended June 30, 2021 and 2020:

(In Thousands)	**1H2021**	**% to Sales**	1H2020, as restated	% to Sales	**% Change**
Net Sales	**₱4,299,008**	**100.0%**	₱3,189,385	100.0%	**34.8%**
Cost of Sales	**3,163,752**	**73.6%**	2,372,932	74.4%	**33.3%**
Gross Profit	**1,135,256**	**26.4%**	816,453	25.6%	**39.0%**
Operating Expenses	**301,666**	**7.0%**	255,070	8.0%	**18.3%**
Gross Income	**833,590**	**19.4%**	561,383	17.6%	**48.5%**
Share in the net income of an investee	**5,694**	**0.1%**	(5,070)	-0.2%	**-212.3%**
Other charges – net	**(579)**	**0.0%**	(10,128)	-0.3%	**-94.3%**
Net Income before tax	**838,705**	**19.5%**	546,185	17.1%	**53.6%**
Provision for income tax	**135,892**	**3.2%**	143,498	4.5%	**-5.3%**
Net Income after tax	**₱702,813**	**16.3%**	₱402,687	12.6%	**74.5%**

Net Sales

For the period ended June 30, 2021, the Group posted consolidated net sales of ₱4.30 billion for an increase of ₱1.11 billion or 34.8% compared to ₱3.19 billion in the same period of 2020. Although slower sales growth was registered in the 1st quarter of 2021 due to the continuing effect of the pandemic restrictions, the gradual opening of the economy in the 2nd quarter allowed more movements in terms of marketing and promotions activities that drove stronger sales performance.

The Group's robust growth in sales performance were basically driven by the strong recovery in terms of sales volume for the period ended June 30, 2021 particularly its brandy category which registered a 58.6% growth which even surpassed its pre-pandemic performance.

Shown below is a breakdown of the sales volume performance by category as follows:

(In Thousands)

Category	**1H 2021**	**% to Total**	1H 2020, as restated	% to Total	**% Change**
Brandy	**1,337**	**78.1%**	843	69.4%	**58.6%**
Other spirits	**227**	**13.3%**	177	14.6%	**28.2%**
Wines	**69**	**4.0%**	61	5.0%	**13.1%**
Specialty beverages	**79**	**4.6%**	134	11.0%	**-41.0%**

Total Cases Sold	**1,712**	**100.0%**	1,215	100.0%	**40.9%**

Cost of Sales

The Group's cost of sales increased by 33.3% during the six-month period ended June 30, 2021, relative to the increase in sales.

Gross Profit

Improvement in gross profit rate was still principally driven by the impact of sales mix since there were no significant increase in product costs, excise tax rates and other import charges during the period.

Operating Expenses

Operating expenses increased by 18.3% or ₱46,596 million during the six-month period ended June 30, 2021 mainly due to increase in trade deals, promos, depreciation of office improvements, and amortizations for new leased warehouse. The increase also includes the filing fees and documentary stamp tax paid by the Company in connection with the Share Swap Transaction.

Share in the Net Income on Investment in an Associate

Share in the net income on investment in an associate amounted to ₱5.69 million for the period ended June 30, 2021, which is accounted under the equity method of accounting. The operating losses incurred by the investee in the 1st quarter of 2021 due to the continuing effect of quarantine restrictions were abated due to marketing supports extended by the investee's brand owners during the second quarter.

Other Charges- Net

Other charges decreased by ₱9.55 million due mainly to the interest income earned during the period on the cash placements and the net effect of the decrease of interest expense on bank loans and increased interest on lease liabilities.

Net Income

The Group's net income in the 1st half of 2021 increased by ₱300.13 million or 74.5% due to significant increase in sales along with a strategic cost-saving measures implemented by the Group. Net income is further enhanced by the recognition of the 2020 income tax savings amounting to ₱32.69 million and the tax savings effect of lower income tax rate in the current period resulting from the implementation of the CREATE law.

Interim Consolidated Financial Position

The Group's interim consolidated financial position as at June 30, 2021 are shown below together with the comparative figures of consolidated financial position as of December 31, 2020:

(in Thousands)	**June 30, 2021 (Unaudited)**	**% to Total Assets**	**December 31, 2020 (Audited, as restated)**	**% to Total Assets**	**% Change**
Cash and cash equivalents	**₱1,722,209**	**20.10%**	₱2,534,103	28.9%	(32.0%)
Trade and other receivables – net	**1,044,115**	**12.2%**	1,574,625	18.0%	(33.7%)
Inventories	**3,702,283**	**43.1%**	3,659,336	41.8%	1.2%
Prepaid expenses and other current assets	**1,749,072**	**20.4%**	639,010	7.3%	173.7%
Total Current Assets	**8,217,679**	**95.7%**	8,407,074	95.9%	(2.3 %)
Right-of-use assets – net	**198,226**	**2.3%**	185,853	2.1%	6.7%
Property and equipment – net	**27,084**	**0.3%**	32,213	0.4%	(15.9%)
Deferred income tax assets - net	**4,223**	**0.0%**	4,762	0.1%	(11.3%)
Investment in an associate	**99,055**	**1.2%**	93,361	1.1%	6.1%
Other noncurrent assets	**40,781**	**0.5%**	40,497	0.5%	0.7%
Total Noncurrent Assets	**369,369**	**4.3%**	356,686	4.1%	3.6%
Total Assets	**₱8,587,048**	**100.0%**	₱8,763,760	100.0%	(2.0%)
Trade and other payables	**₱836,761**	**9.7%**	1,325,766	15.1%	(36.9%)
Due to related parties	**185,978**	**2.2%**	200,553	2.3%	(7.3%)
Loan payable	**-**	**-**	42,000	0.5%	(100.0%)
Dividends payable	**100,000**	**1.2%**	300,000	3.4%	(66.7%)
Income tax payable	**92,476**	**1.1%**	185,438	2.1%	(50.1%)
Lease liabilities – current	**53,688**	**0.6%**	52,553	0.6%	2.2%
Provisions	**11,975**	**0.1%**	11,975	0.1%	-
Total Current Liabilities	**1,280,878**	**14.9%**	2,118,285	24.2%	(39.5%)
Lease liabilities - net of current portion	**152,625**	**1.8%**	149,407	1.7%	2.2%
Retirement benefits liability	**16,409**	**0.2%**	15,330	0.2%	7.0%
Total Noncurrent Liabilities	**169,034**	**2.0%**	164,737	1.9%	2.6%
Total Liabilities	**1,449,912**	**16.9%**	2,283,022	26.1%	(36.5%)
Capital stock	**1,150,875**	**13.4%**	1,150,875	13.1%	-
Additional paid in capital	**21,374,233**	**248.9%**	21,421,033	244.4%	(0.2%)
Retained earnings (deficit)	**5,456,770**	**63.5%**	4,753,957	54.2%	14.8%
Equity adjustments from common control transactions	**(20,848,500)**	**-242.8%**	(20,848,500)	(237.9 %)	-
Accumulated remeasurements on retirement benefits	**5,076**	**0.1%**	4,691	0.1%	8.2%
Other reserves	**(1,318)**	**(0.0%)**	(1,318)	(0.0)	
Total Equity	**7,137,136**	**83.1%**	6,480,738	73.9%	10.10%
	₱8,587,048	**100.0%**	₱8,763,760	100.0%	(2.0%)

Working Capital

As at June 30, 2021 the Group's working capital amounted to ₱6.94 billion compared to ₱6.3 billion as at December 31, 2020. Current ratios are 6.42x and 3.97x as of June 30, 2021 and December 31, 2020, respectively.

Current Assets

Cash and cash equivalents amounted to ₱1.72 billion as of June 30, 2021 or 20.10% of total assets. It mainly consists of short-term placements. The decrease of 32% is due mainly to settlements with trade suppliers, repayment of loan, payment of dividends, and advance payments for excise tax and seals.

Trade and other receivables amounted to ₱1.04 billion as of June 30, 2021 or 12.2% of total assets and 98.6% of which pertains to trade receivables from various customers. The decrease of 33.7% is due to further improved credit and collection process and transitions to more negotiable credit terms.

Inventories amounted to ₱3.70 billion or 43.41% of total assets. The Group ensures optimum inventory level that will enable to consistently meet demands. As the economy gradually opens during the 1st half of the year, scheduled import shipments arrived just in time and customs releasing process improved as well, as compared with last year.

Prepaid expenses and other current assets amounted to ₱1.75 billion or 20.4% of the total assets. About P1.60 billion or 91.8% of this account pertains to advance payments made during the period for excise taxes and cost of BIR seals for the incoming shipments arriving until the first quarter of 2022.

Noncurrent Assets

As at June 30, 2021, total noncurrent assets amounted to ₱369.37 million or 4.3% of total assets.

Right-of-use assets (ROU) represents the values recognized from long-term lease contracts covering office and warehouse facilities. Net book values of ROU is at ₱198.23 million or 2.3% of the total assets. The increase was due the renewal of lease contract net of depreciation recognized during the same year.

Property and equipment-net book values amounted to ₱27.08 million or a mere 0.3% of total assets. This account mainly consists of the leasehold improvements on offices and warehouses which amounted to ₱16 million. The decrease was mainly due to depreciation during the period.

Investment in an associate amounted to ₱99.05 million or 1.2% of total assets. This represents equity investment in Pernod Ricard Philippines which was made in February 2019.

Other non-current assets amounted to ₱40.78 million or 0.5% of total assets. It mainly consists of excess tax credits carried over from previous years and the refundable deposits from the lease contracts.

Current Liabilities

As at June 30, 2021 total current liabilities amounted to ₱1.28 billion or 14.9% of total assets. Majority of the amount pertains to trade and other payables.

Trade and other payables amounted to ₱836.76 million or 9.7% of total assets. Amount payable to trade suppliers amounted to ₱624 million. The decrease during the period is mainly to payments.

Due to related parties, represents management fee and advances from related parties and ultimate parent company which amounted to total of about ₱185.98 million as of June 30, 2021.

Dividends payable amounting to ₱100 million pertains to the cash dividends declared by Premier's BOD payable to Cosco Capital.

Income tax payable amounted to ₱92.48 million and is basically lower due to the income tax savings effect of lower corporate income tax rate under CREATE law.

Lease liabilities due within the year amounted to ₱53.69 million representing lease payable for the use of warehouses and offices.

Provisions amounting to ₱11.97 million was set up as provision for any probable liabilities that may arise as a result of conducting business.

Noncurrent Liabilities

As at June 30, 2021 total noncurrent liabilities amounted to ₱169.03 million or 2.0% of total liabilities and equity.

Lease liabilities payable for the succeeding year until the end of the lease agreements on the use of warehouses and offices amounted to ₱152.63 million.

Retirement benefit liability which represents the present value of the defined benefits retirement obligations amounted to ₱16.41 million.

Equity

As at June 30, 2021 total equity amounted to ₱7.14 billion or 83.1% of total liabilities and equity.

Capital stock amounted to ₱1.15 billion. Post Share Swap Transaction resulted to the following ownership structure:

Cosco Capital	97.75%
Invescap	1.91%
Public	0.34%
Total	100.00%

The Company has filed with the SEC and PSE for regulatory approvals for the conduct of a follow-on offering involving the offer and sale to the public of up to 3,000,000,000 primary common shares, each common share with a par value of ₱0.10 per share, in order to restore and comply with the minimum public ownership of at least 20%.

Additional paid in capital increased by ₱21.37 billion due to the recognition of the difference between the fair market values of the three liquor distribution companies based on an independent valuation and the par value of the 11.25 billion new shares issued by the Company in favor of Cosco Capital pursuant to the Share Swap Transaction between the Company and Cosco Capital.

Retained earnings amounted to ₱5.46 billion representing the aggregated retained earnings of the Company and the subsidiaries as of June 30, 2021.

Equity adjustments from common control transactions amounting to ₱20.85 billion represents the difference between the fair market values and the carrying values of the net assets of the three liquor distribution companies recognized in accordance with existing standards and guidance on consolidation of companies under common control.

Accumulated remeasurements on retirement benefits which pertains to accruals and adjustments made in compliance with the accounting standard covering employee benefits amounted to ₱5.01 million.

Sources and Uses of Cash

The Group's primary sources of liquidity are basically its net operating cash inflows augmented by availments from banks loan facilities as and when required.

A brief summary of the consolidated cash flows during the comparative periods are shown below:

	Six-Month Period Ended June 30	
(In Thousands)	**2021**	2020, as restated
Net cash from (used in) operating activities	**(₱463,423)**	₱2,130,840
Net cash used by investing activities	**(1,493)**	(13,136)
Net cash from (used in) financing activities	**(346,978)**	(955,247)
Net decrease in cash and cash equivalents	**(₱811,894)**	₱1,162,457

Net cash used in operating activities during the current period is basically attributable to settlement of trade payable accounts, purchase of inventory requirements and other related current operating requirements. Net cash from the operating activities during the six-month period ended June 30, 2020 mainly due to collections, lower spending in this period was due to the height of the lockdown caused by pandemic.

Net cash used in investing activities mainly pertains to the funds used for additional assets acquisition and minimal capital expenditures.

Net cash from or used in financing activities principally resulted from the settlements of bank loans, dividends, advances from stockholder and lease liabilities.

Material Events and Uncertainties

There are no known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Group's liquidity increasing or decreasing in any material way.

There are no events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation;

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Group with unconsolidated entities or other persons created during the year.

There are no material commitments for capital expenditures other than those performed in the ordinary course of trade of business in line with the Group's expansion program.

There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the revenues or income from continuing operations.

There are no significant elements of income not arising from continuing operations.

The Group experiences the fourth quarter of the year as the peak season relating to increased sales resulting from Christmas and New Year holidays.

For The Years Ended December 31, 2020 vs. December 31, 2019

Percentage Analysis

	2020	2019
Net Sales	0.00%	0.00%
Cost of Goods Sold	0.00%	0.00%
Gross Profit	0.00%	0.00%
Operating Expenses	0.00%	0.00%
Net Operating Income	0.00%	0.00%
Other charges (net)	0.00%	0.00%
Income before income tax	0.00%	0.00%
Provision for income tax	0.00%	0.00%
Net Income	0.00%	0.00%

Operating Results for years ended December 31, 2020 vs December 31, 2019

The Company did not have any operations in 2019 and 2020.

Financial Highlights: (Based on the Company's Financial Statements)

Increase/(Decrease)	2020	2019	2018	Average
Sales growth[8]	0.00%	0.00%	0.00%	0.00%
Return on sales [9]	0.00%	0.00%	0.00%	0.00%
Return on assets[10]	0.00%	0.00%	0.00%	0.00%
Return on equity[11]	0.00%	0.00%	0.00%	0.00%
Current ratio[12]	0.00%	0.00%	0.00%	0.00%
Debt-equity ratio[13]	0.71	0.58	0.47	0.59

2020 and 2019 Analytical Discussion

Sales Growth

There were no sales in 2020 and 2019 since the Company has had no operations since 2013.

Profitability

The Company's return on sales ("**ROS**") was 0% for the years 2020 and 2019 since it has had no operations since 2013.

Solvency and Liquidity

The Company's current ratio for the years 2020 and 2019 was nil since it has had no operations since 2013.

Material Changes in the Financial Statements

The following is the summary of items that had material changes in the financial statements:

[8] The percentage change in sales value over prior year sales.
[9] Represents percentage (%) of net income over net sales.
[10] Represents percentage (%) of net income over total assets.
[11] Represents percentage (%) of net income over stockholders' equity.
[12] Represents the ratio of current assets over current liabilities. It also represents the Company's liquidity.
[13] Represents the percentage (%) of total liabilities over stockholders' equity

	2020	2019	2018	Average
Accounts payable and accrued expenses	4.7%	(0.2%)	8.6%	4.4%
Due to related parties	16.1%	20.6%	18.3%	18.3%

Material Changes in the Financial Statements in 2020 and 2019

Accounts Payable and Accrued Expenses

This pertains to the expenses accrued up to December 31, 2020 representing professional fees and other expenses to third parties that render services to the Company for reportorial requirements with the SEC and the PSE.

Due to Related Parties

This pertains to the expenses advanced by stockholders up to December 31, 2020 since the Company had yet to open a bank account to finance its expenses.

Plan of Operations

As of December 31, 2020, the Company had not identified a feasible investment opportunity. When the Company identifies such a viable project, it will then pursue capital raising activities either by way of a rights offering, public offering or private placement transaction. Since there is no operation and no business opportunity at that time, the Company's stockholders advanced and were willing to advance monies to satisfy the cash requirements of the Company.

Other Reporting Disclosures

There were no events that would trigger direct or contingent financial obligation that was material to the Company, including any default or acceleration of an obligation.

There were no:

1) Known trends or events, which may have material effect on the Company's short-term or long-term liquidity;
2) Issuances, repurchases, and repayment of equity securities;
3) Segment revenue and segment result for business segment or geographical segments;
4) Changes in the composition of the Company during the interim period;
5) Changes in contingent liabilities or contingent assets;
6) Existence of material contingencies and any other events or transactions that are material to an understanding of the current interim period;
7) Material changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years;
8) Material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period;
9) Known trends or events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.

For The Years Ended December 31, 2019 vs December 31, 2018

Percentage Analysis

	2019	2018	
Net Sales	0.00%	0.00%	
Cost of Goods Sold	0.00%	0.00%	
Gross Profit	0.00%	0.00%	
Operating Expenses	0.00%	0.00%	
Net Operating Income	0.00%	0.00%	
Other charges (net)	0.00%	0.00%	
Income before income tax	0.00%	0.00%	
Provision for income tax	0.00%	0.00%	
Net Income	0.00%	0.00%	

Operating Results for year ended December 31, 2019 vs. December 31, 2018

The Company did not have any operations in 2019 and 2018.

Financial Highlights: (Based on the Company's Consolidated Financial Statements)

Increase/(Decrease)	2019	2018	2017	Average
Sales growth[14]	0.00%	0.00%	0.00%	0.00%
Return on sales[15]	0.00%	0.00%	0.00%	0.00%
Return on assets[16]	0.00%	0.00%	0.00%	0.00%
Return on equity[17]	0.00%	0.00%	0.00%	0.00%
Current ratio[18]	0.00%	0.00%	0.00%	0.00%
Debt-equity ratio[19]	0.58	0.47	0.38	0.48

2019 and 2018 Analytical Discussion

Sales Growth

There were no sales in 2019 and 2018 since the Company has had no operations since 2013.

Profitability

The Company's ROS was 0% for the years 2019 and 2018 since it has had no operations since 2013.

Solvency and Liquidity

The Company's current ratio for the years 2019 and 2018 was nil since it has had no operations since 2013.

Material Changes in the Financial Statements

The following is the summary of items that had material changes in the financial statements:

[14] The percentage change in sales value over prior year sales.
[15] Represents percentage (%) of net income over net sales.
[16] Represents percentage (%) of net income over total assets.
[17] Represents percentage (%) of net income over stockholders' equity.
[18] Represents the ratio of current assets over current liabilities. It also represents the Company's liquidity.
[19] Represents the percentage (%) of total liabilities over stockholders' equity

	2019	2018	2017	Average
Accounts payable and accrued expenses	(0.2%)	9%	14%	8.00%
Due to related parties	21%	18%	29%	23%

Material Changes in the Financial Statements in 2019 and 2018

Accounts Payable and Accrued Expenses

This pertains to the expenses accrued up to December 31, 2019 representing professional fees and other expenses to third parties that render services to the Company for reportorial requirements with the SEC and the PSE.

Plan of Operations

As of December 31, 2019, the Company had yet to identify a feasible investment opportunity. When the Company identifies such a viable project, it will then pursue capital raising activities either by way of a rights offering, public offering or private placement transaction. Since there was no operation and no business opportunity at that time, the Company's stockholders advanced and were willing to advance monies to satisfy the cash requirements of the Company.

Other Reporting Disclosures

There were no events that will trigger direct or contingent financial obligation that was material to the Company, including any default or acceleration of an obligation.

There were no:

1) Known trends or events, which may have material effect on the Company's short-term or long-term liquidity;
2) Issuances, repurchases, and repayment of equity securities;
3) Segment revenue and segment result for business segment or geographical segments;
4) Changes in the composition of the Company during the interim period;
5) Changes in contingent liabilities or contingent assets;
6) Existence of material contingencies and any other events or transactions that are material to an understanding of the current interim period;
7) Material changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years;
8) Material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period;
9) Known trends or events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.

For The Years Ended December 31, 2018 vs. December 31, 2017

Percentage Analysis

	2018	2017
Net Sales	0.00%	0.00%
Cost of Goods Sold	0.00%	0.00%
Gross Profit	0.00%	0.00%
Operating Expenses	0.00%	0.00%
Net Operating Income	0.00%	0.00%
Other charges (net)	0.00%	0.00%
Income before income tax	0.00%	0.00%
Provision for income tax	0.00%	0.00%
Net Income	0.00%	0.00%

Operating Results for year ended December 31, 2018 vs December 31, 2017

The Company did not have any operations in 2018 and 2017.

Financial Highlights: (Based on the Company's Consolidated Financial Statements)

Increase/(Decrease)		2018	2017	2016	Average
Sales growth	[20]	0.00%	0.00%	0.00%	0.00%
Return on sales (ROS)	[21]	0.00%	0.00%	0.00%	0.00%
Return on assets (ROA)	[22]	0.00%	0.00%	0.00%	0.00%
Return on equity	[23]	0.00%	0.00%	0.00%	0.00%
Current ratio	[24]	0.00%	0.00%	0.00%	0.00%
Debt-equity ratio	[25]	0.47	0.38	0.30	0.38

2018 and 2017 Analytical Discussion

Sales Growth

There were no sales in 2018 and 2017 since the Company has had no operations since 2013.

Profitability

The Company's ROS was 0% for the years 2018 and 2017 since it has had no operations since 2013.

Solvency and Liquidity

The Company's current ratio for the years 2018 and 2017 was nil since it has had no operations since 2013.

Material Changes in the Financial Statements

The following is the summary of items that had material changes in the financial statements:

	2018	2017	2016	Average
Accounts payable and accrued expenses	9%	14%	(12%)	12%
Due to related parties	18%	29%	19%	22%

Material Changes in the Financial Statements in 2018 and 2017

Accounts Payable and Accrued Expenses

This pertains to the expenses accrued up to December 31, 2018 representing professional fees and other expenses to third parties that render services to the Company for reportorial requirements with the SEC and the PSE.

Plan of Operations

As of December 31, 2018, the Company had yet to identify a feasible investment opportunity. When the Company identifies such a viable project, it will then pursue capital raising activities either by way of a rights offering, public offering or private placement transaction. Since there was no operation and no business opportunity at that time, the Company's stockholders advanced and were willing to advance monies to satisfy the cash requirements of the Company.

Other Reporting Disclosures

[20] The percentage change in sales value over prior year sales.
[21] Represents percentage (%) of net income over net sales.
[22] Represents percentage (%) of net income over total assets.
[23] Represents percentage (%) of net income over stockholders' equity.
[24] Represents the ratio of current assets over current liabilities. It also represents the Company's liquidity.
[25] Represents the percentage (%) of total liabilities over stockholders' equity

There were no events that will trigger direct or contingent financial obligation that was material to the Company, including any default or acceleration of an obligation.

There were no:

1) Known trends or events, which may have material effect on the Company's short-term or long-term liquidity;
2) Issuances, repurchases, and repayment of equity securities;
3) Segment revenue and segment result for business segment or geographical segments;
4) Changes in the composition of the Company during the interim period;
5) Changes in contingent liabilities or contingent assets;
6) Existence of material contingencies and any other events or transactions that are material to an understanding of the current interim period;
7) Material changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years;
8) Material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period;
9) Known trends or events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.

INDUSTRY OVERVIEW

Certain information, market data, industry forecasts and other data used in this Prospectus were obtained or derived from internal surveys, market research, governmental data, publicly available information and/or industry publications. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but the accuracy and completeness of such information are not guaranteed and have not been independently verified by the Issuer and the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified, and none of the Issuer and the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners make any representation or warranty, express or implied, as to the accuracy or completeness of such information. In addition, such information may not be consistent with other information compiled within or outside the Philippines.

INTRODUCTION AND OVERVIEW

The Keepers Holdings, Inc. ("**Company**"), formerly Da Vinci Capital Holdings, Inc., has commissioned IWSR Drinks Market Analysis Limited ("**IWSR**") to conduct an analysis of, and to report on, the Philippines beverage alcohol market.

The Company is a holding company which wholly owns three major players in the Philippine liquor and wine distribution businesses, Montosco, Inc. ("**Montosco**"), Meritus Prime Distributions, Inc. ("**Meritus**"), and Premier Wine and Spirits, Inc. ("**PWS**" or "**Premier**") (collectively, the Company, Montosco, Meritus and PWS are the "**Group**"), as a result of the recent restructuring.

The Group's restructuring was implemented via the issuance of common shares of the Company to Cosco Capital, Inc., which was created and issued out of an increase in its authorized capital stock, in exchange for 100% of the outstanding shares of Montosco, Meritus and PWS, as approved by the Company's Board of Directors on March 29, 2021 and by the Philippine Securities and Exchange Commission on June 30, 2021.

This section provides a summary of relevant findings from the IWSR's recent syndicated market research on the market for beverage alcohol in the Philippines, published in May 2021.

For purposes of this report, references to The Keepers Holdings, Inc. pertain to the Group, as may be appropriate.

METHODOLOGY

All findings in this report are derived from the IWSR's beverage alcohol database as published in May 2021, together with excerpts from the Philippines Executive Summary and selected IWSR strategic studies. No dedicated field research was performed in the compilation of this report.

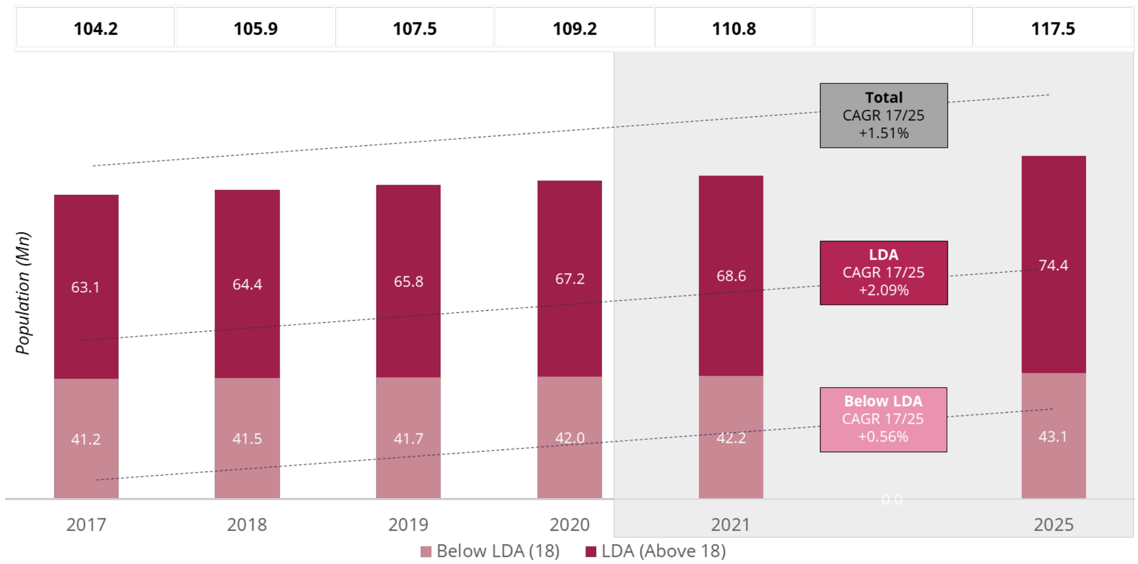
PHILIPPINES MACRO-ECONOMICS

According to the World Bank, the Philippines is one of the most dynamic economies in the East Asia Pacific region. It had sustained average annual growth of over 6.0% from 2010 – 2019 and has been on its way to becoming an upper-middle-income country in the near term. The 2020 COVID-19 pandemic has, of course, had a negative impact on economic activity, reflected in negative metrics such as GDP, consumer expenditure and their per-capita indicators, and higher figures of unemployment. The country is estimated to have lost around 8% of its GDP in 2020 as a result of the COVID-19 pandemic, with an estimated 10 million workers having lost their jobs this year. GDP activity is, however, forecast to come back into growth by 2021 and going forward, with unemployment expectations also lower into the future. Agriculture remains important; tourism (although expected to become a contributing factor once again after the pandemic subsides), services and outsourcing, helped by the high standard of spoken English, are important contributors to economic growth.

The development of population patterns is favourable towards enhanced consumption of beverage alcohol. The Philippines has a relatively young population with only about 62% of the population being above legal drinking age (18 years old) in 2020. There is, therefore, strong assured growth of the number of consumers of legal drinking age going forward. Compared to other countries in the region, the Philippines is experiencing rapid population growth and is projected to increase to well over 150 million by 2045.

The following macro-economic data (sourced from IMF, US Census Bureau and Philippine Statistics Authority) has influenced the IWSR's assessment of Total Beverage Alcohol forecasts and its components:

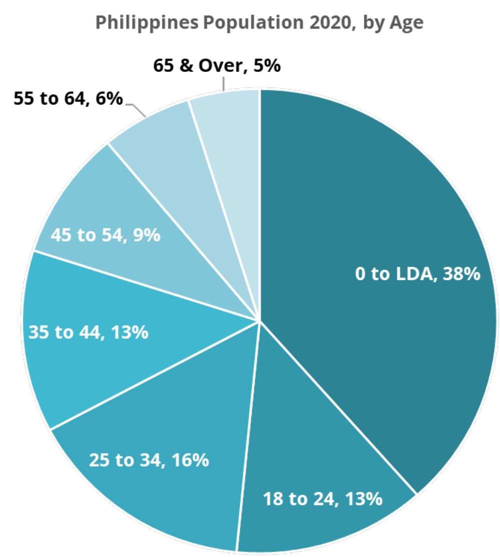
Fig 1: Philippines: Population by Age Strata (Mn), 2019-2020, 2021 (f) and 2025 (f)



Note: Legal Drinking Age (LDA) for Spirits is 18

Source: US Census Bureau; IWSR illustration

Fig 2: Philippines: Population 2020 Age Bracket Share %



Note: Legal Drinking Age (LDA) for Spirits is 18

Source: US Census Bureau; IWSR illustration

Table 1: Philippines: Key Economic Indicators, Population (in '000) and Population of Legal Drinking Age (in '000)

Key Economic Indicators

Measure	Unit	2019	2020	2021	2025	CAGR 2019 to 2020	CAGR 2021 to 2020	CAGR 2020 to 2025
- GDP Current Prices	%Chg	6.04	-8.26	7.41	6.48	n/a	n/a	n/a
- GDP Per Capita	USD	3,511.94	3,372.53	3,601.87	4,805.84	-4.0%	6.8%	7.3%
- Unempl. Rate	%	5.08	10.35	7.40	5.08	n/a	n/a	n/a

Source: IMF

Population by Age Band

Population	2017	2018	2019	2020	2021	2025
Total Population	**104,247.13**	**105,883.08**	**107,523.74**	**109,168.18**	**110,818.33**	**117,483.50**
LDA Population	63,061.38	64,411.17	65,784.29	67,180.36	68,594.27	74,427.50
- 0 to LDA	41,185.76	41,471.90	41,739.45	41,987.82	42,224.06	43,056.00
- 18 to 24	13,595.06	13,827.57	14,066.40	14,298.82	14,515.57	15,279.08
- 25 to 34	16,470.72	16,673.40	16,882.91	17,106.81	17,350.73	18,501.36
- 35 to 44	12,959.80	13,275.34	13,574.73	13,861.72	14,133.40	15,030.23
- 45 to 54	9,133.12	9,353.14	9,587.23	9,839.92	10,110.18	11,353.83
- 55 to 64	6,222.39	6,399.36	6,578.06	6,757.54	6,938.70	7,712.70
- 65 & Over	4,680.28	4,882.37	5,094.97	5,315.55	5,545.70	6,550.30

Source: US Census Bureau
Note: Legal Drinking Age (LDA) For Spirits

Household Final Consumption Expenditure (Constant 2018 Prices)

Measure	2017	2018	2019	2020
Total (PHP Bn)	12,527.8	13,250.1	14,027.5	12,913.7
Per Capita (PHP '000)	120.2	125.1	130.5	118.3

Source: Philippine Statistics Authority, IWSR calculations

PHILIPPINES BEVERAGE ALCOHOL

Philippines Total Beverage Alcohol – Overview

Until the global pandemic in 2020, the Philippine market for beverage alcohol developed well with incremental growth particularly strong among beer and wines. Beer is seen as a staple product, typically accounting for just under three quarters of beverage alcohol consumption. The Philippine market for spirits is relatively mature – the Philippines is the world's largest market for gin and the world's second-largest market for rum and brandy (after India), all in volume terms. Historical volume growth rates have, therefore, been more modest than for the other large beverage alcohol categories. This hides the fact that much of the growth rates of the Philippines spirits market, while dominated by low-price domestic product, is particularly driven by a smaller, higher-priced imported element. Not only is the spirits' market share of total beverage alcohol in value terms much more significant than in volume terms, but the rate of growth in value terms has also been higher, indicating a growing higher-priced element.

The Philippines, even before the 2020 crisis, has been primarily a home consumption market for beverage alcohol, with the market primarily served through off-premise brick & mortar channels including supermarkets and, notably, smaller neighbourhood stores. Beverage alcohol ecommerce, with delivery formats, has been dynamic but remains small. There is of course a hospitality element, consisting of bars, restaurants, hotels, night clubs, karaoke clubs and other formats such as festivals. These on-premise formats are relatively more important for beer and imported spirits, but relatively less for local spirits.

Growth of beverage alcohol was interrupted in 2020. In response to the global pandemic, the Philippines imposed lockdowns of varying severity across the archipelago, decided by the regional and metropolitan authorities under different tiers of community quarantine measures. Manila was placed under enhanced community quarantine ("**ECQ**") at the onset of the pandemic until May 2020 and eventually eased up throughout the year, with people confined at home and alcohol sections closed in supermarkets and small stores. These neighbourhood stores, traditionally the main supply channel for at-home consumption, found their stocks depleted and could not be replenished. Given the imposition of ECQ, bars and nightclubs were closed, with restaurants open only until 9pm and a maximum of two diners permitted up to one bottle of wine. Many bars began serving food in order to be considered 'restaurants' and continue operations. Cebu had a stricter ban than Manila, and Davao was completely locked down for 11 months. On-premise declined sharply – by as much as -75% in terms of turnover in certain places. Beer (and the small Ready-to-Drink ("**RTD**") category) was particularly hit badly by the government-imposed restrictions on travel and on-premise operations, on account of its traditional strength in tourism and hospitality. Although the trading environment across all beverage alcohol was difficult, gin, rum and whisky were three spirit categories that managed to pivot well into the home premise, allowing for some (if minor) absolute growth in spirits sales during 2020.

The overall effect of the difficult trading environment in 2020 resulted to a contraction of the beverage alcohol market by 15.6% in volume terms, but only 6.3% in value terms, owing to both movements between beverage alcohol categories and, within them, towards more expensive price segments. This movement is illustrated in the following illustrations and tables.

Fig 3: Philippines: Total Beverage Alcohol Consumption 2017-2020, 2021 (f), 2025 (f) (Mn 9-litre cases)

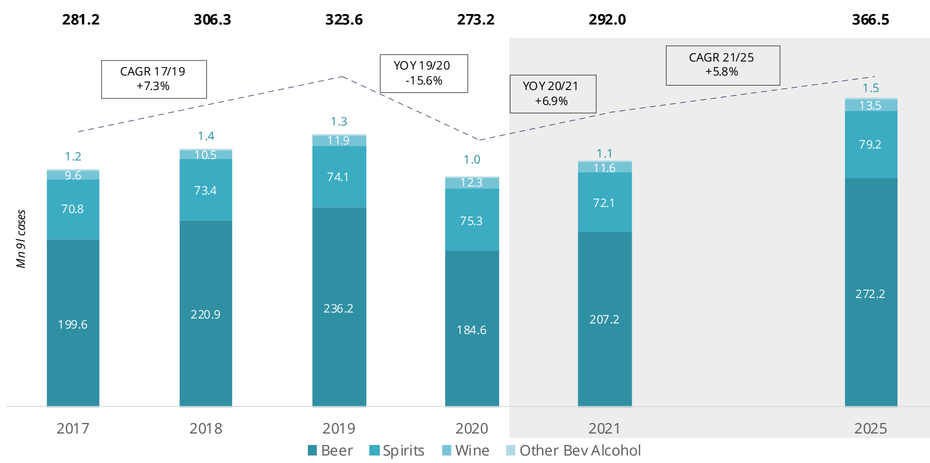
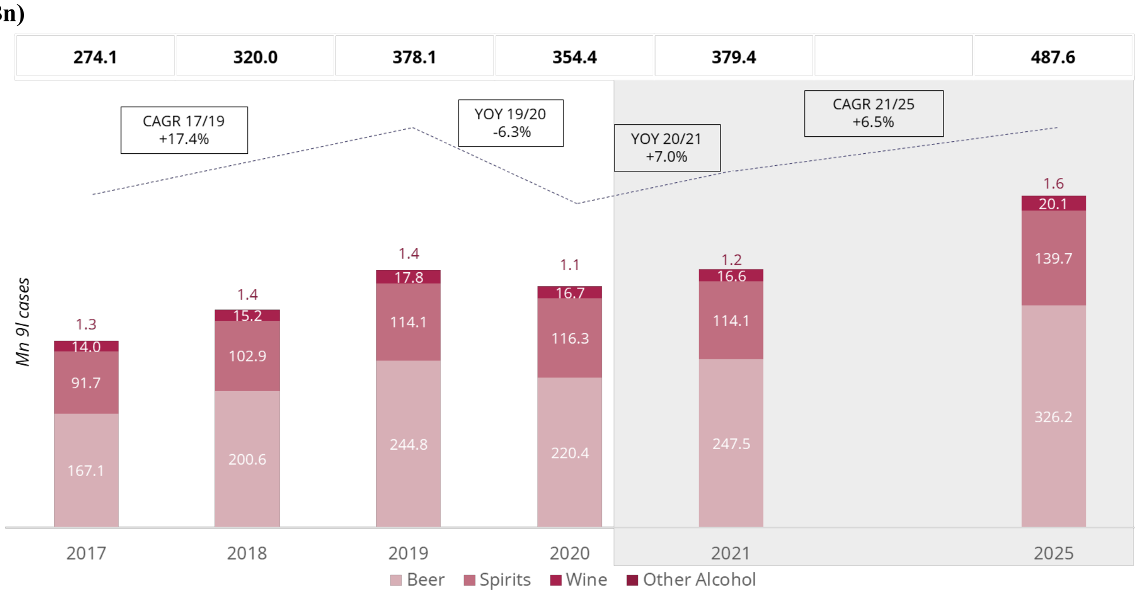


Fig 4: Philippines: Total Beverage Alcohol Consumption 2017-2020, 2021 (f), 2025 (f) (Retail Sales Value ₱ Bn)



Source: IWSR

Table 2: Philippines: Total Beverage Alcohol Consumption 2017-2020, 2021 (f), 2025 (f) ('000 9-litre cases & ₱ Bn RSV)

TBA	2017	2018	2019	2020	2021 (f)	2025 (f)	2019 TBA Share %	2020 TBA Share %	2025 TBA Share %	CAGR% 17/19	YOY% 19/20	YOY% 20/21	CAGR% 21/25
Vol ('000 9lcs)													
Beer	199,611.1	220,950.0	236,188.9	184,555.6	207,166.7	272,222.2	*73.0%*	*67.6%*	*74.3%*	*8.8%*	*-21.9%*	*12.3%*	*7.1%*
Spirits	70,816.0	73,393.5	74,110.5	75,332.5	72,080.5	79,247.3	*22.9%*	*27.6%*	*21.6%*	*2.3%*	*1.6%*	*-4.3%*	*2.4%*
Wine	9,566.8	10,520.3	11,927.3	12,286.5	11,625.8	13,536.0	*3.7%*	*4.5%*	*3.7%*	*11.7%*	*3.0%*	*-5.4%*	*3.9%*
RTDs	1,224.3	1,399.0	1,315.3	1,029.5	1,099.0	1,476.0	*0.4%*	*0.4%*	*0.4%*	*3.6%*	*-21.7%*	*6.8%*	*7.7%*
Cider	5.6	8.3	11.1	5.6	8.3	19.4	*0.0%*	*0.0%*	*0.0%*	*41.4%*	*-50.0%*	*50.0%*	*23.6%*
TBA	**281,223.6**	**306,271.1**	**323,553.0**	**273,209.6**	**291,980.3**	**366,500.9**	***100.0%***	***100.0%***	***100.0%***	***7.3%***	***-15.6%***	***6.9%***	***5.8%***
TBA	**2017**	**2018**	**2019**	**2020**	**2021 (f)**	**2025 (f)**	**2019 TBA Share %**	**2020 TBA Share %**	**2025 TBA Share %**	**CAGR% 17/19**	**YOY% 19/20**	**YOY% 20/21**	**CAGR% 21/25**
Val (PHP Bn)													
Beer	167.1	200.6	244.8	220.4	247.5	326.2	*64.7%*	*62.2%*	*66.9%*	*21.0%*	*-10.0%*	*12.3%*	*7.1%*
Spirits	91.7	102.9	114.1	116.3	114.1	139.7	*30.2%*	*32.8%*	*28.6%*	*11.5%*	*1.9%*	*-1.8%*	*5.2%*
Wine	14.0	15.2	17.8	16.7	16.6	20.1	*4.7%*	*4.7%*	*4.1%*	*12.9%*	*-6.1%*	*-0.5%*	*4.9%*
RTDs	1.3	1.4	1.4	1.1	1.1	1.6	*0.4%*	*0.3%*	*0.3%*	*1.9%*	*-22.4%*	*7.3%*	*8.6%*
Cider	0.0	0.0	0.0	0.0	0.0	0.1	*0.0%*	*0.0%*	*0.0%*	*41.4%*	*-50.0%*	*50.0%*	*23.6%*
TBA	**274.1**	**320.0**	**378.1**	**354.4**	**379.4**	**487.6**	***100.0%***	***100.0%***	***100.0%***	***17.4%***	***-6.3%***	***7.0%***	***6.5%***

Source: *IWSR*

Notes: *₱ conversion from US$ at flexible foreign exchange rates 2017-2020; stable 2020 foreign exchange rate assumed for 2021-2025. Value calculated at Retail Sales Value for all channels; On-premise mark-up not considered in value calculation.*

Notes: *There is large local, unregulated production of a tequila-like spirit estimated at 200-300 '000 9l cases, which is not included in IWSR analysis.*

Comments on Forecasts for 2021 and beyond:

- It is assumed that there will be sporadic outbreaks of the virus and localised lockdowns, but not widespread ones. The rollout of the vaccination program will, however, be slow and hinder the return of tourists and OFWs, regaining perhaps 20% of the 2019 levels in 2021, 50% in 2022, 75% in 2023 and reaching 2019 levels again in 2024.

- The market is expected to grow moderately, mainly through local products, in 2021. It will begin to pick up more strongly in 2022, by which time sales of imported products will also recover more. In the short term, growth is likely to be in local products, with beer regaining share from spirits and local wines. Imported brands will pick up with the return of OFWs and other visitors, as well as a return of the on-premise, as the borders slowly open up.

- Structurally, the 2020 restrictions created an artificial boost to spirits (notably gin and rum) and wine, as consumers had to pivot away from hospitality (where beer is prevalent) to the home. As the country emerges from restrictions in 2021, the on-premise (and, therefore, beer) will regain some of its strength, forcing a downwards re-adjustment of spirits and wine consumption levels before resuming growth in 2022.

Philippines Total Beverage Alcohol – Key Market Factors

There are both demand and supply drivers at play in the Philippines beverage alcohol market that will dictate make-up and trajectory of the market:

a) Industry/Supply

- **Significant domestic industry concentration** – Alcoholic drinks volumes are dominated by three local producers – Emperador (brandy), San Miguel (gin and beer) and Tanduay (rum); several smaller producers are also present. These three companies dominate in the low-priced segment of the market. Recent attempts to launch more premium-and-above products through domestic production have met with limited success, though San Miguel and Emperador are innovative and remain a force to be reckoned with.

- **Domestic/import links** – Emperador, a market leader among domestic products, also has ownership stakes abroad, notably in Spain (from where it imports a successful range of Spanish brandies) and the UK (Whyte & Mackay Scotch distillery, although their products are less visible in the Philippines)

- **Grey areas** – Parallels from Singapore and leaks from Duty-Free in Asia remain significant for major brands, especially at the premium-and-above end, and are difficult to measure. But tighter borders and a greater share of the market occupied by powerful retail chains makes this less of a problem than in the rest of Southeast Asia.

- **Trade concentration** – The market is highly concentrated, with few trading establishments controlling most import and wholesaling operations.

b) Demand

- **Population base** – The Philippines has a large and young population that is growing at well above a percentage point per annum. The young population structure ensures there is significant annual addition to the Legal Drinking Age strata. There is also an emerging middle class, growth in disposable incomes and the beginnings of less reliance on inbound remittances from overseas workers.

- **Connectivity and Experiences** – regional Southeast Asian, other Asian and international experiences are finding their way into a steadily-enhanced consumer experience in the Philippines. Local consumers are increasingly connected, benefit from other cultural influences and are becoming curious to try products beyond their immediate local range. Returning overseas workers bring with them influences from their adopted homes. Gifting is a significant concept for returning or visiting overseas workers, and imported beverage alcohol (particularly spirits) purchased in duty free areas of departing airports, hubs or in duty free areas of arrival airports, which are then given as gifts to friends and family in the Philippines; thereby increasingly introducing consumers to foreign brands. These brands also bring with them the cachet of 'not being local' and provide an air of premiumization (on account of local spirits brands being renowned for their low prices).

PHILIPPINES SPIRITS

Philippines Spirits – by Category

The Philippine market for spirits is long-established, with a well-entrenched domestic industry focused on three product types – (i) gin, (ii) non-Cognac brandies, and (iii) rum, all with origins dating back from colonial times. While the Philippines, in volume terms, is the world's largest market for gin, and the second-largest market for rum and brandies (after India), it cannot be called 'world-leading' as there are few exports of locally-distilled products (the notable exception being small volumes of Don Papa rum by local premium distillery Bleeding Heart). Domestic spirits are primarily in the lowest price segment and recent attempts at premiumization have not been met with significant success. The three leading segments are high-volume categories at low prices, with higher price points left to the remainder of the spirits category, in addition to imported gin, rum and brandy variants. The three largest categories (gin, non-Cognac brandies and rum) together account for 98.5% of spirits volumes and 91.7% of market value at RSV level. These categories, therefore, dwarf the remainder of the market, with whiskies as the only other category to make some impact (notably in value terms).

Gin competes with other local spirits categories such as rum and brandy, but there are established regional preferences. The vast consumption of local gin saw robust growth, as beer consumption was hit in 2020 and consumers switched across to the next most affordable and available product. The small volumes of high-end imported brands also fell in 2020 with the closure of the on-premise. The category may also have benefitted from declining brandy volumes.

The penetration of local and Spanish brandies in both rural and urban areas ordinarily drive the very large category in volume terms. Brandy is driven by affordability and fueled by the Spanish heritage of the Philippines. The large consumption of *local* brandy is reported to have fallen 15% in 2020 as consumers switched to gin and rum. *Spanish* brandies by contrast fell only marginally thanks particularly to the strong growth of Alfonso Light (handled by The Keepers Holdings, Inc.) by 30% in 2020, despite the COVID-19 pandemic. Owing to the particular heritage of brandy in the Philippines, Spanish, rather than French, brands tend to be marketed with Spanish-language brand names, whether domestic or imported.

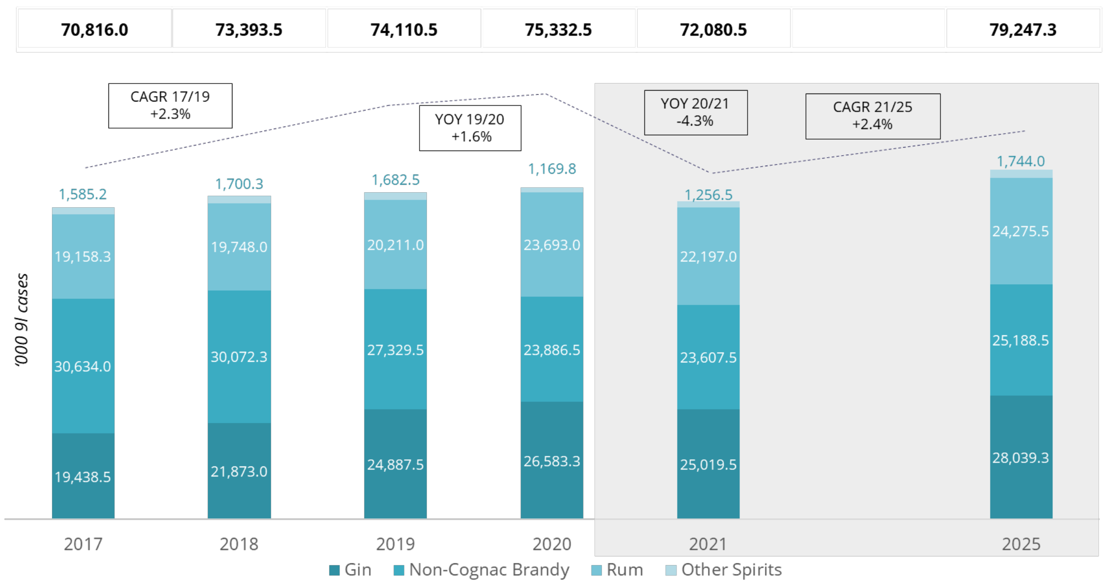
Another key, locally-produced category, rum should see long-lasting growth due to its presence across different occasions and venues. The low-priced category remains overwhelmingly dominated by locally-produced Tanduay and is believed to be more popular in the Southern islands and among tourists. Category growth was principally due to the fall in beer consumption and the greater availability of rum.

The severe market conditions in 2020 provided an artificial boost to gins and rums, which proved to be the country's go-to alcoholic beverages at a time when beer consumption dropped heavily. As the country emerges from the government- imposed lockdowns and restrictions, and beer consumption (especially in hospitality) recovers, there will, therefore, be a downward correction of this artificial boost among gins and rums during 2021 before resuming growth in 2022.

All whisky segments except for the small Irish segment lost volumes across all qualities as the on-premise was shuttered and tourism curtailed. Premium Scotches, favourites for gifting, were particularly hard-hit. Local whiskies also declined. Many younger Filipinos associate Scotch whiskies with success and sophistication. It is the most prestigious and aspirational category. A growing appetite for the higher qualities and malts will cast a halo effect and benefit the overall category in the long run. The Philippines has an Americanized culture and US whiskey is popular – there are also many US residents. US whiskies suffered less due to the large number of US residents in the Philippines. Among smaller spirits categories, soju and vodka are significant in volume terms, and Cognac in value terms.

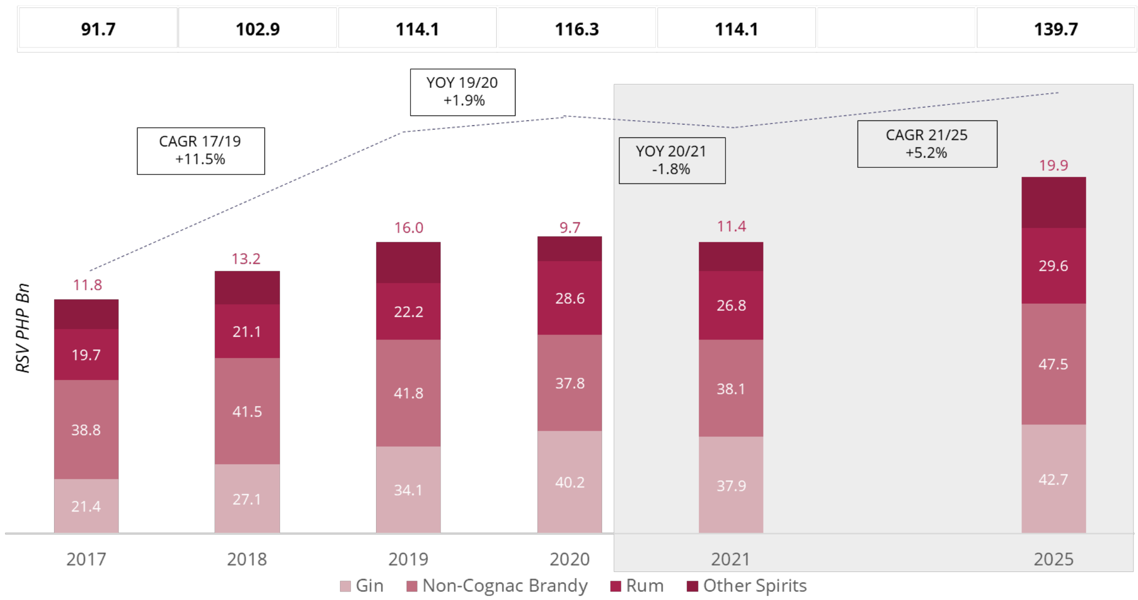
The following illustrations provides an overview of the relative market strengths of spirits categories in the Philippines:

Fig 5: Philippines: Spirits Consumption 2017-2020, 2021 (f), 2025 (f) ('000 9-litre cases)



Source: IWSR

Fig 6: Philippines: Spirits Consumption 2017-2020, 2021 (f), 2025 (f) (₱ Bn RSV)



Source: IWSR

Fig 7: Philippines: Spirits Consumption 2020, by Category (‘000 9l cs and ₱ Bn RSV)

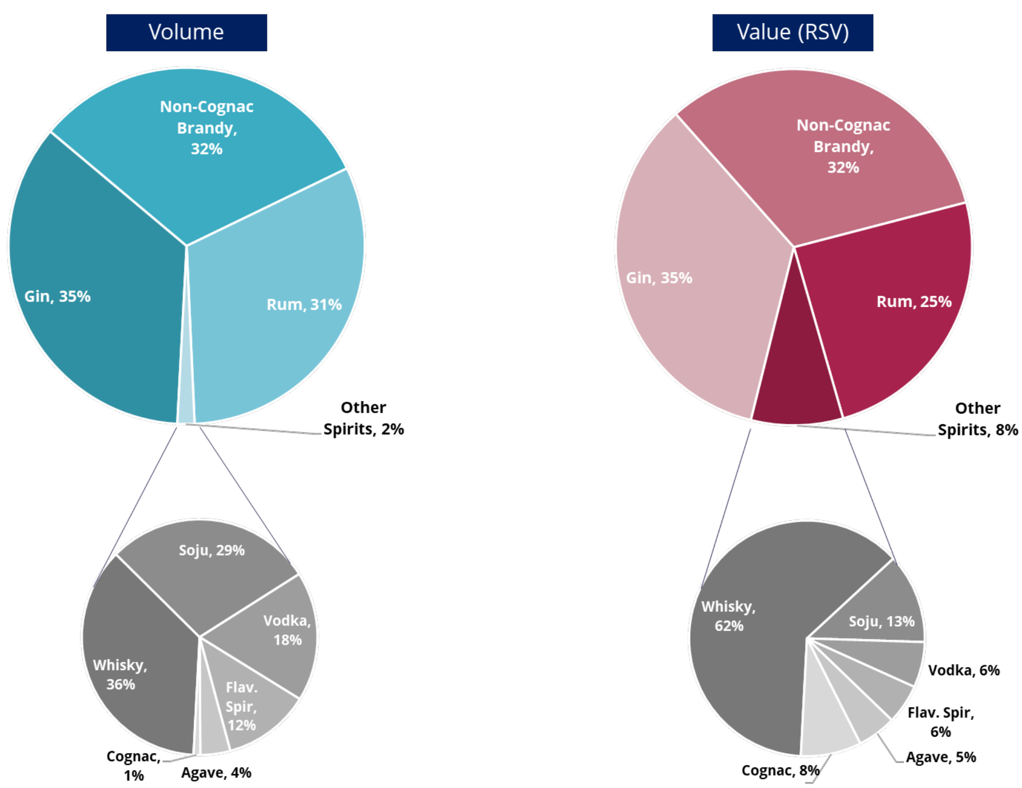


Table 3: Philippines: Spirits Consumption 2017-2020, 2021 (f), 2025 (f) (‘000 9-litre cases & ₱ Bn RSV)

All Spirits	2017	2018	2019	2020	2021 (f)	2025 (f)	2019 Spirits Share %	2020 Spirits Share %	2025 Spirits Share %	YOY% 17/19	YOY% 19/20	YOY% 20/21	CAGR% 21/25
Vol ('000 9lcs)													
Gin	19,438.5	21,873.0	24,887.5	26,583.3	25,019.5	28,039.3	33.6%	35.3%	34.7%	13.2%	6.8%	-5.9%	2.9%
Other Brandy	30,634.0	30,072.3	27,329.5	23,886.5	23,607.5	25,188.5	36.9%	31.7%	32.8%	-5.5%	-12.6%	-1.2%	1.6%
Rum	19,158.3	19,748.0	20,211.0	23,693.0	22,197.0	24,275.5	27.3%	31.5%	30.8%	2.7%	17.2%	-6.3%	2.3%
Whisky, *of which:*	513.0	597.5	673.8	428.0	457.3	739.0	0.9%	0.6%	0.6%	14.6%	-36.5%	6.8%	12.8%
Blended Scotch	307.5	342.9	378.8	211.3	230.0	418.0	0.5%	0.3%	0.3%	11.0%	-44.2%	8.9%	16.1%
US Whiskey	72.3	83.8	134.0	97.8	106.8	178.8	0.2%	0.1%	0.1%	36.2%	-27.0%	9.2%	13.8%
Other Whisky	110.3	134.3	83.3	62.3	57.3	32.8	0.1%	0.1%	0.1%	-13.1%	-25.2%	-8.0%	-13.0%
Malt Scotch	17.0	25.4	34.3	26.8	29.8	48.0	0.0%	0.0%	0.0%	41.9%	-21.9%	11.2%	12.7%
Indian Whisky		5.0	35.0	22.0	24.0	45.0	0.0%	0.0%	0.0%	n/a	-37.1%	9.1%	17.0%
Irish Whiskey	2.8	3.3	5.3	5.8	7.0	12.0	0.0%	0.0%	0.0%	38.2%	9.5%	21.7%	14.4%
Canadian Whisky	2.8	2.5	2.5	2.0	2.0	3.0	0.0%	0.0%	0.0%	-4.7%	-20.0%	0.0%	10.7%
Japanese Whisky	0.5	0.5	0.8	0.3	0.5	1.5	0.0%	0.0%	0.0%	26.5%	-68.8%	100.0%	31.6%
Soju/Oth Ntl	265.0	362.5	308.3	334.5	356.0	438.5	0.4%	0.4%	0.5%	7.9%	8.5%	6.4%	5.3%
Vodka	329.7	308.0	301.0	208.3	216.5	254.3	0.4%	0.3%	0.3%	-4.5%	-30.8%	4.0%	4.1%
Flavoured Spirits	365.5	314.8	274.0	140.3	156.3	172.5	0.4%	0.2%	0.2%	-13.4%	-48.8%	11.4%	2.5%
Agave	76.3	80.0	86.8	48.0	55.5	95.3	0.1%	0.1%	0.1%	6.7%	-44.7%	15.6%	14.5%
Cognac/Armagnac	35.8	37.5	38.8	10.8	15.0	44.5	0.1%	0.0%	0.0%	4.1%	-72.3%	39.5%	31.2%
All Spirits	**70,816.0**	**73,393.5**	**74,110.5**	**75,332.5**	**72,080.5**	**79,247.3**	**100.0%**	**100.0%**	**100.0%**	**2.3%**	**1.6%**	**-4.3%**	**2.4%**

All Spirits	2017	2018	2019	2020	2021 (f)	2025 (f)	2019 Spirits Share %	2020 Spirits Share %	2025 Spirits Share %	YOY% 17/19	YOY% 19/20	YOY% 20/21	CAGR% 21/25
Val (PHP Bn)													
Gin	21.4	27.1	34.1	40.2	37.9	42.7	29.9%	34.6%	33.2%	26.1%	17.9%	-5.8%	3.0%
Other Brandy	38.8	41.5	41.8	37.8	38.1	47.5	36.7%	32.5%	33.3%	3.9%	-9.7%	0.8%	5.7%
Rum	19.7	21.1	22.2	28.6	26.8	29.6	19.5%	24.6%	23.5%	6.1%	28.7%	-6.1%	2.5%
Whisky, *of which:*	6.1	6.8	9.0	6.0	6.7	12.1	7.9%	5.2%	5.9%	22.0%	-32.8%	11.4%	15.7%
Blended Scotch	4.3	4.4	5.2	3.0	3.4	6.8	4.6%	2.6%	3.0%	10.9%	-42.5%	13.0%	18.8%
US Whiskey	0.9	1.0	1.6	1.2	1.3	2.1	1.4%	1.0%	1.1%	37.2%	-28.2%	9.9%	13.0%
Other Whisky	0.2	0.3	0.2	0.1	0.1	0.1	0.2%	0.1%	0.1%	-9.2%	-22.9%	-4.1%	-10.9%
Malt Scotch	0.6	1.0	1.6	1.4	1.6	2.6	1.4%	1.2%	1.4%	62.3%	-10.0%	10.4%	12.6%
Indian Whisky	0.0	0.0	0.2	0.2	0.2	0.3	0.2%	0.1%	0.1%	n/a	-31.0%	9.1%	17.0%
Irish Whiskey	0.0	0.0	0.1	0.1	0.1	0.2	0.1%	0.1%	0.1%	38.2%	27.0%	23.7%	13.7%
Canadian Whisky	0.0	0.0	0.0	0.0	0.0	0.0	0.0%	0.0%	0.0%	-16.1%	-21.3%	0.0%	11.0%
Japanese Whisky	0.0	0.0	0.0	0.0	0.0	0.0	0.0%	0.0%	0.0%	31.7%	-48.8%	43.1%	15.8%
Soju/Oth Ntl	0.9	1.1	1.0	1.2	1.3	1.6	0.9%	1.0%	1.1%	7.5%	17.9%	7.0%	5.5%
Vodka	0.8	0.8	0.9	0.6	0.6	0.9	0.8%	0.5%	0.6%	2.7%	-29.8%	6.5%	7.7%
Flavoured Spirits	0.9	0.9	0.9	0.5	0.6	1.0	0.8%	0.5%	0.5%	0.8%	-44.0%	14.2%	12.6%
Agave	0.8	0.9	1.1	0.5	0.6	1.1	0.9%	0.4%	0.5%	17.7%	-51.5%	19.5%	15.6%
Cognac/Armagnac	2.3	2.7	3.1	0.8	1.5	3.3	2.7%	0.7%	1.3%	15.4%	-73.8%	81.7%	22.7%
All Spirits	**91.7**	**102.9**	**114.1**	**116.3**	**114.1**	**139.7**	**100.0%**	**100.0%**	**100.0%**	**11.5%**	**1.9%**	**-1.8%**	**5.2%**

Source: *IWSR*

Notes: *₱ conversion from US$ at flexible foreign exchange rates 2017-2020; stable 2020 foreign exchange rate assumed for 2021-2025. Value calculated at Retail Sales Value for all channels; On-premise mark-up not considered in value calculation.*

Notes: *There is large local, unregulated production of a tequila-like spirit estimated at 200-300 ‘000 9l cases, which is not included in IWSR analysis.*

Philippines Spirits – by Local vs Imported

There is significant imbalance between local and imported spirits with regard to their respective focus on price points (see also Fig 10). Local spirits are heavily biased towards the lowest price segment. In 2020, imported spirits accounted for only 7.5% of total spirit volumes, but 21.9% of associated retail sales value.

Imports are biased towards significant volumes of imported Spanish brandies as well as most whiskies, all soju, Cognac/Armagnac and true agave products. Minor volumes of imported gin, rum, vodka and flavoured spirits that do exist are all biased towards higher price points, all with higher value share than in terms of volume.

As small as the imported element of the market is, there has been significant movement in recent years, and the small volume element is certainly counteracted by the fact that more than a fifth of expenditure on spirits is accounted for by imports. A growing middle class, increased connectivity, influences brought in by friends and family members living and working abroad (combined with a strong spirits gifting culture, largely based on imported spirits brands) and a small but growing craft scene are all elements that support growth in imported product. There is also an element of growing sophistication among consumers, with at least part of the social strata willing to pay more for the experience of imported brands. While the Philippines remains somewhat behind its direct neighbours in terms of premiumization (on account of the overwhelming strength of the low-cost local competition), there has certainly been a strong advance in recent years, halted only in 2020 which brought its own structural challenges of importation vs domestic sourcing.

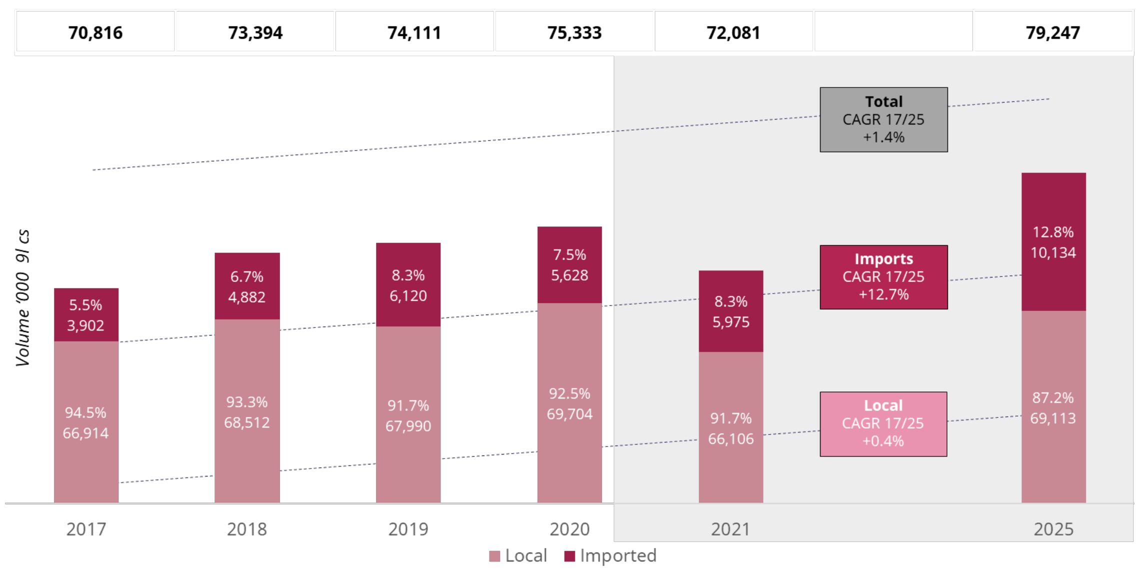
An interesting note is that among the three large 'local' categories – brandy, rum and gin – brandy is the only category where imported products have made significant inroads. This situation is yet to emerge among rums and gins. This does not detract from the fact that taste profiles for these categories are already well-established, so future growth of more premium products among an increasingly discerning part of the population can be anticipated. The recent emergence of soju (without a home-grown equivalent) and the strength of whisky (not attempted to be replicated by a local solution to any significant scale) are also signs that discernment among consumers is a growing factor.

Imports have grown steadily in the recent past and their strength has actually forced an absolute decline in local volume sales in 2019. 2020 saw a relative strengthening of local product (mostly on account of difficult importation and trading structures due to the pandemic) but imports are expected to once again outpace development of local spirits, to achieve almost 13% in volume market share by 2025. 2021 will already see a renewed strengthening of imports, as the artificial boost local products received from the downturn in beer sales is being corrected.

This situation is amplified when adopting a market value lens – it is currently anticipated that the value of imported spirits at RSV level will reach just under ₱ 50 Bn by 2025, accounting for more than one third of the overall spirits market value. In value terms, local spirits will drop to around 65% of spirits sales in the Philippines by 2025. Key among imported spirits growth drivers will be the leading imported Spanish brandies (particularly the leader among imported brandies, Alfonso (represented by The Keepers Holdings Inc.)), as well as notably imported Scotches (William Grant, Diageo and Pernod Ricard portfolios) and US whiskeys (Brown-Forman and Beam Suntory portfolios).

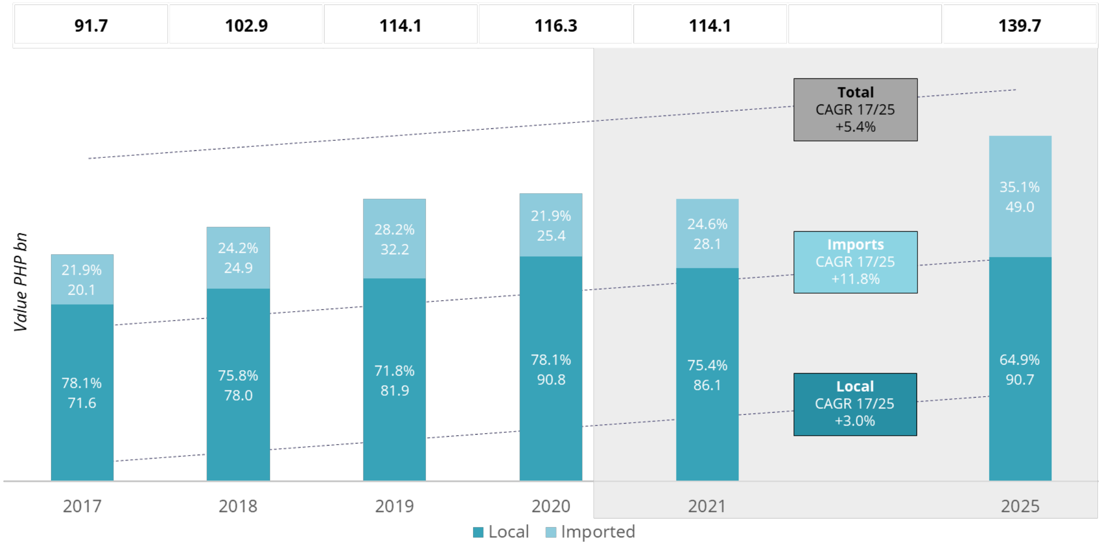
This is reflected in the following illustrations and tables.

Fig 8: Philippines: Spirits Consumption by Local/Imported, 2017-2020, 2021 (f), 2025 (f) ('000 9-litre cases)



Source: IWSR

Fig 9: Philippines: Spirits Consumption by Local/Imported, 2017-2020, 2021 (f), 2025 (f) (₱ Bn RSV)



Source: IWSR

Table 4: Philippines: Spirits Consumption by Local/Imported, 2020 and Growth Rates ('000 9-litre cases & ₱ Bn RSV)

						Local				Imported			
All Spirits	**2020 Total**	**2020 Local**	**2020 Imported**	**2020 Local%**	**2020 Imported%**	**CAGR% 17/19**	**YOY% 19/20**	**YOY% 20/21**	**CAGR% 21/25**	**CAGR% 17/19**	**YOY% 19/20**	**YOY% 20/21**	**CAGR% 21/25**
Vol ('000 9lcs)													
Gin	26,583.3	26,567.0	16.3	99.9%	0.1%	13.3%	7.1%	-5.9%	2.9%	-8.2%	-82.2%	1.5%	17.3%
Other Brandy	23,886.5	19,125.0	4,761.5	80.1%	19.9%	-10.0%	-15.0%	-2.8%	-2.8%	30.2%	-1.6%	5.6%	14.5%
Rum	23,693.0	23,668.3	24.8	99.9%	0.1%	2.7%	17.5%	-6.3%	2.2%	4.5%	-59.2%	22.2%	23.1%
Whisky, *of which:*	428.0	61.9	366.1	14.5%	85.5%	-13.1%	-25.4%	-8.3%	-13.2%	21.1%	-38.0%	9.4%	15.3%
Blended Scotch	211.3		211.3	0.0%	100.0%					11.0%	-44.2%	8.9%	16.1%
US Whiskey	97.8		97.8	0.0%	100.0%					36.2%	-27.0%	9.2%	13.8%
Other Whisky	62.3	61.9	0.4	99.4%	0.6%	-13.1%	-25.4%	-8.3%	-13.2%	0.0%	40.0%	42.9%	0.0%
Malt Scotch	26.8		26.8	0.0%	100.0%					41.9%	-21.9%	11.2%	12.7%
Indian Whisky	22.0		22.0	0.0%	100.0%						-37.1%	9.1%	17.0%
Irish Whiskey	5.8		5.8	0.0%	100.0%					38.2%	9.5%	21.7%	14.4%
Canadian Whisky	2.0		2.0	0.0%	100.0%					-4.7%	-20.0%	0.0%	10.7%
Japanese Whisky	0.3		0.3	0.0%	100.0%					26.5%	-68.8%	100.0%	31.6%
Soju	334.5		334.5	0.0%	100.0%					7.9%	8.5%	6.4%	5.3%
Vodka	208.3	179.0	29.3	86.0%	14.0%	-3.7%	-31.8%	3.6%	3.3%	-9.1%	-24.2%	6.0%	8.7%
Flavoured Spirits	140.3	103.0	37.3	73.4%	26.6%	-18.0%	-49.9%	10.2%	-4.1%	6.8%	-45.6%	14.8%	15.7%
Agave	48.0		48.0	0.0%	100.0%					6.7%	-44.7%	15.6%	14.5%
Cognac / Arm.	10.8		10.8	0.0%	100.0%					4.1%	-72.3%	39.5%	31.2%
All Spirits	**75,332.5**	**69,704.2**	**5,628.4**	**92.5%**	**7.5%**	**0.8%**	**2.5%**	**-5.2%**	**1.1%**	**25.2%**	**-8.0%**	**6.2%**	**14.1%**
						Local				Imported			
All Spirits	**2020 Total**	**2020 Local**	**2020 Imported**	**2020 Local%**	**2020 Imported%**	**CAGR% 17/19**	**YOY% 19/20**	**YOY% 20/21**	**CAGR% 21/25**	**CAGR% 17/19**	**YOY% 19/20**	**YOY% 20/21**	**CAGR% 21/25**
Val (PHP Bn)													
Gin	40.2	39.9	0.3	99.4%	0.6%	26.0%	19.5%	-5.9%	2.9%	33.1%	-61.2%	9.6%	18.1%
Other Brandy	37.8	22.0	15.8	58.1%	41.9%	-7.6%	-15.0%	-2.8%	-2.9%	37.0%	-1.3%	5.7%	14.3%
Rum	28.6	28.4	0.2	99.3%	0.7%	5.9%	30.4%	-6.3%	2.2%	15.0%	-55.6%	30.0%	21.5%
Whisky, *of which:*	6.0	0.1	5.9	2.1%	97.9%	-10.3%	-25.5%	-9.0%	-13.3%	23.0%	-33.0%	11.9%	16.1%
Blended Scotch	3.0		3.0	0.0%	100.0%					10.9%	-42.5%	13.0%	18.8%
US Whiskey	1.2		1.2	0.0%	100.0%					37.2%	-28.2%	9.9%	13.0%
Other Whisky	0.1	0.1	0.0	89.1%	10.9%	-10.3%	-25.5%	-9.0%	-13.3%	6.6%	7.0%	35.7%	0.0%
Malt Scotch	1.4		1.4	0.0%	100.0%					62.3%	-10.0%	10.4%	12.6%
Indian Whisky	0.2		0.2	0.0%	100.0%						-31.0%	9.1%	17.0%
Irish Whiskey	0.1		0.1	0.0%	100.0%					38.2%	27.0%	23.7%	13.7%
Canadian Whisky	0.0		0.0	0.0%	100.0%					-16.1%	-21.3%	0.0%	11.0%
Japanese Whisky	0.0		0.0	0.0%	100.0%					31.7%	-48.8%	43.1%	15.8%
Soju	1.2		1.2	0.0%	100.0%					7.5%	17.9%	7.0%	5.5%
Vodka	0.6	0.3	0.3	45.3%	54.7%	14.3%	-37.8%	3.6%	3.3%	-6.3%	-21.4%	8.9%	10.7%
Flavoured Spirits	0.5	0.1	0.4	21.8%	78.2%	-17.6%	-49.5%	10.1%	-3.8%	9.9%	-42.2%	15.3%	15.9%
Agave	0.5		0.5	0.0%	100.0%					17.7%	-51.5%	19.5%	15.6%
Cognac / Arm.	0.8		0.8	0.0%	100.0%					15.4%	-73.8%	81.7%	22.7%
All Spirits	**116.3**	**90.8**	**25.4**	**78.1%**	**21.9%**	**6.9%**	**10.9%**	**-5.2%**	**1.3%**	**26.6%**	**-21.0%**	**10.3%**	**14.9%**

Source: *IWSR*
Notes: *₱ conversion from US$ at flexible foreign exchange rates 2017-2020; stable 2020 foreign exchange rate assumed for 2021-2025. Value calculated at Retail Sales Value for all channels; On-premise mark-up not considered in value calculation.*
Notes: *There is large local, unregulated production of a tequila-like spirit estimated at 200-300 '000 9l cases, which is not included in IWSR analysis.*

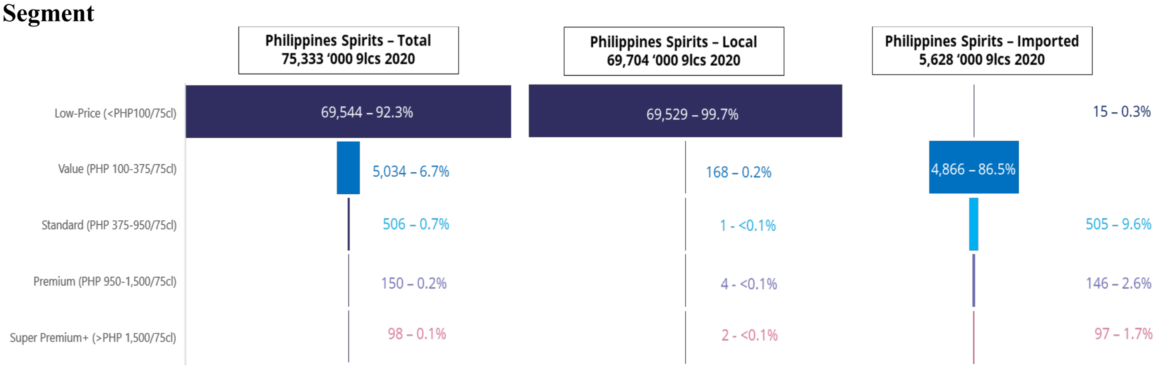
This extreme imbalance in price focus among local vs imported spirits is also visualized in the Figure below.

Overall, the spirits market is heavily skewed towards 'Low-Price' products (defined as products retailing below ₱ 100/75cl bottle) with more than 92% of volume in 2020. These are in turn dominated by domestic spirits, with negligible volumes of imported spirits sold in that price segment. 99.7% of domestic product is retailed below ₱ 100/75cl bottle.
'Value' products (defined as retailing between ₱ 100-375/75cl bottle) account for just under 7% of all spirits volumes but almost 87% of imports. These are mostly Spanish brandies as well as South Korean soju.

'Standard+' spirits (defined as retailing above ₱ 375/75cl bottle) account for only 1% of total spirits. Almost all Standard+ spirits are imported.

Only a tiny element of the market can be considered 'Premium-and-above' (the threshold here is ₱ 950/75cl bottle), almost entirely provided for by imported spirits.

Fig 10: Philippines: Spirits Consumption 2020 ('000 9-litre cases) by Local/Imported and IWSR Price Segment



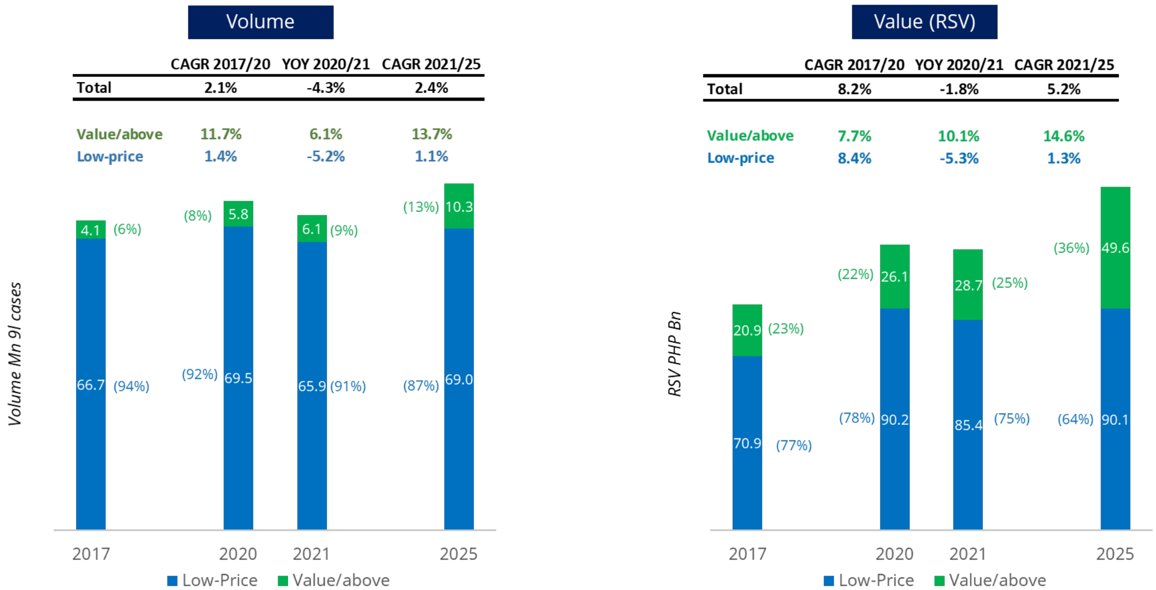
Source: *IWSR*

Notes: *₱ conversion from US$ at flexible foreign exchange rates 2017-2020; stable 2020 foreign exchange rate assumed for 2021-2025. Value calculated at Retail Sales Value for all channels; On-premise mark-up not considered in value calculation.*

Put in a different way, and allowing for the interplay between categories and imports vs local product, the following illustration shows how the spirits market in terms of price segment has developed and will be developing over time. Imports (and, therefore, Value/above) have taken a harder hit in 2020 owing to structural restrictions in the market. These are, however, forecast to recover in 2021 while local gins and runs in particular (and, therefore, Low-cost) are expected to suffer a downwards readjustment as the artificial boost they had received from the demise of beer in 2020 is rectified.

The spirits market is expected to grow significantly faster in RSV terms than in volume. This is due to an expectation that local low-price product, after a period of downwards adjustment in 2021, will resume growth at a much reduced rate compared to spirits sold at Value/above price points. The main reason is an expected strengthening of imports (and with it products sold at Value/above prices) leading to a growing adoption of imported spirits and, therefore, premiumization of the spirits market going forward.

Fig 11: Philippines: Spirits Consumption Evolution by Low-Cost vs Value/above Price Segments (Mn 9l cases and ₱ Bn)



Source: IWSR

Philippines Spirits – by Broad Channel

Overall, the spirits market of the Philippines, even pre-pandemic, has always been geared heavily towards the off-premise and, therefore, At-home consumption. Prior to the COVID-19 crisis, only around 10% of spirits volumes were accounted for by consumption in bars, restaurants, nightclubs and other hospitality formats. This compares to around 25% for beer. Lockdown regulations that affected the On-premise shifted this balance even further towards At-home consumption – less than 6% of spirits volumes are estimated to have been consumed in hospitality in 2020.

Imported spirits are much more heavily geared towards hospitality, including the tourism sector, than local spirits. Overall, almost 15% of imported spirit volumes were sold through the On-premise before dropping to only 8% in the lockdown year.

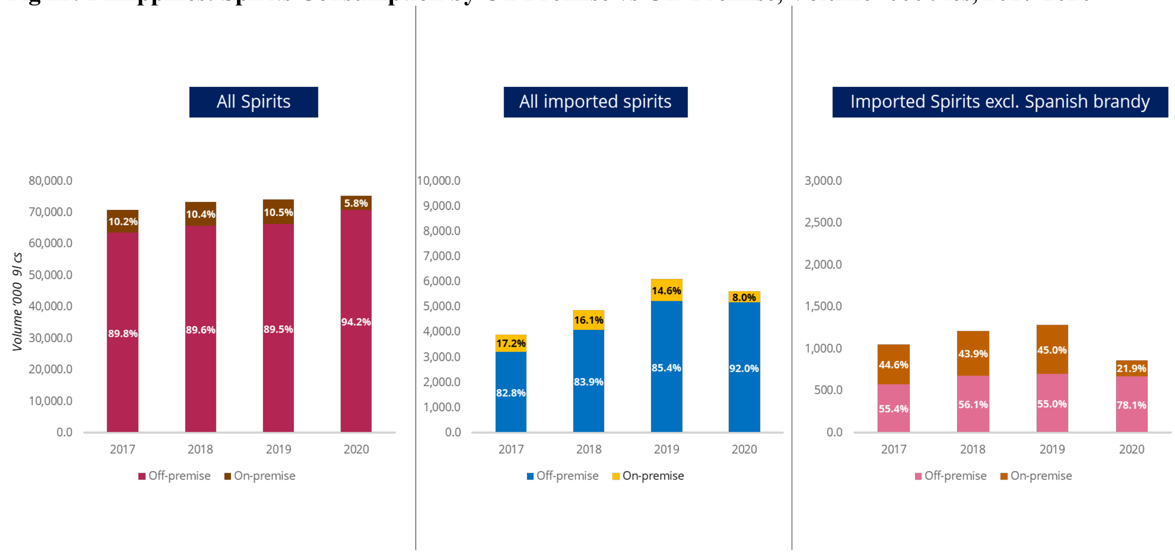
As imports are heavily skewed towards Spanish brandies, which are merchandised much more closely to the situation among local brands, analysis of imports *excluding* non-Cognac brandies shows a much more important On-premise channel for imported whiskies, soju, vodkas etc. Here, the On-premise had accounted for 45% of volumes sold pre-pandemic, dropping to 22% in 2020. This ratio is expected to increase once again into the forties as hospitality recovers. Strength in distribution and activation in hospitality, particularly for non-brandy imports, is, therefore, key.

The ongoing COVID-19 pandemic has so far proved beneficial to the development of e-commerce alcohol sales, as restrictions on movement led consumers to turn to the online channel. As such 2020 saw unprecedented growth rates for e-commerce alcohol – albeit from truly tiny levels. Furthermore, leading online specialists like Boozy.ph and marketplaces like Lazada have reacted rapidly, adapting their strategies to take advantage of the situation. With increasing investment and a rising consumer base, growth rates are likely to be carried forward in the years to come, ushering in a new era for e-commerce alcohol. The key channels for alcohol are online specialists and marketplaces, with the former currently growing at the expense of the latter. Major existing online specialists including Boozy.ph, Liquor.ph and Wine Depot are investing heavily in expanding their product offerings and improving the user experience. They are quickly establishing themselves as the go-to retailers for alcohol, by offering convenience, competitive prices and selections unrivalled by the other channels. The Philippine government recently issued statements saying that it intends to target unauthorised sales of alcohol (and tobacco) online to deter underaged drinking, but officially-licensed sellers/platforms should remain unaffected. Indeed, the crackdown on illegitimate sellers may help to limit their activity and allow brand owners to compete on an equal footing. This will encourage them to invest in existing operators or their own e-commerce platforms and help drive the overall online alcohol market.

The formal e-commerce channel trebled to some 15,000 cases overall, with high-end whiskies and single malt Scotches selling well. Sales of imported beers and wines also rose as home consumption increased. Informal re-sellers, using online marketplaces as well as well-known social media sites, sold perhaps triple these volumes – soju, beer and wines were popular, as well as Spanish brandy.

Movements in on-premise focus between the total market, imported market and the imported market net of Spanish brandies are illustrated below:

Fig 12: Philippines: Spirits Consumption by On-Premise vs Off-Premise, Volume '000 9lcs, 2017-2020



Source: IWSR

PHILIPPINES IMPORTED SPIRITS ONLY

Philippines – Imported Spirits by Category and IWSR Price Segment

Price segmentation among imported spirits varies widely and depends largely on the relative importance of the individual spirits category. Imported Non-Cognac brandies are by far the largest grouping among imported spirits (85%) by volume and they take their cue largely from the overwhelming direct competition among local brandies. Leading brands such as Alfonso (The Keepers Holdings, Inc.) and Fundador (Emperador) are both positioned as Value. Imported brandies, primarily Spanish are, therefore, heavily skewed towards the Value price segment, and on account of their overwhelming market share among imports, the share of Value price segment of all imported spirits is very high, at 86%.

By contrast, with the exception of soju (also mainly sold at Value prices) all other imported spirits categories are sold at higher prices. Imported vodka, flavoured spirits, agave, rum and gin are primarily sold in the Standard segment, while whiskies and Cognac skew towards Premium+, with gin and vodka also both having a sizeable Premium+ segment. These skews towards higher price points are, of course, more pronounced in RSV metric terms.

This is illustrated in the charts and tables below.

Fig 13: Philippines: Imported Spirits Consumption by Category and IWSR Price Segment (‘000 9-litre cases)

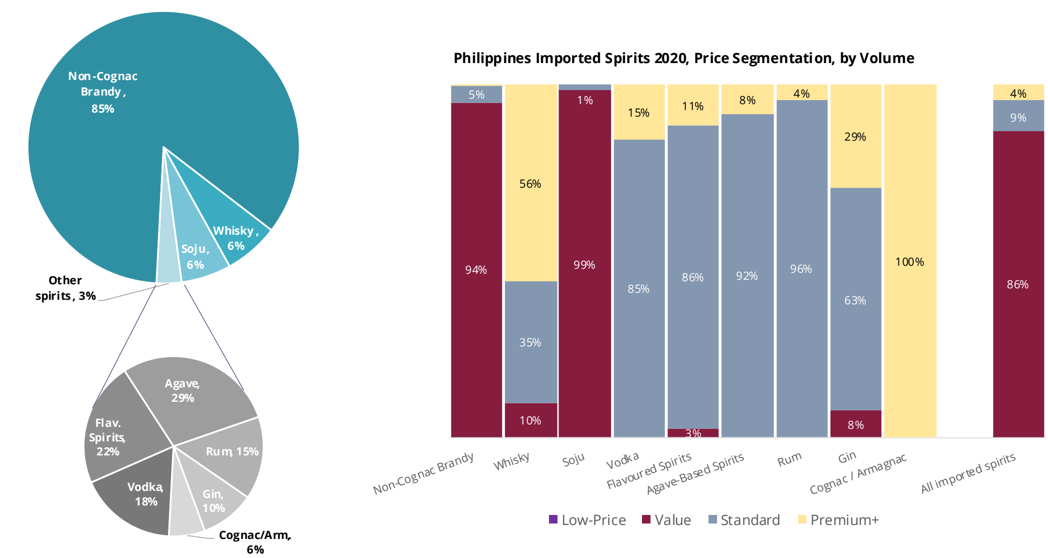


Fig 14: Philippines: Imported Spirits Consumption by Category and IWSR Price Segment (₱ Bn RSV)

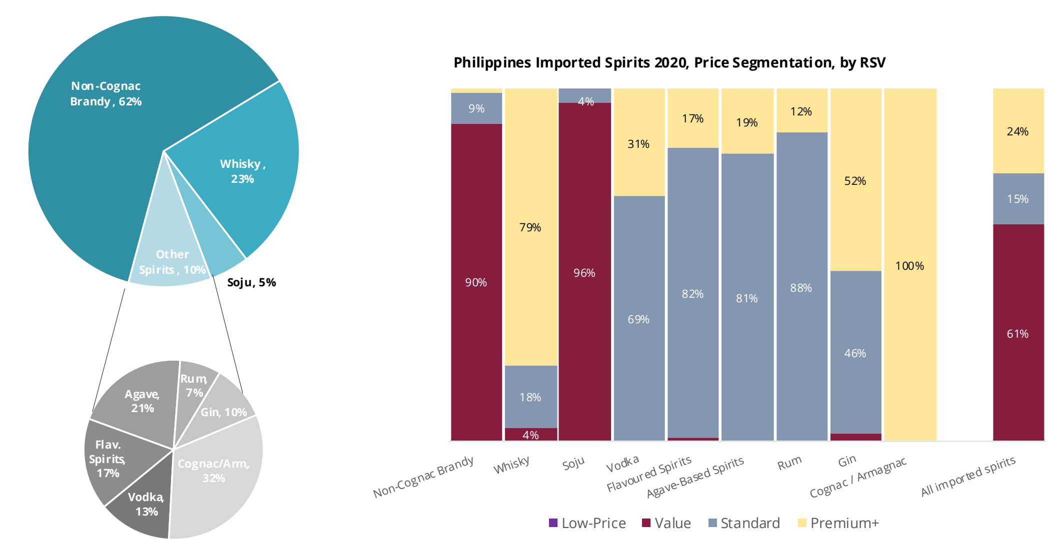


Table 5: Philippines: Imported Spirits Consumption by IWSR Price Segment (‘000 9-litre cases & ₱ Bn RSV)

Imported Spirits	2019	2020	2021 (f)	2025 (f)	2020 Share% of Imports	2020 Volume Low-Price	2020 Volume Value	2020 Volume Standard	2020 Volume Premium+	2020 Volume Share% Low-Price	2020 Volume Share% Value	2020 Volume Share% Standard	2020 Volume Share% Premium+
Vol ('000 9lcs)													
Other Brandy	4,836.5	4,761.5	5,027.5	8,628.5	*85.1%*	15.0	4497.8	238.5	10.3	*0.3%*	*94.5%*	*5.0%*	*0.2%*
Whisky, *of which:*	590.8	366.1	400.5	706.8	*7.0%*		36.0	126.9	203.3	*0.0%*	*9.8%*	*34.6%*	*55.5%*
Blended Scotch	*378.8*	*211.3*	*230.0*	*418.0*	*4.1%*		*14.0*	*70.5*	*126.8*	*0.0%*	*6.6%*	*33.4%*	*60.0%*
US Whiskey	*134.0*	*97.8*	*106.8*	*178.8*	*1.8%*			*56.0*	*41.8*	*0.0%*	*0.0%*	*57.3%*	*42.7%*
Malt Scotch	*34.3*	*26.8*	*29.8*	*48.0*	*0.5%*				*26.8*	*0.0%*	*0.0%*	*0.0%*	*100.0%*
Indian Whisky	*35.0*	*22.0*	*24.0*	*45.0*	*0.4%*		*22.0*			*0.0%*	*100.0%*	*0.0%*	*0.0%*
Irish Whiskey	*5.3*	*5.8*	*7.0*	*12.0*	*0.1%*				*5.8*	*0.0%*	*0.0%*	*0.0%*	*100.0%*
Canadian Whisky	*2.5*	*2.0*	*2.0*	*3.0*	*0.0%*			*0.3*	*1.8*	*0.0%*	*0.0%*	*12.5%*	*87.5%*
Other Whisky	*0.3*	*0.4*	*0.5*	*0.5*	*0.0%*				*0.4*	*0.0%*	*0.0%*	*0.0%*	*100.0%*
Japanese Whisky	*0.8*	*0.3*	*0.5*	*1.5*	*0.0%*			*0.1*	*0.2*	*0.0%*	*0.0%*	*40.0%*	*60.0%*
Soju	308.3	334.5	356.0	438.5	*4.3%*		330.0	4.5		*0.0%*	*98.7%*	*1.3%*	*0.0%*
Vodka	38.6	29.3	31.0	43.3	*0.4%*			24.8	4.5	*0.0%*	*0.0%*	*84.6%*	*15.4%*
Flavoured Spirits	68.5	37.3	42.8	76.5	*0.8%*		1.0	32.0	4.3	*0.0%*	*2.7%*	*85.9%*	*11.4%*
Agave	86.8	48.0	55.5	95.3	*0.9%*			44.1	4.0	*0.0%*	*0.0%*	*91.8%*	*8.2%*
Rum	60.7	24.8	30.3	69.5	*0.7%*			23.7	1.1	*0.0%*	*0.0%*	*95.8%*	*4.2%*
Gin	91.4	16.3	16.5	31.3	*0.3%*		1.3	10.3	4.8	*0.0%*	*7.7%*	*63.1%*	*29.2%*
Cognac / Arm.	38.8	10.8	15.0	44.5	*0.4%*				10.8	*0.0%*	*0.0%*	*0.0%*	*100.0%*
All Spirits	**6,120.1**	**5,628.4**	**5,975.0**	**10,134.0**	***100.0%***	**15.0**	**4,866.0**	**504.6**	**242.8**	***0.3%***	***86.5%***	***9.0%***	***4.3%***

Imported Spirits	2019	2020	2021 (f)	2025 (f)	2020 Share% of Imports	2020 Value RSV Low-Price	2020 Value RSV Value	2020 Value RSV Standard	2020 Value RSV Premium+	2020 Value Share% Low-Price	2020 Value Share% Value	2020 Value Share% Standard	2020 Value Share% Premium+
Val (PHP Bn)													
Other Brandy	16.0	15.8	16.7	28.5	*58.1%*	0.0	14.2	1.4	0.2	*0.1%*	*90.1%*	*8.7%*	*1.1%*
Whisky, *of which:*	8.8	5.9	6.6	12.0	*24.5%*		0.2	1.1	4.7	*0.0%*	*3.6%*	*17.8%*	*78.6%*
Blended Scotch	*5.2*	*3.0*	*3.4*	*6.8*	*13.8%*		*0.1*	*0.5*	*2.4*	*0.0%*	*2.0%*	*17.1%*	*80.9%*
US Whiskey	*1.6*	*1.2*	*1.3*	*2.1*	*4.3%*			*0.5*	*0.6*	*0.0%*	*0.0%*	*45.5%*	*54.5%*
Malt Scotch	*1.6*	*1.4*	*1.6*	*2.6*	*5.2%*				*1.4*	*0.0%*	*0.0%*	*0.0%*	*100.0%*
Indian Whisky	*0.2*	*0.2*	*0.2*	*0.3*	*0.6%*		*0.2*			*0.0%*	*100.0%*	*0.0%*	*0.0%*
Irish Whiskey	*0.1*	*0.1*	*0.1*	*0.2*	*0.4%*				*0.1*	*0.0%*	*0.0%*	*0.0%*	*100.0%*
Canadian Whisky	*0.0*	*0.0*	*0.0*	*0.0*	*0.1%*			*0.0*	*0.0*	*0.0%*	*0.0%*	*9.5%*	*90.5%*
Other Whisky	*0.0*	*0.0*	*0.0*	*0.0*	*0.0%*				*0.0*	*0.0%*	*0.0%*	*0.0%*	*100.0%*
Japanese Whisky	*0.0*	*0.0*	*0.0*	*0.0*	*0.1%*			*0.0*	*0.0*	*0.0%*	*0.0%*	*11.4%*	*88.6%*
National Spirits (m	1.0	1.2	1.3	1.6	*3.2%*		1.2	0.0		*0.0%*	*96.2%*	*3.8%*	*0.0%*
Vodka	0.4	0.3	0.4	0.5	*1.1%*			0.2	0.1	*0.0%*	*0.0%*	*69.5%*	*30.5%*
Flavoured Spirits	0.7	0.4	0.5	0.9	*1.8%*		0.0	0.3	0.1	*0.0%*	*0.9%*	*82.3%*	*16.7%*
Agave-Based Spirit	1.1	0.5	0.6	1.1	*2.3%*			0.4	0.1	*0.0%*	*0.0%*	*81.5%*	*18.5%*
Rum	0.4	0.2	0.2	0.5	*1.1%*			0.2	0.0	*0.0%*	*0.0%*	*87.6%*	*12.4%*
Gin	0.7	0.3	0.3	0.5	*1.1%*		0.0	0.1	0.1	*0.0%*	*2.0%*	*46.5%*	*51.5%*
Cognac / Armagna	3.1	0.8	1.5	3.3	*6.8%*				0.8	*0.0%*	*0.0%*	*0.0%*	*100.0%*
All Spirits	**32.2**	**25.4**	**28.1**	**49.0**	***100.0%***	**0.0**	**15.6**	**3.7**	**6.1**	***0.1%***	***61.4%***	***14.7%***	***23.8%***

Source: *IWSR*

Notes: *₱ conversion from US$ at flexible foreign exchange rates 2017-2020; stable 2020 foreign exchange rate assumed for 2021-2025. Value calculated at Retail Sales Value for all channels; On-premise mark-up not considered in value calculation.*

Notes: *IWSR price segmentation: Low-Cost <₱ 100/75cl; Value ₱ 100-375/75cl; Standard ₱ 375-950/75cl; Premium+ >₱ 950/75cl, all at retail sales value (RSV)*

Philippines – Imported Spirits by Key Brand Owner

Brand ownership among imported spirits is relatively concentrated in the Philippines, and – by virtue of their relative strength among imported spirits categories - centres around ownership of the leading imported non-Cognac brandies. Medina’s Spanish Alfonso brandy and Emperador’s imported Spanish brandy portfolio (which supplements its much larger domestic brandy portfolio), together account for almost 80% share of imports by volume, and 60% by value.

Like elsewhere in the world, Diageo and Pernod Ricard in the Philippines both have a relatively diversified portfolio with Scotch and Cognac in particular skewed towards the higher price spectrum; their respective value share of imports is, therefore, significantly higher than in volume terms.

Hite-Jinro’s Jinro soju has found significant success in the Philippines in recent years, albeit sold at a ‘Value’ price point and its value share accordingly smaller.

Other imported brand owners’ footprint in the Philippines remains comparatively modest.

Table 6: Leading Brand Owners, Philippines, Imported Spirits, All Categories (‘000 9-litre cases & ₱ Bn RSV)

Imported Spirits *Brand Owner*	*Key Brands*	2020 Volume Share %	2020 Value Share %
Medina	Alfonso Brandy	57.8%	38.3%
Emperador	Fundador, Tres Cepas, imported Emperador brandy brandlines (eg Deluxe)	22.1%	21.0%
Hite-Jnro	Jnro Soju	5.9%	4.5%
Diageo	Johnnie Walker Scotch, Seagram's 7 Crown Whiskey, Bailey's Liqueur, Captain Morgan Rum, Smirnoff Vodka	3.8%	12.4%
Cosco Capital	Alhambra Brandy	3.4%	2.0%
Pernod Ricard	Imperial Blue Indian Whisky, Chivas Scotch, Absolut Vodka, Jameson Irish Whiskey, Martell Cognac	1.2%	4.2%
Beam Suntory	Jm Beam Whiskey, Maker's Mark Whiskey	0.8%	1.6%
Proximo	Cuervo Tequila	0.7%	1.6%
Brown-Forman	Jack Daniel's Whiskey	0.7%	2.2%
Bacardi	Bacardi Rum, Dewar's Scotch, William Lawsons Scotch	0.6%	1.7%
Osborne	Carlos Brandy	0.1%	0.5%
LVMH	Hennessy Cognac	0.1%	1.7%
William Grant	Glenfiddich Scotch	0.1%	0.9%
Mast Jaegermeister	Jaegermeister Bitters	0.1%	0.3%
La Martiniquaise	Label 5 Scotch	0.1%	0.2%
Other		2.7%	6.8%
Total		**100.0%**	**100.0%**

Source: *IWSR*

Philippines – Imported Spirits: Combined Performance of The Keepers Holdings Inc

The combined forces of the Subsidiaries of The Keepers Holdings, Inc. dominate the imported spirits scene in the Philippines. International brand owners typically request ring-fencing of their brands in any chosen third-party distribution structure in order to safeguard performance of their brands within categories where other principals' brands may be in direct competition. The Keepers Holdings, Inc.'s sub-divisions provide this particular safeguard. The Keepers Holdings Inc. can claim to be involved in the following elements of imported spirits distribution:

- Combined third-party distribution activities of the current individual distributor components:
  - PWS (key principals: Proximo, Osborne, Mast Jägermeister, Campari (partial), McCormick, Distell, Illva Saronno)
  - Montosco (key principals: Medina, Cosco Capital, William Grant, Lucas Bols, Bacardi, Campari (partial), Sazerac (partial)
  - Meritus (key principals: Beam Suntory, Sazerac (partial))

- Additionally, associated business, as follows:
  - Pernod-Ricard portfolio through ownership links between PWS and Pernod Ricard's Philippines entity
  - Diageo portfolio through distribution links with Montosco
  - Hite-Jinro portfolio through distribution links with PWS

Emperador, which sources brandy from its own operations in Spain and sells it alongside its locally-produced low-cost product, is the only significant competitor of The Keepers Holdings, Inc., especially if the entire portfolio of Diageo, Pernod Ricard and Hite-Jinro are taken into account as associated businesses. The Keepers Holdings, Inc., between pure third-party distribution arrangements and associated business as noted above, control 74.0% of imported spirits by volume and 66.9% by value.

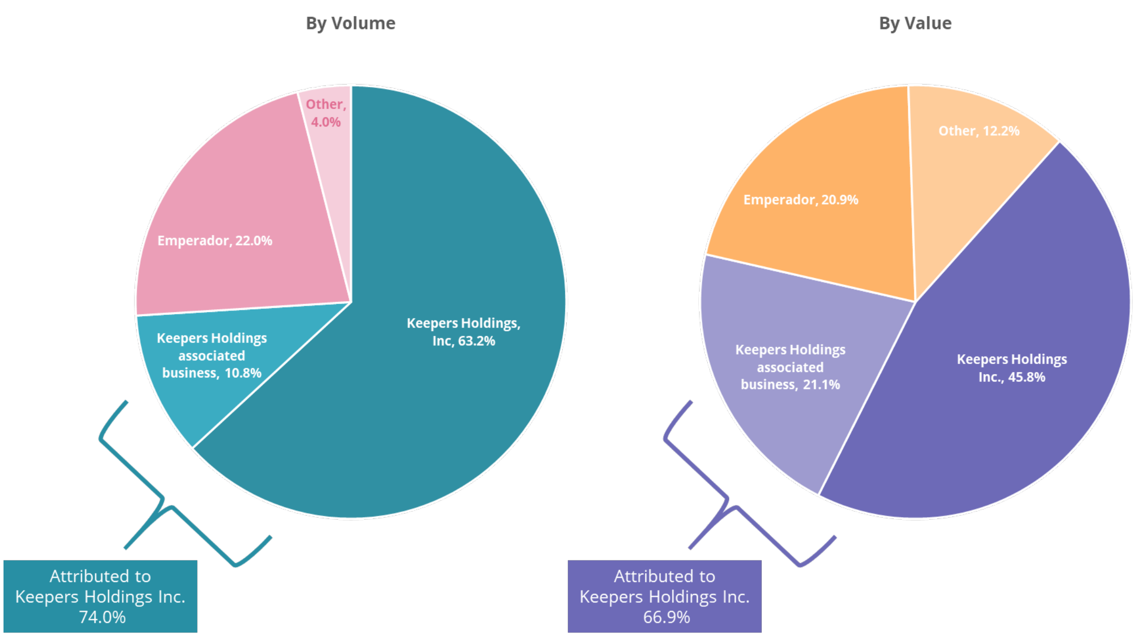
The Keepers Holdings, Inc. has claim, among others, to the following pedigree within imported spirits in the Philippines:

Table 7: Keepers Holdings, Inc. Imported Spirits Activities

	Keepers Holdings Inc.	Associated Business
Non-Cognac Brandy	#1 brand (Alfonso)	
Blended Scotch		#1 brand (Johnnie Walker (all lines except Green) - Diageo) #2 brand (Chivas Regal – Pernod Ricard)
Malt Scotch	#1 brand (Glenfiddich)	#2 brand (The Singleton – Diageo) #3 brand (Johnnie Walker (Green) - Diageo)
US Whiskey	#1 brand (Jim Beam)	#3 brand (Seagram's 7 Crown – Diageo)
Soju		#1 brand (Jinro - Hite-Jinro)
Cognac		#2 brand (Martell – Pernod Ricard)
Vodka		#1 brand (Absolut – Pernod Ricard) #2 brand (Smirnoff – Diageo)
Gin		#1 brand (Tanqueray – Diageo)
Rum		#2 brand (Captain Morgan – Diageo)
Agave	#1 brand (Cuervo)	
Flavoured Spirits	#2 brand (Jägermeister)	#1 brand (Bailey's – Diageo)
Irish Whiskey		#1 brand (Jameson – Pernod Ricard)

This results in the following distributor shares in 2020 among imported spirits:

Fig 15: Philippines: Imported Spirits, All Categories, 2020 Market Share by Distributor Grouping ('000 9-litre cases & ₱ Bn RSV)



Source: IWSR

Table 8: Philippines: Imported Spirits, All Categories, 2020 Market Share by Distributor Grouping ('000 9-litre cases & ₱ Bn RSV)

Imported Spirits *Distributor Grouping*	*Key Principals*	2020 Volume Share %	2020 Value Share %
Keepers Holdings Inc:		***63.2%***	***45.8%***
Montosco	Medina, Cosco Capital, William Grant	61.3%	41.5%
PWS	Proximo, Osborne, Jagermeister	1.0%	2.6%
Meritus	Beam Suntory	0.8%	1.7%
plus: Associated business:		***10.8%***	***21.1%***
Diageo	Diageo	3.8%	12.4%
Pernod Ricard	Pernod Ricard	1.2%	4.2%
Hite-Jnro	Hite-Jnro	5.9%	4.5%
Total attributed to Keepers Holdings Inc:		***74.0%***	***66.9%***
Emperador (imports only)	Emperador	22.0%	20.9%
Other (<1% share each)	Various	4.0%	12.2%
All Imports		**100.0%**	**100.0%**

Source: *IWSR*

BUSINESS

OVERVIEW

The Company is a holding company which wholly owns three major players in the Philippine liquor, wine and specialty beverage distribution businesses – Montosco, Inc. ("**Montosco**"), Meritus Prime Distributions, Inc. ("**Meritus**"), and Premier Wine and Spirits, Inc. ("**Premier**"). Collectively, the Group is by far the largest distributor of imported spirits in the Philippines with a market share of 74.0% based on volume and 66.9% based in retail sales value in 2020 according to IWSR.

This Group's dominance is a result of many years of building and nurturing relationships with multinational brand owners who are global market leaders. At present, the Group has distribution agreements with various brand owners such as, among others, Diageo, one of the world's largest distiller with key brand "*Johnnie Walker*" in its portfolio; Pernod Ricard, a "co-leader" in the global spirits segment with key brand "*Chivas Regal*"; Beam Suntory, a "world leader" in the global premium spirits segment with key brand "*Jim Beam*"; and Treasury Wine Estates, one of the largest pure play, wine listed company in the world with key brand "*Penfolds*".

The Group's diversified portfolio of liquor, wine, and specialty beverages include globally renowned brands— "*Alfonso*", the number one imported brandy in the Philippines[26]; "*Johnnie Walker*", the number one imported blended scotch whisky in the Philippines[26]; "*Jose Cuervo*", the number one imported tequila in the Philippines[26]; "*Jim Beam*", the number one US imported whisky in the Philippines[26]; "*Jinro*", the number one imported soju in the Philippines[26]; "*Absolut*", the number one imported vodka in the Philippines[24]; "*Tanqueray*", the number one imported gin in the Philippines[26]; "*Bailey's*", the number one imported flavored spirit in the Philippines[26]; "*Mompo*", a popular mass wine in the Philippines; "*Penfolds*", a globally renowned wine brand; "*Red Bull*", a popular energy drink in the Philippines; and "*Perrier*", a popular sparkling water in the Philippines.

For the years ended December 31, 2018 to December 31, 2019, the Group's consolidated net sales jumped from ₱8,584 million to ₱10,717 million which translates to a growth of 25%; similarly, its consolidated net income recorded strong growth, climbing from just ₱817 million to ₱1,218 million during the same period which translates to a growth of 49%. Although historical growth was tempered by the COVID-19 pandemic with consolidated net sales declining to ₱8,167 million for the year ended December 31, 2020, the Group's consolidated net income was remarkably robust as profits stood at ₱1,179 million during the same period.

The Group believes that the imported liquor, wine and specialty beverage segments in the Philippines are still in its infancy stage and are expected to grow further in the years to come. At the back of the Group's extensive network of distribution partners of around 200 that sell the Group's products in an all fringes of the Philippine archipelago and the deep understanding of the domestic consumer market, the Group intends to strategically pursue market dominance across all categories in the imported liquor, wine and specialty beverage segments.

The Group posted consolidated net sales of ₱4,299 million for the six-month ended June 30, 2021 which is higher by 34.80% compared to ₱3,189 million during the same period in 2020. Although slower sales growth was registered in the 1st quarter of 2021 due to the continuing effect of the pandemic restrictions, the gradual opening of the economy in the 2nd quarter allowed more movements in terms of marketing and promotions activities that drove stronger sales performance. The Group's consolidated net income for the six-month ended June 30, 2021 increased by ₱300 million or 74.53% to ₱703 million due to significant increase in sales along with a strategic cost-saving measures implemented by the Group. Net income is further enhanced by the recognition of the 2020 income tax savings amounting to ₱32.69 million and the tax savings effect of lower income tax rate in the current period resulting from the implementation of the CREATE law.

The principal shareholder of the Company is Cosco Capital, the holding company of Lucio Co and his family. Prior to the completion of the Share Swap Transaction, Montosco, Meritus, and Premier were also owned by Cosco Capital, Inc. When housed under Cosco Capital, the three Subsidiaries individually thrived and flourished amidst a competitive landscape, and separately nurtured relationships with the producers and global owners of key brands under their respective portfolios. As such, Montosco, Meritus, and Premier had all evolved into individual powerhouses in the of liquor, wine, and specialty beverage segments, securing captive markets for their respective brands. The Subsidiaries also benefited from a synergistic relationship with other subsidiaries and affiliates of Cosco Capital primarily engaged in retail and distribution, including Puregold and S&R.

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[26] According to IWSR.

The Group’s debut in the PSE is intended to unlock the untapped potential of the three operating Subsidiaries, and to provide a platform for their future growth. It is also intended to give the investing public access to investments in the Philippine liquor industry—the world’s largest market for gin and the second-largest market for rum and brandy, according to IWSR.

The intention of the Group is also to bring more products into the Philippine market and to continue nurturing partnerships with major distribution companies around the world.

CORPORATE HISTORY OF THE COMPANY

The Company was first incorporated and registered with the SEC on November 5, 1963 as Mariwasa Manufacturing, Inc., to primarily engage in the manufacture of ceramic tiles. It was listed in the PSE on September 3, 1991. On July 2, 2008, the SEC approved the change in corporate name to Mariwasa Siam Holdings, Inc. and change in its primary purpose from manufacturing to that of an investment holding company. On Aril 26, 2013, the SEC approved the change in name of Mariwasa Siam Holdings, Inc. to Da Vinci Capital Holdings, Inc. The Company had no operation or business since May 2013.

On March 29, 2021, the Board of Directors of the Company approved the issuance of 11,250,000,000 common shares of the Company to Cosco Capital, Inc. (“**Cosco Capital**”), which were created and issued out of an increase in its authorized capital stock, in exchange for 100% of the outstanding shares of Montosco, Meritus, and Premier (the “**Share Swap Transaction**”). On June 18, 2021, the parties entered into a Deed of Exchange to implement the Share Swap Transaction, specifically, (a) 9,488,444,240 common shares of the Company were swapped with 7,500,000 common shares of Cosco Capital in Montosco; (b) 907,885,074 common shares of the Company were swapped with 7,500,000 common shares of Cosco Capital in Meritus; and finally, (c) 853,670,686 common shares of the Company were swapped with 1,500,000 common shares of Cosco Capital in Premier. The Company’s application for the amendment of its articles of incorporation, to among others, change its corporate name to The Keepers Holdings Inc. and the Share Swap Transaction were approved by the SEC on June 30, 2021.

As a result of the Share Swap Transaction, the Company now legally and beneficially owns 100% of the outstanding shares of each of Montosco, Meritus, and Premier, while Cosco Capital now owns a controlling equity interest in the Company.

The Share Swap Transaction qualifies as a tax-free exchange under Section 40(C)(2) of the Tax Code, as amended by the CREATE Law, which took effect on April 11, 2021. The CREATE Law removed the requirement of prior confirmation of the tax-free nature of an exchange under Section 40(C)(2) of the Tax Code from the BIR for purposes of availing of the tax exemption. As such, at present, only a tax clearance or CAR need be obtained from the relevant Revenue District Office. On September 8, 2021, the BIR issued a CAR covering the Share Swap Transaction.

CORPORATE STRUCTURE AND CORPORATE HISTORY OF THE SUBSIDIARIES

Prior to the Share Swap Transaction, the Subsidiaries were all individually subsidiaries of Cosco Capital, in turn helmed by Lucio Co and his family. Cosco Capital also houses key players in the retail, grocery, and wholesale distribution industries, including Puregold and S&R.

Following the completion of the Share Swap Transaction, the Company beneficially owns 100% of the three operating subsidiaries – Montosco, Meritus, and Premier.

MONTOSCO INC.

Montosco is a domestic corporation registered with the SEC on August 13, 2008, and was incorporated for the primary purpose of trading goods on wholesale and retail basis. It is the lead company among the three (3) liquor companies subject of the Share Swap Transaction with Cosco Capital, having in its portfolio “*Alfonso*,” the number one imported brandy in the Philippines according to IWSR. “*Alfonso”* drives the liquor segment's revenue and bottomline. Montosco owns the brand and formulation of the ‘Alfonso’ brandy, which Bodegas produces under an agreement with Montosco based on Montosco's own formulation, taste, appearance and packaging. Bodegas currently distributes the 'Alfonso' brandy in certain international markets, which sales do not generate revenue for Montosco or the Group. However, the Group intends to include provisions for generating revenue from the sales of 'Alfonso' brandy in all markets. See "*Risk Factors—Certain of the Group's material contracts have not been formalized and documented*". Completing Montosco's portfolio are brands from Diageo, one of the world's largest distiller, which includes, among others, "*Johnnie Walker*," the number one imported blended scotch whisky in the Philippines according to IWSR. A unique long standing trading relationship with Diageo has been established.

The table below shows the results of operations of Montosco for the years ended December 31, 2020 and December 31, 2019:

(In Thousands)	**FY 2020**	**FY 2019**
Revenues	₱6,106,846	₱8,155,525
Cost of Sales	4,263,930	6,130,313
Gross Profit	1,842,916	2,025,212
Operating Expenses	431,325	545,503
Income from Operations	1,411,591	1,479,709
Other Income (Charges) - net	(9,403)	288
Income Before Income Tax	1,402,188	1,479,997
Income Tax Expense	331,725	370,311
Net Income for the Year	1,070,463	1,109,686

Shown below is the comparative financial position of Montosco as at December 31, 2020 and December 31, 2019:

(In Thousands)	**FY2020**	***%***	**FY2019**	***%***	**Inc (Dec)**	**%**
ASSETS						
Current Assets						
Cash and cash equivalents	₱2,177,069	37.56%	₱167,845	3.04%	₱2,009,224	1,197.07%
Receivables - net	1,016,343	17.54%	1,444,904	26.15%	(428,561)	-29.66%
Inventories	1,931,696	33.33%	3,427,766	62.03%	(1,496,070)	-43.65%
Prepayments and other current assets	541,689	9.35%	445,283	8.06%	96,406	21.65%
Total current assets	5,666,797	97.77%	5,485,798	99.27%	180,999	3.30%
Noncurrent Assets						
Property and equipment - net	19,065	0.33%	9,412	0.17%	9,653	102.56%
Right-of-use assets	100,135	1.73%	26,736	0.48%	73,399	274.53%
Other non-current assets	9,808	0.17%	4,128	0.07%	5,680	137.60%
Total noncurrent assets	129,008	2.23%	40,276	0.73%	88,732	220.31%
Total Assets	5,795,805	100.00%	5,526,074	100.00%	269,731	4.88%
LIABILITIES AND EQUITY						
Current Liabilities						
Accounts payable and accrued expenses	1,063,297	18.35%	1,124,965	20.36%	(61,668)	-5.48%
Income tax payable	152,686	2.63%	139,332	2.52%	13,354	9.58%
Short-term loans payable	-	0.00%	120,000	2.17%	(120,000)	-100.00%
Dividends payable	200,000	3.45%	50,000	0.90%	150,000	300.00%
Lease liability	23,521	0.41%	14,431	0.26%	9,090	62.99%
Total current liabilities	1,439,504	24.84%	1,448,728	26.22%	(9,224)	-0.64%
Noncurrent Liabilities						
Retirement benefit liability	3,072	0.05%	2,341	0.04%	731	31.23%
Lease liability-net of current portion	80,724	1.39%	13,129	0.24%	67,595	514.85%
Advances from a stockholder	-	-	659,500	11.93%	(659,500)	-100.00%
Total noncurrent liabilities	83,796	1.45%	674,970	12.21%	(591,174)	-87.59%
Total Liabilities	1,523,300	26.28%	2,123,698	38.43%	(600,398)	-28.27%
EQUITY						
Capital stock	750,000	12.94%	750,000	13.57%	-	0.00%
Retained earnings	3,523,204	60.79%	2,652,741	48.00%	870,463	32.81%

Remeasurement of retirement liability - net of tax	(699)	-0.01%	(365)	-0.01%	(334)	91.51%
Total Equity	4,272,505	73.72%	3,402,376	61.57%	870,129	25.57%
Total Liabilities and Equity	5,795,805	100.00%	5,526,074	100.00%	269,731	4.88%

Meritus is a domestic corporation registered with the SEC on February 17, 2010, and was incorporated for the primary purpose of buying, selling, exporting, manufacturing, bottling and distribution of all kinds of wines, liquors, beers and other alcoholic and non-alcoholic beverages, etc. Meritus prides itself by carrying the globally renowned bourbon whiskey brand, "*Jim Beam,*" also the number one imported US whiskey in the Philippines according to IWSR, and its strong relationship with Beam Suntory – a "world leader" in the global premium spirits segment. It also represents the portfolio of W. Grants where the globally renowned malt scotch whisky brand, "*Glenfiddich*", is among its key brands. Rounding the list for Meritus are "*Roku*" and "*Hendricks*"- among the hottest craft gin brands in the market. The table below shows the results of operations of Meritus for the years ended December 31, 2020 and December 31, 2019:

(In Thousands)	**FY 2020**	**FY2019**
Revenues	₱839,541	₱958,828
Cost of Sales	682,656	780,137
Gross Profit	156,885	178,691
Operating Expenses	50,023	68,814
Income from Operations	106,862	109,877
Other Income (Charges) - net	(10,320)	-19,164
Income Before Income Tax	96,542	90,713
Income Tax Expense	29,895	28,662
Net Income for the Year	66,647	62,051

Shown below is the comparative financial position of Meritus for the years ended December 31, 2020 and December 31, 2019:

(In Thousands)	**FY2020**	*%*	**FY2019**	*%*
ASSETS				
Current Assets				
Cash and cash equivalents	₱48,672	*3.43%*	₱44,277	*2.96%*
Receivables - net	247,081	*17.42%*	379,028	*25.37%*
Inventories	1,053,905	*74.28%*	717,190	*48.00%*
Prepayments and other current assets	67,473	*4.76%*	348,493	*23.32%*
Total current assets	1,417,131	*99.89%*	1,488,988	*99.66%*
Noncurrent Assets				
Property and equipment - net	495	*0.03%*	925	*0.06%*
Right-of-use assets		*0.00%*	2,459	*0.16%*
Deferred tax assets-net	208	*0.01%*	856	*0.06%*
Other non-current assets	903	*0.06%*	882	*0.06%*
Total noncurrent assets	1,606	*0.11%*	5,122	*0.34%*
Total Assets	1,418,737	*100.00%*	1,494,110	*100.00%*
LIABILITIES AND EQUITY				
Current Liabilities				

Accounts payable and accrued expenses	147,473	*10.39%*	33,793	*2.26%*
Income tax payable	17,354	*1.22%*	16,214	*1.09%*
Short-term loans payable	42,000	*2.96%*	296,000	*19.81%*
Lease liability - current	-	*0.00%*	2,914	*0.20%*
Total current liabilities	206,827	*14.58%*	348,921	*23.35%*
Noncurrent Liabilities				
Retirement benefit liability	694	*0.05%*	760	*0.05%*
Total noncurrent liabilities	694	*0.05%*	760	*0.05%*
Total Liabilities	207,521	*14.63%*	349,681	*23.40%*
EQUITY				
Capital stock	750,000	*52.86%*	750,000	*50.20%*
Retained earnings	460,252	*32.44%*	393,605	*26.34%*
Remeasurement of retirement liability - net of tax	964	*0.07%*	824	*0.06%*
Total Equity	1,211,216	*85.37%*	1,144,429	*76.60%*
Total Liabilities and Equity	1,418,737	*100.00%*	1,494,110	*100.00%*

Premier is a domestic corporation registered with the SEC on June 19, 1996, and was incorporated for the primary purpose of buying, selling, distributing and marketing at wholesale all kinds of goods, commodities and merchandise. Premier's portfolio has a good balance of spirits, wines as well as specialty beverages. Its key distribution arrangements are with Treasury Wine Estates, one of the largest publicly listed wine company in the world, Proximo Spirits of USA, Gruppo Campari of Italy, Jinro of South Korea, among others. Pernod Ricard, one of the largest publicly listed wine company in the world, Proximo Spirits of USA, Gruppo Campari of Italy, Jinro of South Korea, among others. Pernod Ricard, a "co-leader" in the global spirits segment, formed a joint venture partnership with Premier, establishing Pernod Ricard Philippines, Inc. as the marketing and distribution arm of Pernod brands in the Philippines. Amongst Premier's key brands are the globally renowned tequila brand, "*Jose Cuervo*", also the number one imported tequila in the Philippines according to IWSR; globally renowned spirit brand, "*Jinro*", also the number one imported soju in the Philippine according to IWSR; globally renowned wine brand, "*Penfolds*"; globally renowned energy drink brand, "*RedBull*", also popular energy drink in the Philippines; and globally renowned sparkling water brand, "*Perrier*", also a popular sparkling water in the Philippines.

The table below shows the results of operations of Premier for the years ended December 31, 2020 and December 31, 2019:

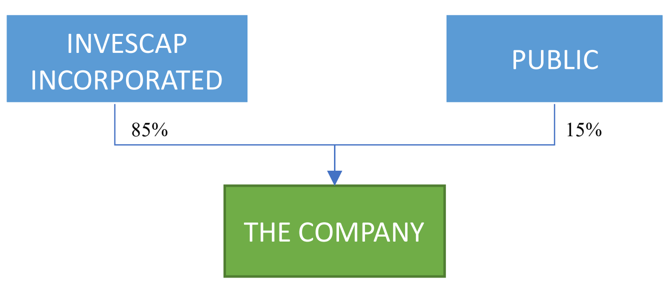
(In Thousands)	**FY 2020**	**FY 2019**
Revenues	₱1,221,017	₱1,603,044
Cost of Sales	985,374	1,348,454
Gross Profit	235,643	254,590
Operating Expenses	127,052	158,406
Income from Operations	108,591	96,184
Other Income (Charges) - net	-35,826	-29,337
Income Before Income Tax	72,765	66,847
Income Tax Expense	30,030	19,808
Net Income for the Year	42,735	47,039

Shown below is the comparative financial position of Premier for the years ended December 31, 2020 and December 31, 2019:

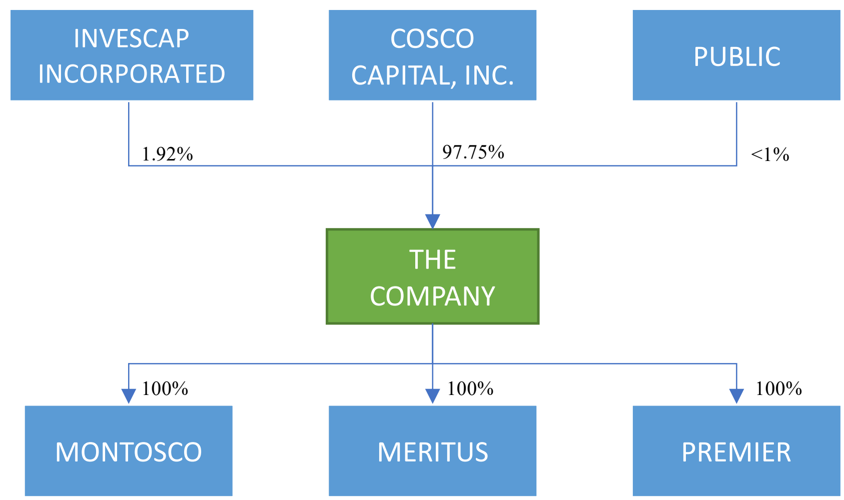
(In Thousands)	**FY2020**	*%*	**FY2019**	*%*
ASSETS				
Current Assets				
Cash and cash equivalents	₱308,362	20.22%	₱229,951	13.43%
Receivables - net	311,201	20.40%	498,148	29.10%
Inventories	673,735	44.17%	599,727	35.04%
Prepayments and other current assets	29,848	1.96%	247,347	14.45%
Total current assets	1,323,146	86.75%	1,575,173	92.03%
Noncurrent Assets				
Property and equipment - net	12,653	0.83%	6,541	0.38%
Right-of-use assets	85,718	5.62%	4,851	0.28%
Investments	93,361	6.12%	118,194	6.91%
Deferred tax assets - net	4,554	0.30%	3,705	0.22%
Other non-current assets	5,793	0.38%	3,203	0.19%
Total noncurrent assets	202,079	13.25%	136,494	7.97%
Total Assets	1,525,225	100.00%	1,711,667	100.00%
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts payable and accrued expenses	112,901	7.40%	135,073	7.89%
Income tax payable	15,398	1.01%	213	0.01%
Short-term loans payable	-	0.00%	313,000	18.29%
Dividends payable	100,000	6.56%	100,000	5.84%
Lease liability	29,032	1.90%	5,425	0.32%
Due to related parties	192,700	12.63%	192,852	11.27%
Other current liabilities	11,975	0.79%	13,901	0.81%
Total current liabilities	462,006	30.29%	760,464	44.43%
Noncurrent Liabilities				
Retirement benefit liability	11,564	0.76%	9,203	0.54%
Lease liability-net of current portion	68,683	4.50%	1,268	0.07%
Total noncurrent liabilities	80,247	5.26%	10,471	0.61%
Total Liabilities	542,253	35.55%	770,935	45.04%
EQUITY				
Capital stock	150,000	9.83%	150,000	8.76%
Additional paid-in capital	1,500	0.10%	1,500	0.09%
Accumulated remeasurements on retirement benefits	4,426	0.29%	4,921	0.29%
Retained earnings	827,046	54.22%	784,311	45.82%
Total Equity	982,972	64.45%	940,732	54.96%
Total Liabilities and Equity	1,525,225	100.00%	1,711,667	100.00%

Below are diagrams reflecting the corporate structure of the Group before and after the Share Swap Transaction, and the corporate structure of Cosco Capital group of companies (after the Share Swap Transaction).

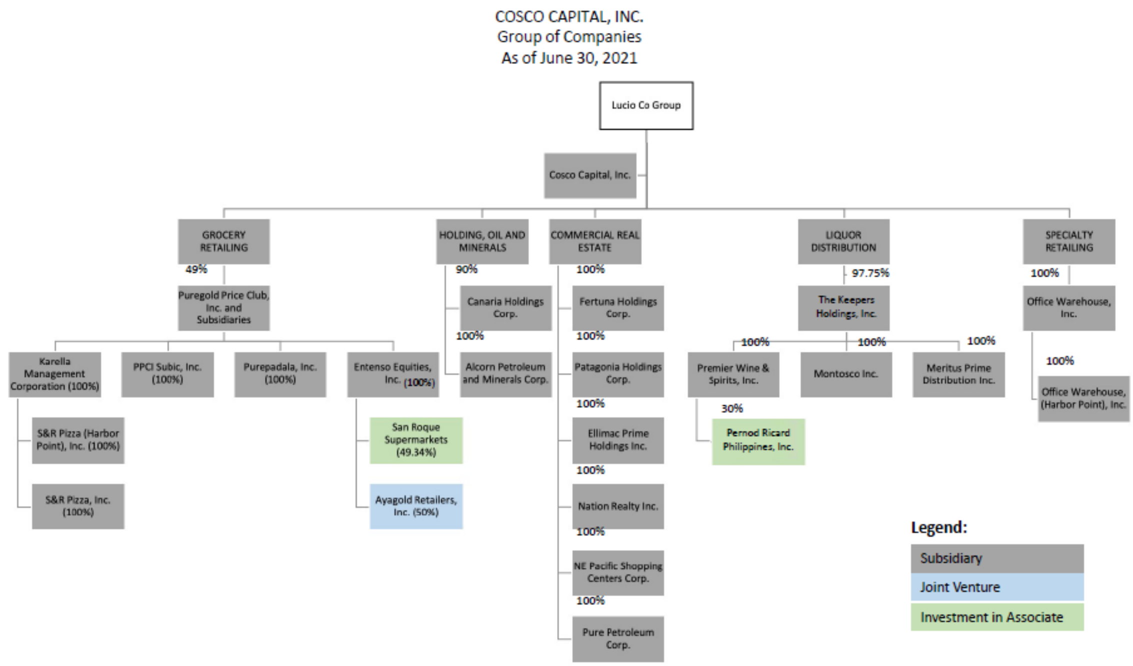
Group Chart Before the Share Swap Transaction



Group Chart After the Share Swap Transaction


INVESCAP INCORPORATED
COSCO CAPITAL, INC.
PUBLIC
1.92%
97.75%
<1%
THE COMPANY
100%
100%
100%
MONTOSCO
MERITUS
PREMIER

Corporate Structure of Cosco Capital, Inc. group of companies (after the Share Swap Transaction)



Note: Pernod Ricard is 70% owned by Pernod Ricard Asia SAS.

Under the Revised Listing Rules of the PSE applicable to companies applying for additional listing in the PSE's Main Board, for related party transactions whereby the rights or public offering requirement has been waived by a majority vote of the minority stockholders, the subscriber must enter into an agreement with the Exchange not to sell, assign, or in any manner dispose of their shares for a minimum period of one hundred eighty (180) days after the listing of the shares subscribed in the transaction ("**Lock-up**").

Given the above rules, the following are covered by the Lock-Up requirement:

Shareholder	No. of Shares
Cosco Capital	11,250,000,000
TOTAL	**11,250,000,000**

To implement the Lock-Up requirement, the Company and the foregoing shareholders shall enter into an escrow agreement with China Banking Corporation - Trust and Asset Management Group.

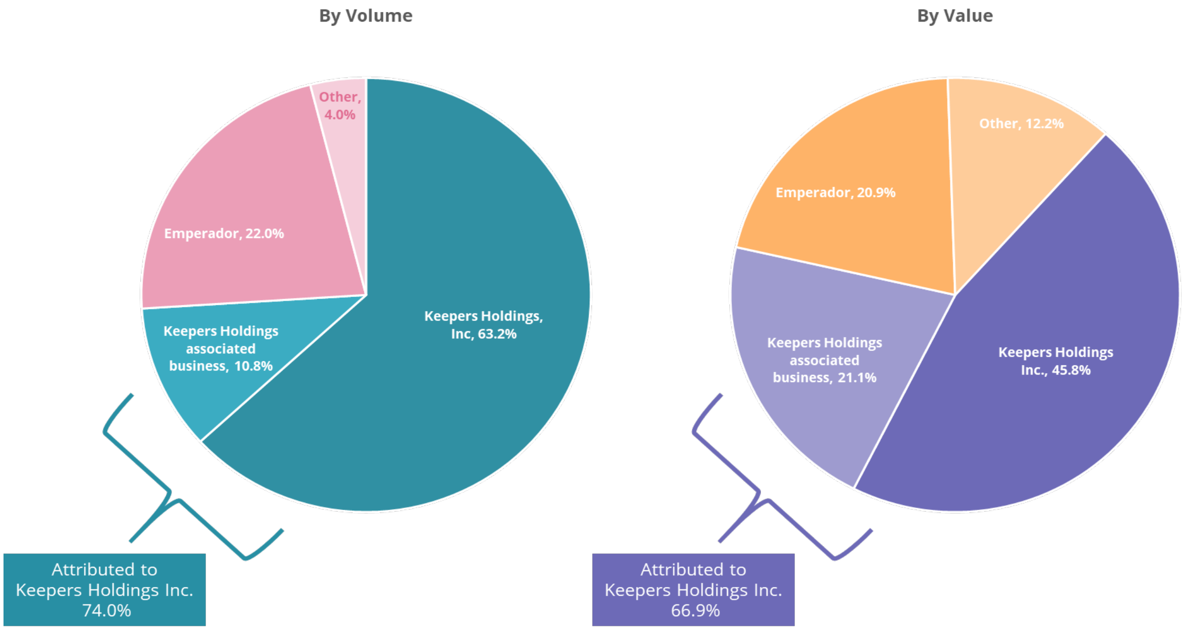
COMPETITIVE STRENGTHS

The Company, through its Subsidiaries, has dominated the niche segment of imported spirits, wine and specialty beverages in the Philippines since it started to gain popularity through offering globally renowned brands, distributed through a robust and efficient network. As the premiumization of the wider liquor industry continues and the share of imported spirits segment relative to the total market grows, the Group believes that the following competitive strengths will propel it towards continued market leadership.

Leading market position in the imported spirits distribution segment in the Philippines

The Group is by far the largest aggregator and distributor of imported spirits in the Philippines with a market share of 74.0% based on volume and 66.9% based in retail sales value in 2020 according to IWSR.

Philippines: Imported Spirits, All Categories, 2020 Market Share by Distributor Grouping (By volume and retail sales value)



Source: IWSR

The Group's market leadership in the imported spirits segment is demonstrated by the strong market share of the brands that the Group carry. Among various categories of imported spirits, the Group (through its brands) holds market leadership (or the number one brand position) in ten (10) categories in 2020 according to IWSR. These ten (10) categories represent approximately 98.3% and 91.3% of the imported spirits segment in the Philippines based on volume and retail sales value, respectively, in 2020. It can be noted that the Group (through its brands) likewise holds key positions (either number two or number three brand positions) in the other two (2) categories in 2020 according to IWSR. These two (2) categories represent approximately 1.1% and 7.9% of the imported spirits segment in the Philippines based on volume and retail sales value, respectively, in 2020.

	The Keepers Holdings, Inc.	The Keepers Holdings, Inc.'s Associated Business[27]
Non-Cognac Brandy	**#1 brand** (Alfonso)	
Blended Scotch		**#1 brand** (Johnnie Walker (all lines except Green) - Diageo) **#2 brand** (Chivas Regal – Pernod Ricard)
Malt Scotch	**#1 brand** (Glenfiddich)	**#2 brand** (The Singleton – Diageo) **#3 brand** (Johnnie Walker (Green) - Diageo)
US Whiskey	**#1 brand** (Jim Beam)	**#3 brand** (Seagram's 7 Crown – Diageo)
Soju		**#1 brand** (Jinro - Hite-Jinro)
Cognac		**#2 brand** (Martell – Pernod Ricard)
Vodka		**#1 brand** (Absolut – Pernod Ricard) **#2 brand** (Smirnoff – Diageo)
Gin		**#1 brand** (Tanqueray – Diageo)
Rum		**#2 brand** (Captain Morgan – Diageo)
Agave	**#1 brand** (Cuervo)	
Flavoured Spirits	**#2 brand** (Jägermeister)	**#1 brand** (Bailey's – Diageo)
Irish Whiskey		**#1 brand** (Jameson – Pernod Ricard)

Source: IWSR

[27] As referenced in the IWSR report, The Keepers Holdings, Inc.'s associated businesses are as follows: (i) Pernod-Ricard portfolio through ownership links between Premier and Pernod Ricard's Philippines entity; (ii) Diageo portfolio through distribution links with Montosco, and (iii) Hite-Jinro portfolio through distribution links with Premier.

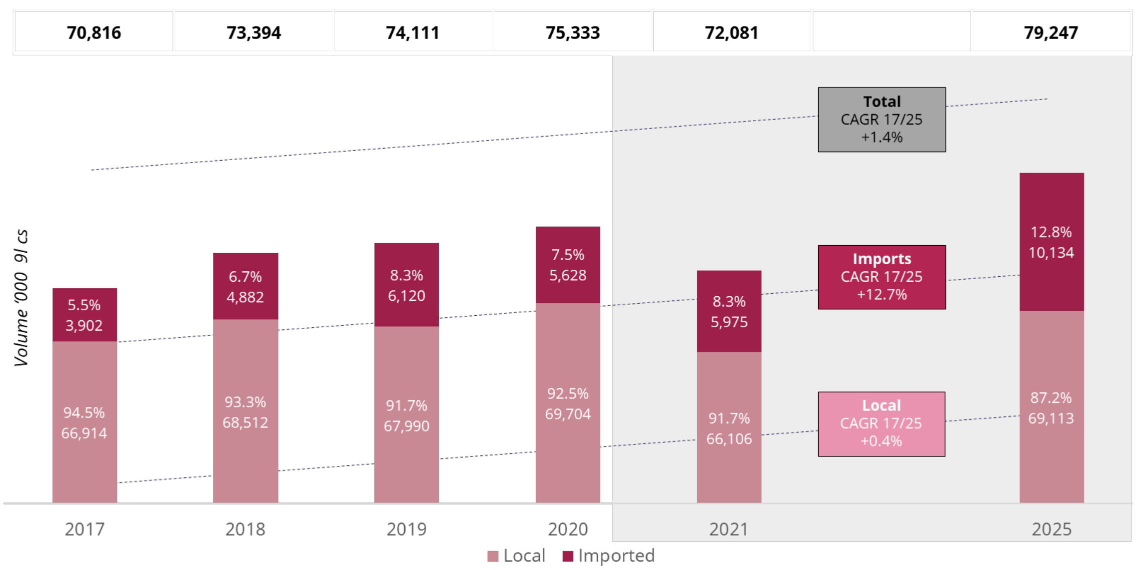
The Group's demonstrated history and continued dominance in almost all categories of the imported spirits segment provides it an unparalleled understanding of the next generation of Filipino liquor consumers who will be driving growth in the near and medium-term. Leveraging its proven operational distribution capability, the Company and its Subsidiaries believe that the Group will be able to utilize this in-depth market knowledge to serve the needs of its customers based on how they want their products purchased, consumed, and interacted with.

High potential for rapid growth in the imported spirits segment on the back of an expansive and well-curated product portfolio

According to IWSR, the Philippines' imported spirits segment is forecasted to grow at a CAGR of 14.1% and 14.9% based on volume and retail sales value, respectively, from 2021 to 2025. The imported spirits segment clearly outpaces the growth of the local spirits segment with a forecasted CAGR of 1.1% and 1.3% based on volume and retail sales value, respectively, during the same period according to IWSR.

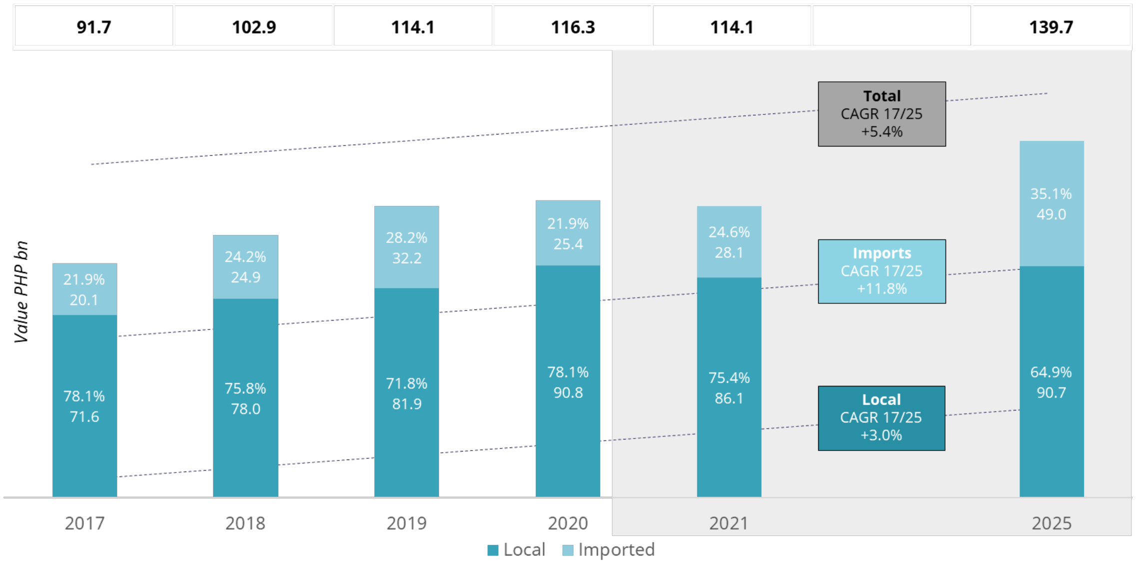
Being the market leader in the imported spirits segment, this suggests that not only is the Group capturing the most accretive growth in the wider Philippine spirits market but that it is also encroaching on the existing market share of local spirits segment. The table below supports this implication, showing that the volume share of imported spirits segment is forecasted to increase from 5.5% in 2017 to 12.8% in 2025; in terms of retail sales value – share of the imported spirits segment is forecasted to increase from 21.9% to 35.1% during the same period according to IWSR.

Philippines: Spirits Consumption by Local/Imported, 2017-2020, 2021 (f), 2025 (f) (Volume in '000 9-litre cases)



Source: IWSR

Philippines: Spirits Consumption by Local/Imported, 2017-2020, 2021 (f), 2025 (f) (In ₱ Billion retail sales value)



Source: IWSR

The observed trend, according to the IWSR, is projected to continue such that the imported spirits segment will be holding around 35% of the market share in terms of retail sales value by 2025 – a segment that it anticipated to be just under ₱50.0 billion in value by the same year. The Group, being the market leader, can be seen as the proxy for the imported spirits segment. The Group anticipates that the forecasted growth in the imported spirits segment translates to direct growth opportunities for its business and operations.

According to IWSR, among the growth drivers of the imported spirits segment will be the leading imported Spanish brandies, particularly the leader among imported brandies, "*Alfonso*". The Group believes that the brand will be able to sustain its rapid growth – even surpassing the performance of its direct competitors in the wider spirits market in the Philippines – through continued execution of tailored strategies by leveraging the Group's deep understanding of the domestic consumer market. According to the same source, the large consumption of *local* brandy is reported to have fallen 15% in 2020. In contrast, Spanish brandies only fell marginally due to the strong growth of "*Alfonso*" by 30% during the same period despite the COVID-19 pandemic.

While the Group carries a wide variety of imported spirits, covering the entire price spectrum, the primary driver of the Group's consolidated volume is the "*Alfonso*" brand which retails at around ₱200 for a 700mL standard bottle, a *value* product that specifically targets the lower "C" and "D" market segment. The Group also carries, among others, the "*Johnnie Walker*" core range of brands that retails at around ₱800 to ₱900 for a 700mL standard bottle for "*Johnnie Walker Black*" or at around ₱1,200 to ₱1,300 for a 700mL standard bottle for "*Johnnie Walker Double Black*", *standard* to *premium* products that are targeted towards the higher-end "A" and "B" market segments.

Through an expansive and well-curated product portfolio of imported spirits *(see subsection Products and Brands on page 192 for the list of the Group's products*), the Group will be relatively first to observe new consumption trends and be in the position to immediately capitalize on it by boosting existing presence in different categories of spirits that cover the entire price spectrum – ranging from *value* to *premium*. Defensively, the highly diverse line-up of imported spirits also shields the Group from issues arising from any changes in consumer preferences. It has a multi-product base that cuts across all categories of spirits versus its competitors, most of which only maintain a handful of products.

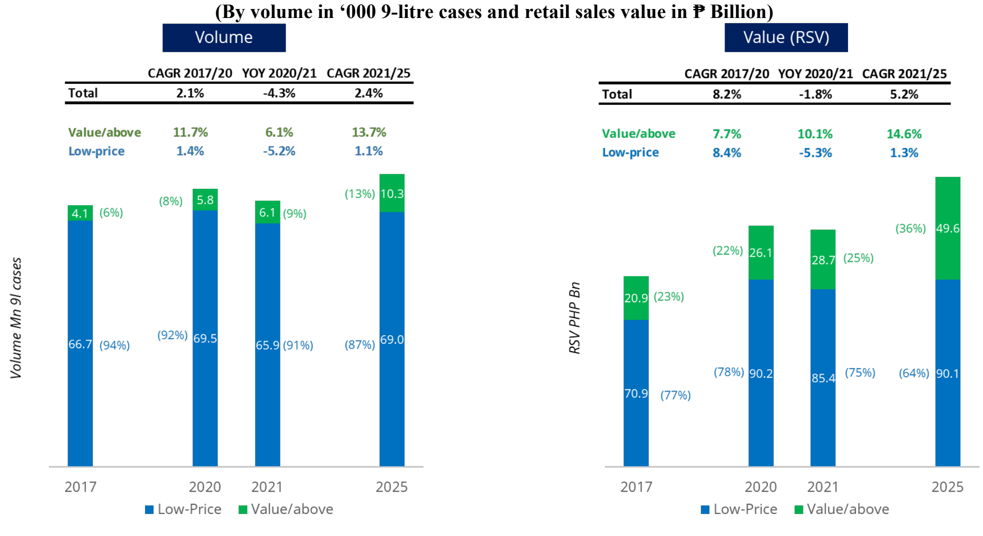
Well-positioned to capture the premiumization consumer trend in the Philippines

The Group seeks to capitalize on the Filipino consumer desire towards "premium" imported brands (or "premiumization"), and "trading up" the *low-price* available liquor for a "premium" equivalent within the same liquor category. The Group offers its imported brands at a price only slightly higher than local brands allowing it to bring globally renowned, imported brands to the masses or "mass-tige". Premiumization ties up with the behavior of Filipino consumers, who have a high affinity for imported products, and who are generally aspirational. The shifting consumer preference is also largely attributable to macroeconomic factors such as an emerging middle class, urbanization and growth in disposable income.

The affordable "premium" at which the Group's brands are sold tend to make its products more attractive as an accessible luxury. As such, the Group's marketing strategy includes leveraging the "premiumization" or "trading-up" thrust of Filipino consumers and having them choose imported brands such as "*Alfonso*" versus local counterparts such as "*Emperador Light*".

According to IWSR, the spirits market of the Philippines is expected to grow significantly faster in retail sales value terms than in volume. This is due to an expectation that local *low-price* spirits, after a period of downwards adjustment in 2021, will resume growth at a much reduced rate compared to spirits sold at *value* and above price points. The main reason is an expected strengthening of imported spirits (and with it, products sold at *value* and above price points) leading to a growing adoption of imported spirits and, therefore, "premiumization" of the spirits market going forward.

Philippines: Spirits Consumption Evolution by Low-Cost vs Value/above Price Segments (By volume in '000 9-litre cases and retail sales value in ₱ Billion)



Source: IWSR

IWSR forecasts that the *value* and above products segment will be valued at ₱49.6 billion in 2025, holding around 36% market share in terms of retail sales value.

According to the same source, *value* products (defined by IWSR as retailing between ₱100 to ₱375 for a 75cl (or 750Ml) bottle) account for almost 87% of imported spirits. Being the market leader in the imported spirits segment, and a significant proportion of the Group's consolidated volume being attributable to the "*Alfonso*" brand which is within the *value* product definition of IWSR, the Group believes that it has benefited and will continue to benefit from the "premiumization" and "trading-up" trends felt by the Philippine spirits market.

The Group's market presence in the brandy category (the second largest spirits category in 2020 according to IWSR), via the brand "*Alfonso*", further signifies that there is an inroad for Filipino consumers to adopt imported spirits. While this situation has yet to emerge among the gin and rum categories (the largest and third largest spirits categories, respectively, in 2020 according to IWSR), this does not detract from the fact that taste profiles for these categories are already well-established. Future growth of more premium products among an increasingly discerning part of the population can be anticipated according to IWSR.

The Group intends to capture the "premiumization" and "trading-up" opportunities present in the Philippine spirits market by leveraging its expansive and well-curated product portfolio that covers the entire price spectrum and all market segments, at the back of unparalleled execution track-record in the domestic consumer market.

Experienced management team with extensive knowledge in marketing, brand building, and distribution of wines, spirits, and specialty beverages

The Group has the benefit of an experienced management team with the top five (5) executives having an aggregate of 62 years of distribution and marketing experience in the industry, successfully building brands, spearheading the rapid expansions and executing strategies in penetrating mature and highly competitive industries. The management of the parent, Cosco Capital, has the following track record:

Puregold Price Club, Inc. ("Puregold") was incorporated in 1998 as a hypermarket store and has grown to be one of the leading grocery retailers in the country with 418total stores across the Philippines as of June 30, 2021. It has various store formats such as hypermarkets, supermarkets, extras and mini-marts.

S&R Exclusive Membership warehouse ("S&R") is its own brand albeit still part of the Puregold network. It was established with a warehouse club concept where most of the products offered are in club packs and where majority of the merchandise is imported brand names mainly sourced from the United States. S&R is arguably the biggest reseller of imported quality products in the Philippines with twenty (20) stores of its own, as of June 30, 2021.

S&R QSR ("S&R New York Style Pizza") is part of the same umbrella as S&R. It operates 46 quick service restaurants as of June 30, 2021

Office Warehouse, Inc. ("Office Warehouse") is a specialized retailer that was incorporated over twenty (20) years ago. Through its [89] stores as of June 30, 2021, it sells competitively-priced products from reputable brands with a portfolio ranging from the latest technology items, to office and school supplies and modern functional furniture pieces.

Through their collective experience in brining products to consumers, the Group believes that its talent pool has the distinctive and specialized expertise and skills to sustain the growth of Cosco Capital's alcohol distribution business.

Extensive and long-standing relationships with brand owners who are global market leaders

Relationships with liquor producers and manufacturers are a crucial aspect in the industry and poses as a barrier to entry for new entrants into the niche space. The Group has successfully formed long-standing partnerships with some of the global market leaders in the alcoholic beverage industry.

At present, the Group has distribution agreements for several brands with over various brand owners from countries all over the world. However, the value of the relationship depends on the ability of the distributor to promote each of the brands that it carries while ensuring that they stay true to the respective values and identities of each brand. The Group has been configured such that this is consistently assured through the operation of three separate entities that care for the respective brands that they import and distribute. Each brand is solely delegated to either Meritus, Montosco, or Premier depending on their complementarity with other products in the portfolio and their cultural fit.

The strategy has proved to be a success as almost all of the relationships of the Group with its principals span more than a decade as indicated in the *Suppliers and Key Distribution Agreements* subsection below

Some of the brand owners are discussed below.

Bodegas Williams & Humbert is a Spanish company over 140 years of history producing for brands such as "*Alfonso*" and "*Al Hambra*", which the Group distributes. Its products are sold in more than 80 countries.

Diageo, one of the world's largest distiller with key brand "*Johnnie Walker*" in its portfolio, has been a partner of the Group for thirteen (13) years. The British multinational operates in not less than 180 countries.

Pernod Ricard, the French company that is a "co-leader" in the global spirits segment, has had a tie-up with the Group since 2001. It was founded in 1975 and owns several brands including legacy ones such as "*Chivas Regal*".

Treasury Wine Estates, one of the largest pure play, wine listed company in the world, has been a principal of the Group since 2000. The Australian company was founded in 2011 and has presence in over 70 countries.

Beam Suntory, is a "world leader" in premium spirits with a wide array of American and Japanese brands in its portfolio. The company is a subsidiary of Suntory Holdings of Osaka, Japan. Among its key brands are "Jim Beam", "*Suntory Whisky*", "*Yamazaki*", and "*Hibiki*".

Hite-Jinro, is a 96-year-old South Korean company behind the brand "*Jinro*".

Proximo Spirits, is a global innovator of quality spirits based in the USA behind the globally renowned tequila brand "*Jose Cuervo*".

The successful track record of the Group as a distributor to these diverse global market leaders gives the Group the ability to source products from across the globe to suit the differing taste preferences and demand of the Filipino consumers.

Strategic and sustainable expansion plan complemented by synergistic relationship with the Cosco Capital group

The Group's relationship with Cosco Capital provides the Group with a key advantage in terms of its distribution channels. Puregold and S&R are significant retail touchpoints covering all markets in which the Group operates. S&R's membership-shopping club, with twenty (20) warehouses as of May 2021, allows the Group access to a distribution channel preferred by retail consumers in the higher-end "A" and "B" market segments. The Cosco Capital group's flagship grocery retail chain, Puregold, with 403 outlets nationwide as of May 2021, allows the Group's products to be accessible to retail consumers in the lower "C" and "D" market segments. The Cosco Capital group also targets resellers, such as small- to medium-sized sari-sari stores, as well as canteens, restaurants, caterers, bakeries, convenience stores, and drugstores. Puregold's Aling Puring loyalty/marketing program, which allows sari-sari store and other small business owners access to special privileges intended to enhance their businesses and has over 500,000 partner outlets all over the Philippines.

The Group believes that its synergistic relationship with the Cosco Capital group will enable it to strategically pursue market dominance across all categories in which the Subsidiaries operate, and enhance its market access, allowing it to increase its captured market share.

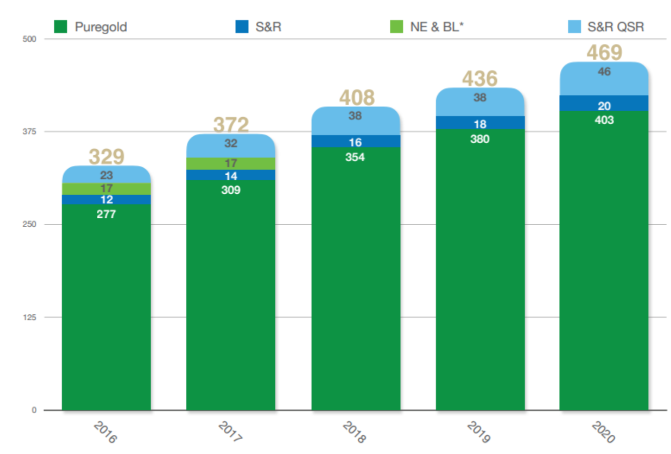
BUSINESS STRATEGIES

The Group's principal strategy is to gain and increase its market share by introducing new products to cater to the current and emerging preferences of the market and to strengthen further its distribution capability.

Widen the market reach by leveraging the Group's extensive business distribution ecosystem

The Group has an extensive network of distribution partners of around 200 that sell the Group's products in all major areas in the country. It seeks to further expand this network to comprehensively serve even the areas that are at the fringes of the Philippine archipelago to widen the total addressable market of its extensive liquor, wine, and specialty beverage portfolio.

A cornerstone of this strategy is to continue to utilize its synergies with the massive retailing channels of its affiliates, namely Puregold and S&R which comprise about a third of the sales of the Group. The following illustration demonstrates the steep pace at which these stores are being rolled out across the country, bringing with them the Group's product line-up.



From a combined store network of 329 in 2016, Puregold and S&R collectively added 140 new ones to bring the total to 469, of which 403 are Puregold branches and 20 are S&R branches. With the affiliates' thrust towards even more expansion, the Group will remain steadfast in partnering with them to bring its liquors, wines and specialty beverages ever closer to consumers. Such is important as the Philippines, even before the 2020 crisis, has been primarily a home consumption market for liquor, with the market primarily served through off-premise brick & mortar channels including, among others, supermarkets and warehouse clubs.

The second pillar of this strategy is to continue to nurture the Group's long-standing relationships with other retailers which allows the Group to further expand its overall customer touchpoints, and expand further third-party sub-distributors which allows the Group to reach the *sari-sari stores* or neighbourhood stores across the Philippine archipelago, another primary channel for off-premise consumption.

The third pillar of this strategy is maintaining the Group's long-standing relationships with customers falling under the on-premise channels. On-premise channels are highly relevant for the Group's core of imported spirit products as certain categories (excluding brandy) and those belonging to the higher price spectrum (i.e. *premium* and above) are mostly consumed on-premise. The Group believes that as the country enters the recovery phase of the COVID-19 pandemic (as mobility and social distancing measures are lifted), the hospitality element, consisting of bars, restaurants, hotels, night clubs, karaoke clubs and other formats such as festivals, is expected to regain its footing.

On its own, the Group's extensive and agile business-to-business distribution ecosystem could be offered to possible principals in need of these capabilities or to existing ones who would like to introduce new products.

Expand into alternative distribution channels and new customer touchpoint frontiers

On the back of an expanding product portfolio and amid developments in the retail landscape, the Group intends to further expand its distribution channels via the following initiatives:

Business-to-consumer: The Group will explore a new, direct-to-consumer channel by establishing a strategic presence in the e-commerce space; and

Business-to-business: The Group will expand and strengthen its existing distribution channels by boosting the availability of its products.

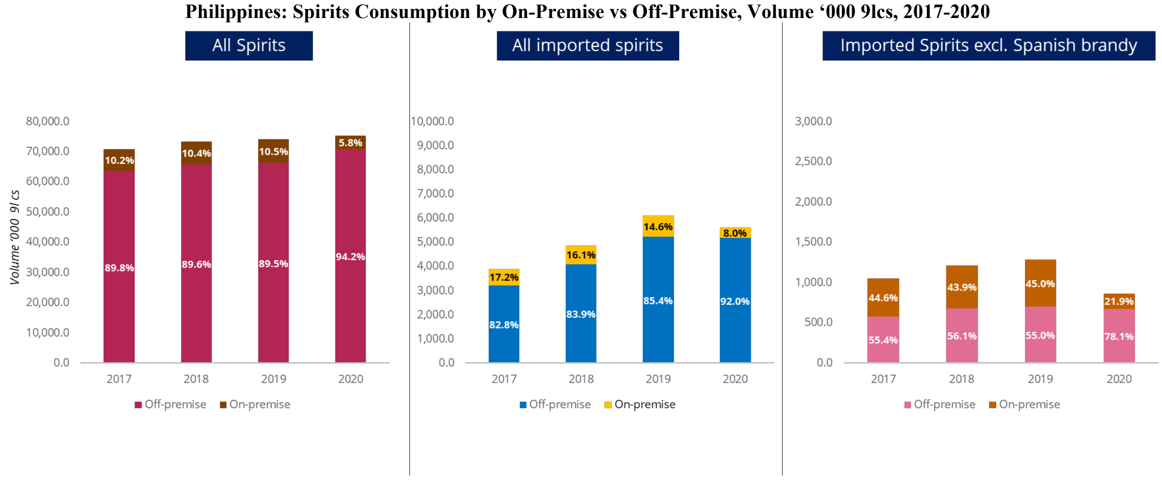
The Group believes that there is a present need online for an efficient, user-friendly, and regulatory-compliant infrastructure where customers can purchase high-quality, imported products at affordable prices. Part of the proceeds from the Offer will be earmarked to set up this infrastructure (see *Use of Proceeds* section on page 123).

According to IWSR, e-commerce alcohol sales saw an unprecedented growth rate in 2020, albeit from a very low base. With increasing investment and a rising consumer base, growth rates are likely to be carried forward in the years to come, ushering in a new era for e-commerce alcohol sales. While the formal e-commerce channel trebled to some 15,000 cases overall according to IWSR, the Group believes that the growth potential for this alternative distribution channel is very significant.

In addition, an added benefit of this strategy is to relatively insulate a channel from varying quarantine measures across a single geographic area to ensure the availability of the Group's products exactly when the customer want them. This is especially important as there is no assurance of what portions of consumer behavior would be permanently retained in the new normal. For instance, before the COVID-19 pandemic, only 10.5% of spirits volumes were accounted for by consumption in bars, restaurants, nightclubs and other hospitality formats. Lockdown regulations that affected the operations of these establishments shifted this balance even further towards at-home consumption as only 5.8% of spirits volumes are estimated to have been consumed on-premise in 2020 according to IWSR.

By investing in its own digital structure, the Group can ensure that its distribution capabilities are agile and responsive to the ever-changing environment.

Philippines: Spirits Consumption by On-Premise vs Off-Premise, Volume '000 9lcs, 2017-2020

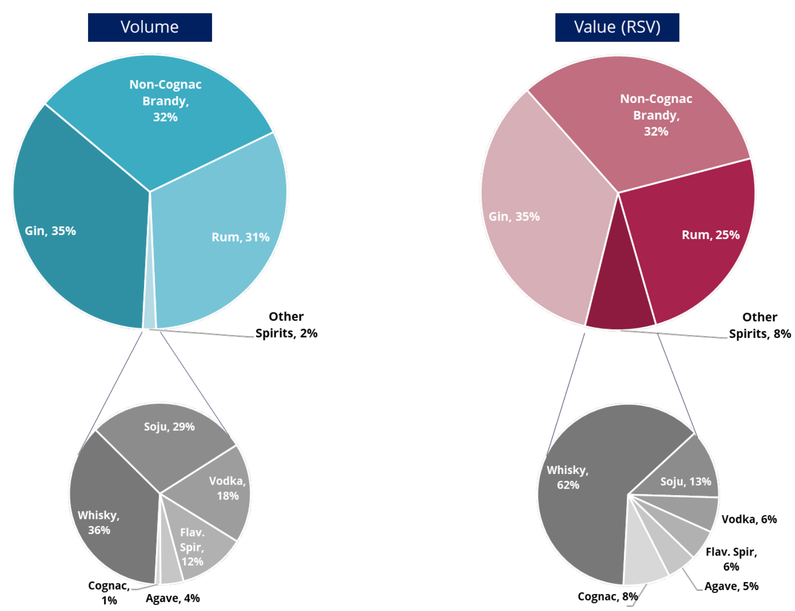


Source: IWSR

Maintain leadership in its core spirits segment

The Group intends to have an established market presence in all three leading categories of the Philippine spirits market, namely gin, brandy and rum which collectively represents 98% and 92% of the market based on volume and retail sales value in 2020 according to IWSR.

Philippines: Spirits Consumption 2020, by Category (By volume and retail sales value)



Source: IWSR

According to IWSR, the large consumption of *local* brandy is reported to have fallen 15% in 2020 as consumers switched to gin and rum. However, *Spanish* brandies fell marginally due to the strong growth of "*Alfonso*" by 30% during the same period despite the COVID-19 pandemic.

The Group's market presence in the brandy category via the number one imported brandy in the Philippines[28], "*Alfonso*" signifies that there is an inroad for Filipino consumers to adopt imported spirits. The Group intends to replicate the successful blueprint of "*Alfonso*" into the gin and rum segments by maintaining and expanding a comprehensive product portfolio that are priced at an affordable "premium" versus local counterparts.

Currently, the Group's "*Tanqueray*" and "*Captain Morgan*" products have already established their footing, being the number one imported gin in the Philippines and number two imported gin in the Philippines, respectively, according to IWSR. The Group sees these brands, among others, as an inroad to further penetrate the gin and rum categories – the largest and third largest spirits categories, respectively, in 2020 according to IWSR. While the taste profiles for gins and rums are already well-established, the steady additions in the increasingly discerning part of the population (emerging middle class with growing disposable income, increased connectivity) is anticipated spur a growing adoption of imported spirits.

As such, to have established market presence in all leading categories of the Philippine spirits market, the Group intends to replicate the tried-and-tested "premiumization" and "trading-up" marketing strategies that will open up an elevated drinking experience for the Filipino consumers.

Further enhance and expand its product portfolio

The Group believes that the variety of high-quality, imported products that it offers covering the entire price spectrum and across all categories is crucial in it having attained market leadership positions in the imported spirits segment. The Group shall continue to leverage on their existing long-standing relationships with brand owners by introducing brands from different geographies to the Philippine market.

Further, as part of its initiative to extend its leadership in the liquor, wine and specialty beverage segments, the Group intends to fill in the gaps in its existing product portfolio by developing, incubating and launching new products outside of its core imported spirits segment.

Philippines: Total Beverage Alcohol Consumption 2017-2020, 2021 (f), 2025 (f) (By volume in '000 9-litre cases)

TBA	2017	2018	2019	2020	2021 (f)	2025 (f)	2019 TBA Share %	2020 TBA Share %	2025 TBA Share %	CAGR% 17/19	YOY% 19/20	YOY% 20/21	CAGR% 21/25
Vol ('000 9lcs)													
Beer	199,611.1	220,950.0	236,188.9	184,555.6	207,166.7	272,222.2	73.0%	67.6%	74.3%	8.8%	-21.9%	12.3%	7.1%
Spirits	70,816.0	73,393.5	74,110.5	75,332.5	72,080.5	79,247.3	22.9%	27.6%	21.6%	2.3%	1.6%	-4.3%	2.4%
Wine	9,566.8	10,520.3	11,927.3	12,286.5	11,625.8	13,536.0	3.7%	4.5%	3.7%	11.7%	3.0%	-5.4%	3.9%
RTDs	1,224.3	1,399.0	1,315.3	1,029.5	1,099.0	1,476.0	0.4%	0.4%	0.4%	3.6%	-21.7%	6.8%	7.7%
Cider	5.6	8.3	11.1	5.6	8.3	19.4	0.0%	0.0%	0.0%	41.4%	-50.0%	50.0%	23.6%
TBA	**281,223.6**	**306,271.1**	**323,553.0**	**273,209.6**	**291,980.3**	**366,500.9**	**100.0%**	**100.0%**	**100.0%**	**7.3%**	**-15.6%**	**6.9%**	**5.8%**

Source: IWSR

According to IWSR, beer, spirits and wine round up the largest three segments in the Philippine alcoholic beverage industry. Although beer's volume share dropped to 67.6% in 2020 from 73.0% in 2019 as consumers had to pivot away from hospitality, it is anticipated that it will regain strength as lockdown restrictions, particularly on-premise consumption, are eased further. The Group intends to evaluate the opportunity to enter the beer segment as opportunities arise in the near and medium-term.

The Group shall likewise seek ways to expand its offerings for the wine and specialty beverage segments. In the same manner that it was able to be among the first to respond to shifting preferences in the carbonated drink market towards healthier options by introducing the "*Perrier*" brand as part of its portfolio, it will continue to maximize its well-tested feedback loop with its customers to gain in-depth insights about the direction of their ever-evolving preferences.

To this end, the Group will allot ₱[800] to ₱[1,000] million from the Offer for the development, incubation and launch of new products. Armed with substantial resources and an unparalleled understanding of the new generation of drinkers, the Group will continue introducing new and innovative products as well as heritage offerings that shall set higher the standards higher for drinking.

Integrate value-adding processes through M&A opportunities

[28] According to IWSR.

The Group believes that the Philippines offers attractive mergers and acquisitions ("**M&A**") opportunities fit for the Group's horizontal and vertical integration to capture more value along the alcoholic beverage industry's value chain.

As the largest player in the imported spirits segment, the Group has the capacity to acquire companies that are a strategic fit to its business and to that end, it intends to acquire businesses which will further spur its growth in the Philippine spirits market and possibly, the wider Philippine alcoholic beverage industry.

The Group will evaluate acquisition opportunities that will arise in the near and medium-term as it sees fit, provided that they are aligned with its strategic thrusts.

BUSINESS OPERATIONS

Overview

The Group, through its Subsidiaries, is the largest distributor of imported spirits, wines, and specialty beverages in the Philippines. The Group's diversified portfolio include some of the biggest brands worldwide in their respective product categories. The Subsidiaries also have unique trading relationships with some of the biggest international players in the wine, spirits and specialty beverages business.

Vision

The Group is focused on delivering sustainable, consistent growth by leveraging on its extensive distribution ecosystem to further expand into the high-growth, spirit, wine, and specialty beverage segments through horizontal and vertical integration, alternative distribution channels and new geographic territories.

Revenue Contribution of Subsidiaries

Each of the Subsidiaries within the Group has its own set of suppliers and portfolio of brands. The producers of such brands each have their own personalities and sets of values. By operating through three distinct entities—Meritus, Montosco, and Premier—the Group seeks to ensure that the idiosyncrasies of each producer are well accounted for by the relevant Subsidiary.

The table below shows the asset contribution of each of the Company's Subsidiaries as at June 30, 2021 and December 31, 2020:

(In Thousands)	2021	*% Contribution*	2020	*% Contribution*
Montosco	₱ 5,855,521	*68.10%*	₱ 5,795,805	*66.32%*
Meritus	1,298,267	*15.10%*	1,418,737	*16.23%*
Premier	1,444,307	*16.80%*	1,525,225	*17.45%*
TOTAL	**₱ 8,598,095**	*100.00%*	**₱ 8,739,767**	*100.00%*

The table below shows the asset contribution of each of the Company's Subsidiaries as at December 31, 2020 and 2019:

(In Thousands)	2020	*% Contribution*	2019	*% Contribution*	2018	*% Contribution*
Montosco	₱5,795,805	*66.32%*	₱5,526,074	*63.29%*	₱4,245,556	*57.61%*
Meritus	1,418,737	*16.23%*	1,494,110	*17.11%*	1,227,678	*16.66%*
Premier	1,525,225	*17.45%*	1,711,667	*19.60%*	1,896,464	*25.73%*
TOTAL	**₱8,739,767**	*100.00%*	**₱8,731,851**	*100.00%*	**₱7,369,698**	*100.00%*

The table below shows the revenue contribution by each of the Company's Subsidiaries for the periods ended June 30, 2021 and 2020:

(In Thousands)	2021	*% Contribution*	2020	*% Contribution*
Montosco	₱3,395,841	*78.99%*	₱2,351,111	*73.72%*
Meritus	355,096	*8.26%*	347,458	*10.89%*
Premier	548,071	*12.75%*	490,816	*15.39%*
TOTAL	**₱4,299,008**	*100.00%*	**3,189,385**	*100.00%*

The table below shows the revenue contribution by each of the Subsidiaries for the years ended December 31, 2020, 2019 and 2018:

(In Thousands)	2020	% Contribution	2019	% Contribution	2018	% Contribution
Montosco	₱ 6,106,846	74.77%	₱ 8,155,525	76.10%	₱5,291,848	61.65%
Meritus	839,541	10.28%	958,828	8.95%	923,272	10.76%
Premier	1,221,017	14.95%	1,603,044	14.96%	2,368,581	27.59%
TOTAL	**₱ 8,167,404**	₱ 100.00%	**₱10,717,397**	100.00%	₱8,583,701	100.00%

The table below shows the contribution to net income by each of the Company's Subsidiaries for the periods ended June 30, 2021 and 2020:

(In Thousands)	2021	% Contribution	2020	% Contribution
Montosco	₱614,637	86.92%	₱337,574	83.69%
Meritus	43,734	6.18%	30,377	7.53%
Premier	48,793	6.90%	35,389	8.77%
TOTAL	**₱707,164**	100.00%	**₱403,340**	100.00%

The table below shows the contribution to net income by each of the Company's Subsidiaries for the years ended December 31, 2020, 2019 and 2018:

(In Thousands)	2020	% Contribution	2019	% Contribution	2018	% Contribution
Montosco	₱ 1,070,129	90.75%	₱ 1,108,761	91.12%	₱709,415	85.89%
Meritus	66,787	5.66%	62,109	5.10%	57,919	7.01%
Premier	42,240	3.58%	45,982	3.78%	58,645	7.10%
TOTAL	**₱ 1,179,156**	100.00%	**₱ 1,216,852**	100.00%	₱ 825,979	100.00%

Currently, Montosco is driving the revenue of the Group, as it carries the biggest brand ('Alfonso') in the biggest category (brandy) at the best-selling value price point. Sales generated by 'Alfonso' account for approximately 60% of the Group's revenue.

Meritus and Premier revenues are driven mostly by premium brands. Because of the premium price point of their products, they are not similar in terms of scale to Montosco.

Products and Brands

The Group maintains a comprehensive international brand portfolio with leading positions across multiple varieties of spirits, wines, and specialty beverages.

Below are some of the world-renowned brands distributed by the Group.

	Brand	Exclusivity in the Philippines
	A. Brandy	
1.	*Alfonso I*	Yes
2.	*Alhambra*	Yes
3.	*Carlos I*	Yes
4.	*Martell*	Yes
	B. Whisky	
1.	*Chivas Regal*	Yes
2.	*Glenfiddich*	Yes
3.	*Glenlivet*	Yes
4.	*Imperial Blue*	Yes
5.	*Jim Beam*	Yes

6.	*Johnnie Walker*	Yes[29]
7.	*Royal Salute*	Yes
8.	*Seagrams 7*	Yes
9.	*Singleton*	Yes[29]
10.	*Jameson*	Yes[29]
11.	*Ballantines*	Yes[29]
	C. Gin	
1.	*Beefeater*	Yes
2.	*Gilbey's*	Yes
3.	*Hendrick's*	Yes
4.	*Roku*	Yes
5.	*Tanqueray*	Yes[29]
	D. Vodka	
1.	*Absolut*	Yes
2.	*Ciroc*	Yes[29]
3.	*Ketel One*	Yes[29]
4.	*Smirnoff*	Yes[29]
	E. Rum	
1.	*Captain Morgan*	Yes[29]
2.	*Cruzan*	Yes
3.	*Havana Club*	Yes
	F. Tequila	
1.	*1800*	Yes
2.	*Don Julio*	Yes[29]
3.	*Jose Cuervo*	Yes
	G. Soju	
1.	*Chingu*	Yes
2.	*Jinro*	No
	H. Flavored Spirits	
1.	*Aperol*	Yes
2.	*Baileys*	Yes[29]
3.	*Campari*	Yes
4.	*Disaronno*	Yes
5.	*Grand Marnier*	Yes
6.	*Jägermeister*	Yes
7.	*Kahlua*	Yes
8.	*Malibu*	Yes
9.	*Tequila Rose*	Yes
	I. Wine	
1.	*Mompo*	Yes
2.	*Pegoes*	Yes
3.	*Penfolds*	Yes
4.	*Riscal*	Yes
5.	*Ruffino*	Yes
6.	*Saint Anna*	No
7.	*Saint Celine*	No
8.	*Santa Carolina*	Yes
9.	*Vino Fontana*	Yes
10.	*Wolf Blass*	Yes
11.	*Calvet*	Yes
	J. Specialty Beverages	

[29] The Group is the exclusive third-party distributor in the Philippines; however, select modern trade accounts are handled directly by the supplier. Most of the Company's relationships with suppliers are on an exclusive basis, except for Jinro and Diageo. For Jinro, there are two distributors, with one being Korean market centric. For Diageo, the select modern trade accounts handled directly by Diageo are the retail chains such as SM, Philippine Seven, Landmark, Puregold and S&R. The rest of the market is handled by Montosco. Montosco does not have access to records of sales to these accounts of Diageo, therefore this cannot be provided by the Group.

1.	*Fever Tree*	Yes
2.	*Fiji*	Yes
3.	*Perrier*	Yes
4.	*Red Bull*	Yes

Customers

The Group targets all businesses that cater to all Filipino consumers of legal drinking age from all walks of life. The top 10 customers of the Group in 2020 are as follows: (1) Kareila Management Corp., (2) Puregold Price Club, Inc., (3) L.P.T. Marketing Company, Inc., (4) Advect Marketing Corporation, (5) Tristar Trusted Marketing Inc., (6) Blue Mountain Inc., (7) Rupra Marketing Inc., (8) Centerpoint CSGT Distribution, (9) Barrelman Corporation, (10) Philippine Seven Corporation. The top 10 customers account for 56% of the total sales of the Group in 2020.

MARKETS

Target Market

The Group targets various market segments, as its products cover a wide spectrum of alcoholic beverages—spanning spirits, wines and specialty beverages—at multiple price points—from affordable to luxury. The Group's portfolio contains products that range from ₱200.00 to ₱183,000.00, the bulk of which, comes from "Alfonso", which retails at around ₱200 for a 700mL standard bottle. The target market will depend primarily on the specific product being sold/marketed.

Market Profile

According to IWSR, the Philippines market for spirits is relatively mature, being the world's largest market for gin and second largest market for rum and brandy. Drinking alcohol is part of the culture and lifestyle of Philippine consumers, which the Group anticipates will continue as such moving forward. More than majority of the Group's sales are made in Metro Manila.

Competitors

The Group's main competitors in the Philippines with respect to its business of distribution in the Philippines of imported spirits is Emperador Inc. ("**Emperador**"). According to IWSR, the Group, together with its associated businesses (i.e., Diageo, Pernod Ricard, and Hite-Jinro)[30] and Emperador have a combined market share of 96% of imported spirits by volume and 87.8% by value in 2020. The rest are all small players. Market shares are as follows:

Distributor	2020 Volume Share	2020 Value Share
Group (and its associated businesses)	**74.0%**	**66.9%**
Emperador (imports only)	22.0%	20.9%
Other (<1% share each)	4.0%	12.2%
All Imports	100%	100%

Source: IWSR

On the brand and product level, the main competitors of the Group's distributed products are identified below.

	Type of Beverage	Competitor Brand	Competitor Name
1	Brandy	Fundador	Emperador
2	Whisky (Blended Scotch)	Dewars	Future Trade International, Inc. ("**FTI**")
3	Scotch (Single Malt)	Dalmore Jura	Emperador
4	Rum	Bacardi	FTI
5	Cognac	Hennessy	Moët Hennessy Company

[30] As referenced in the IWSR report, The Keepers Holdings, Inc.'s associated businesses are as follows: (i) Pernod-Ricard portfolio through ownership links between Premier and Pernod Ricard's Philippines entity; (ii) Diageo portfolio through distribution links with Montosco, and (iii) Hite-Jinro portfolio through distribution links with Premier.

		Remy Martin	FTI
6	Tequila	Cazadores	FTI
7	Vodka	Grey Goose	FTI
8	Gin	Bombay Sapphire	FTI
9	Korean Spirits (Soju)	Chum Churum	Chum Churum Philippines

Sales History

Below is a summary of the combined sales of the Group based on the pro forma consolidated financial statements and interim consolidated financial statements, as the case may be:

(in Thousands)			*Years Ended December 31*
	2018	**2019**	**2020**
Net Sales	₱8,583,701	₱10,717,397	₱8,167,404

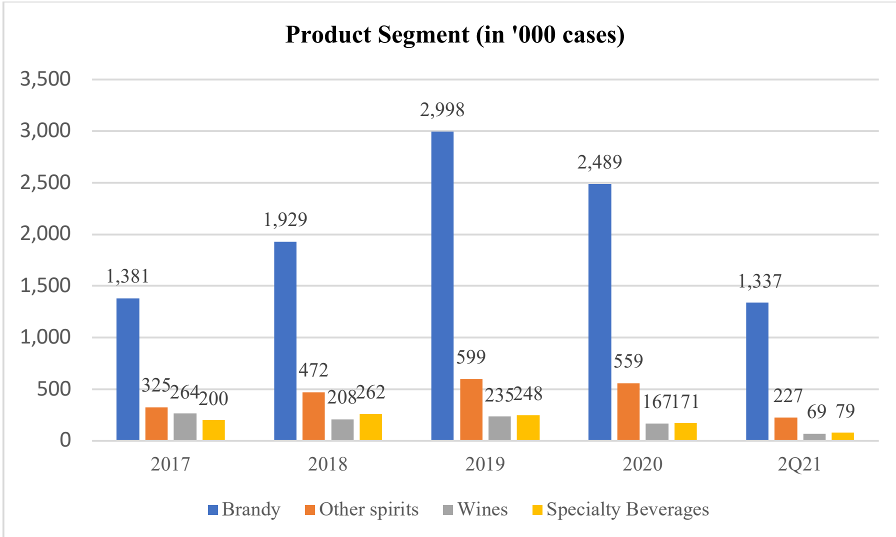
(in Thousands)		*Six-Month Period Ended June 30*
	2020	**2021**
Net Sales	₱3,189,385	₱4,299,008

The percent of sales contribution per channel of each of the Subsidiaries are broken down as follows:

	Montosco		**Meritus**		**Premier**		**Consolidated**	
	2019	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**
Off Premise	99.75%	99.78%	99.38%	99.33%	94.39%	96.75%	98.92%	99.28%
On Premise	0.25%	0.12%	0.45%	0.13%	4.25%	1.00%	0.86%	0.29%
Travel Retail	0%	0%	0%	0%	0.79%	0.25%	0.12%	0.01%
E-commerce	0%	0.10%	0.17%	0.54%	0.57%	2.00%	0.10%	0.42%
Total	100%	100%	100%	100%	100%	100%	100%	100%

Below is a summary of the sales of the Group based on the major product segments.

Product Segment (in '000 cases)	**2017**	**2018**	**2019**	**2020**	**2Q21**
Brandy	1,381	1,929	2,998	2,489	1,337
Other spirits	325	472	599	559	227
Wines	264	208	235	167	69
Specialty Beverages	200	262	248	171	79
Total	**2,170**	**2,871**	**4,080**	**3,386**	**1,712**



Suppliers and Key Distribution Agreements

The Company has proven execution capabilities that have cemented long-standing, exclusive relationships with market-leading, multinational brand owners. Some of the Group's notable partners are as follows:

	Name of Supplier	Country of Origin	Length of Relationship (years)
	A. Brandy		
1	Bodegas Williams & Humbert	Spain	22
2	Bodegas Osborne S.A.	Spain	12
3	Pernod Ricard[31]	France	20
	B. Whisky		
1	Beam Suntory Asia Pte Ltd.	United States & Japan	10
2	Diageo	United Kingdom & Vietnam	13
3	Pernod Ricard[31]	France	20
4	William Grants & Sons	United Kingdom	7
	C. Gin		
1	Beam Suntory Asia Pte Ltd.	United States & Japan	10
2	Diageo	United Kingdom	13
3	Pernod Ricard[31]	France	20
4	William Grants & Sons	United Kingdom	7
	D. Vodka		
1	Diageo	United Kingdom	13
2	Pernod Ricard[31]	France	20
	E. Rum		
1	Beam Suntory Asia Pte Ltd.	United States & Japan	10
2	Diageo	United Kingdom	13
3	Pernod Ricard[31]	France	20
	F. Tequila		
1	Diageo	United Kingdom	13
2	Proximo Spirits	Mexico	13
		G. Soju	
1	HiteJinro Philippines, Inc.	South Korea	3
2	Real Trade International	South Korea	1
	H. Flavored Spirits		

[31] Associate / Equity Partnership

1	Diageo	United Kingdom	13
2	Campari Singapore Pte. Ltd.	Italy	24
3	Mast Jägermeister SE	Germany	24
4	Mc Cormick Distilling Co.	United States	23
5	Pernod Ricard[31]	France	20
	I. Wine		
1	Arenal Wines, S.L.	Spain	13
2	Bodegas Williams & Humbert Sau	Spain	22
3	Constellations Brands, Inc.	United States	24
4	DGB (Pty) Ltd.	South Africa	8
5	Herederos del Marques de Riscal	Spain	23
6	Cooperativa Agricola Santo Isidro de Pegoes	Portugal	10
7	Santa Carolina Brands	Chile	23
8	Treasury Wine Estates Vintners Ltd	Australia	21
	J. Specialty Beverages		
1	FijiWater Hongkong Ltd	Fiji	7
2	Nestle Waters Marketing and Distribution	Switzerland	11
3	Red Bull Asia Fze	Austria	9

Consistent with commercially reasonable terms within the industry, the Group's distribution contracts with its international suppliers typically range between one to three years, with some carrying continuously rolling forward provisions. However, many of its distribution contracts do not have fixed terms, enabling the Group to carry on longstanding relationships with certain suppliers for over 20 years.

The top 10 suppliers of the Subsidiaries for the calendar year 2020 are as follows: (1) Bodegas Williams & Humbert SAU, (2) Hitejinro Philippines, Inc., (3) Proximo (Casa Cuervo, S.A. DE C.V.), (4) Treasury Wine Estates Vintners (USD), (5) Red Bull Asia FZE, (6) Beam Suntory Asia, (7) Supremo Cellars LTD, (8) Diageo Philippines, Inc., (9) Mast Jägermeister SE, and (10) Arenas Wines S.L. These top 10 suppliers account for 80.68% of the Group's total supply cost for 2020.

In addition to the above, the Group also has existing agreements with third-party logistics service providers and distributors for the warehousing, forwarding, transporting, and distribution in different areas in the Philippines.

Distribution

The Group's model is centered around sales to businesses and not directly to consumers. It does not cater to retail. It covers sales to sub-distributors who sell the Group's products to consumers for on-site consumption, such as restaurants, bars, clubs (**"on-premise"**) and to establishments that sell the products to consumers for consumption elsewhere such as supermarkets, wholesalers, convenience stores, groceries ("**off-premise**"), and has the ability to cover the entire Philippines.

The Group's varied product portfolio that spans several price points is consistent and complimentary with Puregold and S&R, as S&R caters to the "A" and "B" market segments while Puregold, caters to the "C" and "D" market segments.

Around 80% to 90% of the Group's distribution is off-premise. End-consumers will ultimately consume the Group's products outside of the establishments in which they are purchased.

The Group, however, continues to distribute to on-premise outlets. Although the Group's sales to its sub-distributors engaged in on-premise sales have decreased significantly due to liquor bans imposed by local government units at the height of the COVID-19 pandemic and the ban on social gatherings to prevent the spread of COVID-19, this is also a key advantage and growth driver for the Group. The Group believes that, once the drinking population is able to return to on-site consumption in social gatherings, the on-premise consumption of the Group's products will also return. This is consistent with the effects of the lifting of quarantine measures in other countries.

Pricing Structure

The pricing of a particular product depends on a variety of factors such as the negotiated acquisition cost with the supplier, the expenses incurred for the transport, storage, and marketing for the product, the applicable taxes, and the prices of products in direct competition with the product.

Advertising and Promotions

The Group relies on advertising and promotions to build the brand, introduce new products, or increase the sales of an existing product in the Philippine market. The Group conducts its marketing and merchandising of the products in the Philippines in coordination with the supplier's brand representatives.

Some of the marketing strategies the Group employs are consumer communications and trade marketing, such as discounts, Gifts with Purchase ("**GWP**"), point-of-sales marketing, and bundling of products. The Group previously also made use of sampling events, but this is currently not being done due to the COVID-19 pandemic.

For on-premise marketing, the Group previously hosted or sponsored events such as parties and master classes with master distillers, blenders, or winemakers. Before the COVID-19 pandemic, the Group sponsored events that drew in crowds such as parties with DJs or music gigs with famous bands. In response to the imposition of quarantine measures, the Group has focused its marketing efforts to boost home consumption.

The Group has also engaged several third-party service providers to render merchandising services for its brands.

MANPOWER RESOURCES

The Group had in its employ a total of 198 and 193 personnel comprised of management and rank and file employees, respectively as of June 30, 2021 and June 30, 2020. The executive officers of the Company are seconded from the Subsidiaries. The Company intends to hire employees moving forward, as the need arises.

The Group has no collective bargaining agreements with its employees and there are no organized labor organizations in the respective corporations. The Group believes that it has maintained amicable relationships with the rank and file employees throughout the years and does not anticipate any labor-management issues to arise in the near term.

Each of the subsidiaries has an unfunded, noncontributory, defined benefits retirement plan covering all of its regular, full-time employees. Under the plan, the employees are entitled to retirement benefits equivalent to an amount computed based on Republic Act No. 7641, Retirement Pay Law, equivalent to one-half month's salary for every year of service, with six (6) months or more of service considered as one (1) year. The plan is unfunded and noncontributory benefit claims under the retirement benefits plan obligation are paid directly by the relevant company when they become due.

All regular employees are entitled to health insurance. For this purpose, the Group has partnered with reputable healthcare providers in the Philippines. All employees are covered with accident insurance while all regular employees are covered with life insurance.

PERMITS/LICENSES

The Key Permits/Licenses of the Group are indicated in the section entitled *"Regulatory Compliance"* on page 200 of this Prospectus.

INTELLECTUAL PROPERTY

The following trademarks were registered by and are currently used by the Group with the Intellectual Property Office of the Philippines, all of which are registered in the name of Montosco:

	Title of Mark	**Image**	**Date Registered**	**Valid Until**
1	Alfonso XO	ALFONSO XO	May 5, 2008	Renewed until May 5, 2028
2	Alfonso	ALFONSO	March 3, 2008	Renewed until March 3, 2028
3	Alfonso I	ALFONSO I	May 21, 2005	Renewed until May 21, 2025

4	Alfonso I Light	ALFONSO I LIGHT ALCOHOL	November 25, 2018	November 25, 2028
5	Alfonso Platinum	ALFONSO PLATINUM	September 15, 2016	September 15, 2026
6	Alhambra	Alhambra	August 13, 2007	Renewed August 13, 2027
7	Don Luis	DON LUIS	May 21, 2005	Renewed May 21, 2025
8	Escobar	ESCOBAR	September 11, 2020	September 11, 2030

The relevant Subsidiaries, as product distributors in the Philippines, are allowed by their suppliers to use the trademarks of their suppliers, particularly to sell and promote the brand and/or product. The distribution agreements entered into between the Subsidiaries and brand owners normally contain provisions allowing the relevant Subsidiary a revocable, non-exclusive license to use the intellectual property of the brand owner, including trademarks and brand names, with respect to the particular products subject of the agreement in so far as it is necessary for the performance of the Subsidiary's obligation as a distributor under the agreement. Some of the usual conditions imposed on the relevant Subsidiaries are as follows:

1. Comply with the requirements specified by the brand owner with respect of the use of the intellectual property;
2. Not to do anything that may disparage, pass-off or infringe any intellectual property comprised in or attached to any of the products;
3. Prohibition against the registration of the intellectual property in the territory or elsewhere;
4. Notify the brand owner in case of any knowledge of any infringement or threatened infringement of the intellectual property in the territory; and
5. Provide reasonable assistance in any action undertaken by the brand owner to protect the intellectual property in the territory.

INSURANCE

The Group has ensured that its inventories are sufficiently and adequately covered by all-risk insurance policies.

PENDING LEGAL PROCEEDINGS

To the best of its knowledge, the Company itself, as well as its Subsidiaries, is not involved in or the subject of any material pending or threatened litigation.

RESEARCH AND DEVELOPMENT

While the Group engages in research on consumer behavior and similar activities, the Company did not incur any expense relating to research and development over the past three years.

TAXATION

In addition to the ordinary taxes for the sale of goods, liquor and spirits are subject to excise taxes. For a more exhaustive discussion on these applicable taxes, please refer to the section entitled "*Regulatory and Environmental Matters*" on page 209 of this Prospectus.

DESCRIPTION OF PROPERTY

As of the date of this Prospectus, the Group does not own any land and has no ongoing process for the acquisition of land.

The Group leases spaces for all of their warehouses and offices from related parties. Please see *"Related Party Transactions"* for the details of leases with related parties. The Group intends for all of the stores to be leased in line with its fixed asset-light business model which is standard in the retail industry.

As of the date of this Prospectus, the Group has leased nine (9) properties in the Philippines for their warehouses and offices. The lease rates and terms for these properties follow standard market rates and practices for similar businesses.

The lease rates for the warehouses are generally ranging from ₱150.00/sqm to ₱350.00/sqm, which are subject to annual escalation rates, in line with market standards.

A summary of the Group's leased properties for their existing warehouses is set out below.

No.	Use of Property	Location	Lessor	Gross Floor Area (sqm)	Expiration	Terms of Renewal
	Montosco					
1	Warehouse	Pampanga	Lucio L. Co	2,025.38	April 30, 2024	Renewable upon mutual agreement of parties for another 25 years, 5 years for every renewal
2	Warehouse	Paranaque	League One, Inc.	8,822.50	December 31, 2024	Renewable upon mutual agreement of parties
3	Warehouse	Manila	KMC Realty Corporation	5,770.84	December 31, 2023	Renewable upon mutual agreement of parties
Meritus						
1	Warehouse	Paranaque	VFC Land Resources, Inc.	500	December 31, 2025	Renewable upon mutual agreement of parties
Premier						
1	Warehouse	Paranaque	League One, Inc.	4,857.18	May 31, 2025	Renewable upon mutual agreement of parties
2	Warehouse	Paranaque	League One, Inc.	599.6	August 31, 2025	Renewable upon mutual agreement of parties

REGULATORY COMPLIANCE

The Company and the Subsidiaries have obtained, and/or are in the process of obtaining, all material permits, licenses and/or certificates of compliance from the relevant and appropriate local government units and regulatory agencies in relation to their continued business, as confirmed by Divina Law in its opinion dated [August 24, 2021].

Detailed below is a summary of the major permits and licenses necessary for the Group to operate its business, the failure to possess any of which would have a material adverse effect on its business and operations. The Company believes that the Group has all the applicable and material permits and licenses necessary to operate its business as currently conducted and such permits and licenses are valid, subsisting, or pending renewal.

No.	Group Entity	Type of Permit	Issuing Agency	Issue Date	Expiry Date
1.	Company	Certificate of Incorporation	Securities and Exchange Commission	November 5, 1963	N/A
2.	Montosco	Certificate of Incorporation	Securities and Exchange Commission	August 13, 2008	N/A
3.	Meritus	Certificate of Incorporation	Securities and Exchange Commission	February 17, 2010	N/A
4.	Premier	Certificate of Incorporation	Securities and Exchange Commission	June 19, 1996	N/A
5.	Company	Certificate of Registration	Bureau of Internal Revenue	March 3, 2017	N/A
6.	Montosco	Certificate of Registration	Bureau of Internal Revenue	March 6, 2017	N/A
7.	Meritus	Certificate of Registration	Bureau of Internal Revenue	March 4, 2010	N/A
8.	Premier	Certificate of Registration	Bureau of Internal Revenue	July 1, 1996	N/A
9.	Company	Annual Registration	Bureau of Internal Revenue	January 29, 2021	December 31, 2021
10.	Montosco	Annual Registration	Bureau of Internal Revenue	January 7, 2021	December 31, 2021
11.	Meritus	Annual Registration	Bureau of Internal Revenue	January 7, 2021	December 31, 2021
12.	Premier	Annual Registration	Bureau of Internal Revenue	January 12, 2021	December 31, 2021
13.	Montosco	Certificate of Registration	Bureau of Customs	September 08, 2021	September 08, 2022
14.	Meritus	Certificate of Registration	Bureau of Customs	September 08, 2021	September 08, 2022
15.	Premier	Certificate of Registration	Bureau of Customs	October 14, 2020	October 14, 2021[32]
16.	Company	Business Permit (Main Office)	City Government of Manila	February 11, 2021	December 31, 2021
17.	Montosco	Business Permit (Main Office)	City Government of Manila	February 15, 2021	December 31, 2021
18.	Montosco	Business Permit (Pampanga Warehouse)	City Government of San Fernando	February 03, 2021	December 31, 2021
19.	Meritus	Business Permit (Main Office)	City Government of Manila	February 15, 2021	December 31, 2021
20.	Meritus	Business Permit (Paranaque Warehouse)	City Government of Paranaque	February 28, 2021	December 31, 2021
21.	Premier	Business Permit (Main Office)	City Government of Manila	February 14, 2021	December 31, 2021
22.	Montosco	License to Operate as Food Distributor and Importer	Food and Drug Administration	June 14, 2021	July 13, 2026
23.	Meritus	License to Operate as Food Importer	Food and Drug Administration	N/A	December 28, 2022
24.	Premier	License to Operate as Food Importer	Food and Drug Administration	N/A	February 12, 2022

[32] The Group is preparing the application for renewal, which it intends to submit prior to the expiration of the Certificate of Registration.

Below is a summary of the valid and existing Certificate of Product Registrations ("**CPR**") obtained by the Group from the FDA for its products[33]:

Montosco

No.	Product Name	Brand Name	Issue Date	Expiry Date
1.	Excelente 26% Acl./Vol.	Bodegas William & Humbert	December 29, 2020	December 22, 2025
2.	Soju Watermelon 14% Alc./Vol	Chingu	December 8, 2020	December 8, 2025
3.	Soju Coffee – 14% Alc./Vol/	Chingu	December 2, 2020	December 2, 2025
4.	Soju Grape 12% Alc./Vol	Chingu	December 1, 2020	December 1, 2025
5.	Light Spirit Drink – 23% Alc./Vol	Escobar	December 2, 2020	December 2, 2025
6.	Merlot 13.5% Alc./Vol	Vino Fontana	January 9, 2017	January 9, 2022
7.	Triple Aged Rum 5+5 40% Alc./Vol	Dos Maderas	June 23, 2020	June 23, 2025
8.	White Wine – Palomino 12 Alc./Vol	Vino Fontana	July 14, 2020	July 14, 2025
9.	Strawberry Edition Gin 37.5% Alc./Vol	Mombasa Club	April 8, 2017	April 8, 2022
10.	Sangria 10% Alc./Vol	Vino Fontana	April 8, 2017	February 15, 2022
11.	Platinum Solera 28% Alc./Vol	Alfonso I	April 28, 2020	April 21, 2025
12.	Brandy de Jerez Solera Reserva 36% Alc./Vol	Alfonso XIII	February 18, 2019	November 28, 2023
13.	Alfonso 1 Zero 25% Alc./Vol	Alfonso I	May 22, 2019	May 22, 2024
14.	Brandy 25% Alc./Vol	Alfonso 1 Light	June 25, 2019	March 29, 2024
15.	Brandy De Jerez Solera Reserva 32% Alc./Vol	Alfonso 1	August 29, 2019	August 29, 2024
16.	Colonel's Reserve Alc./Vol 43.5%	Mombasa Club	August 16, 2018	August 16, 2023
17.	1857 Special Dry Gin 37.5% Alc./Vol	Gilbey's	January 8, 2019	January 8, 2024
18.	Solera Gran Reserva XO Brandy de Jerez 40% Alc./Vol	Alfonso	December 19, 2019	October 4, 2024
19.	Double Aged Rum Luxus 40% Alc./Vol	Dos Maderas	May 8, 2018	May 8, 2024
20.	Dos Maderas Triple Aged Rum Seleccion 42% Alc./Vol	Dos Maderas	June 26, 2019	June 26, 2024
21.	1857 Vodka 40% Alc./Vol	Gilbey's	January 30, 2019	January 30, 2024
22.	1877 Brandy de Jerez Solera Reserva 36% Alc./Vol	Williams Humbert	March 26, 2019	November 28, 2023
23.	Brandy de Jerez Solera Reserva 36% Alc./Vol	Don Luis	March 28, 2019	December 13, 2023
24.	Vino de Mesa Red Wine 12% Alc./Vol	Murano	March 27, 2019	November 28, 2023
25.	Vino de la Tierra de Castilla Shiraz Red Wine 13.5% Alc./Vol	Metrus	March 27, 2019	November 28, 2023
26.	Vine de Mesa Red Wine Medium Sweet 12% Alc./Vol	Vino Fontana	February 1, 2019	November 28, 2023
27.	Solera Reserva Brandy de Jerez 36% Alc./Vol	Juan Primero Platinum	February 1, 2019	December 29, 2023
28.	Special Dry Gin 37.5% Alc./Vol	Gilbey's 1857	February 19, 2019	February 19, 2024
29.	Prado Enea 2010, 14% Alc./Vol	Muga	September 14, 2018	September 14, 2023
30.	White Rioja Doc 2017-13% Alc./Vol	Muga	September 6, 2018	September 6, 2023
31.	Triple Aged Rum 5+5, 40% Alc./Vol	Dos Maderas	June 20, 2019	June 20, 2024

[33] For some of the products in the Group's portfolio, the suppliers and/or brand owners themselves directly obtain the CPR from the FDA.

32.	Gran Duque D Alba 17% Alc./Vol	Crema de Alba	June 20, 2019	June 20, 2024
33.	Double Aged Rum (5+3)-37.5% Alc./Vol	Dos Maderas	June 6, 2019	June 6, 2024
34.	Fundacion Solera Brandy de Jerez	Fundacion	June 10, 2019	April 3, 2024
35.	Sweet Red Wine, 9.5% Alc./Vol	Vino Fontana	April 23, 2020	April 21, 2025
36.	1857 Pink Gin Mixed Berries Flavour 37.5% Alc./Vol	Gilbey's	February 19, 2020	February 19, 2025
37.	Dry Gin 41.5% Alc./Vol	Mombasa Club	June 7, 2017	June 7, 2022
38.	Special Dry Gin 37.5% Alc./Vol	Gilbey's 1857	February 7, 2020	February 7, 2025
39.	Light Spirit Drink – 25% Alc./Vol	Romulo	May 6, 2021	May 6, 2026
40.	Juan Primero Light – 25% Alc./Vol	Juan Primero	May 6, 2021	June 25, 2026
41.	Adega De Pegoes Red Medium Sweet 12.5% Vol	Pegoes	March 2, 2021	May 20, 2026
42.	Medium Sweet White Wine 11.5% Vol	Adega de Pegoes	March 2, 2021	May 20, 2026
43.	Red Wine – Medium Dry, 12.5% Alc./Vol.	Adega de Pegoes	March 2, 2021	May 20, 2026
44.	Adega de Pegoes Red Medium Sweet 12.5% Vol. Pegoes	Pegoes	March 2, 2021	May 20, 2026
45.	Adega de Pegoes Cabernet Sauvignon Red 14.0% Vol	Pegoes	March 2, 2021	May 17, 2026
46.	Whiskey Liqueur with American Whiskey Light 27.5% Alc./Vol	Seagram's 7	September 15, 2021	September 15, 2026

Meritus

No.	Product Name	Brand Name	Issue Date	Expiry Date
1.	Founders' Estate California Cabernet Sauvignon 2017 – 12.8% Alc./Vol	Beringer	June 9, 2020	June 9, 2025
2.	Horoyoi Peach (Peach Juice 1% Using Peach Macerated Alcohol 3% Alc./Vol)	Suntory Horoyoi	August 25, 2020	August 25, 2025
3.	Natural Sweet Rose Wine 8.0% Alc./Vol	Saint Claire	May 4, 2021	May 4, 2026
4.	Hapikle Sour Liqueur Sparkling 3% Alc.	Suntory	May 4, 2021	May 4, 2026
5.	Midsummer Solstice Gin – 43.4% Alc./Vol	Hendrick's	December 29, 2020	December 29, 2025
6.	Solera Light Alcohol Spirit Drink 28% Alc./Vol	Alhambra	November 8, 2016	November 8, 2021
7.	Horoyoi White Sour – Cocktail 3% Alc./Vol	Suntory	December 2, 2017	December 2, 2022
8.	White Grape Juice 1% Liquor (Fizzy) 3% Alc./Vol	Horoyoi	February 9, 2018	February 9, 2023
9.	Saint Anna Natural Sweet Wine, 8% Alc./Vol	Saint Wine	August 17, 2021	August 17, 2026
10.	St. Celine Natural Sweet Red Wine, 8.0% Alc./Vol	Saint Wine	August 17, 2021	August 17, 2026
11.	Cognac 40% Alc./Vol	Courvoisier XO	October 16, 2019	October 16, 2024
12.	Whisky 40% Alc./Vol	Suntory	July 26, 2019	July 26, 2024
13.	Blenden Scotch Whisky the Family Reserve 40% Alc./Vol	Grant's	October 25, 2019	October 25, 2024
14.	Single Malt Scotch Whisky Aged 12 Year 40% Alc./Vol	Glenfiddich	October 23, 2019	October 23, 2024
15.	Single Malt Scotch Whisky – Aged 21 Years-40% Alc./Vol	Glenfiddich	October 14, 2019	October 14, 2024
16.	Irish Whisky Triple Distilled 40% Alc./Vol	Tullamore D.E.W.	October 31, 2019	October 31, 2024

17.	Single Malt Scotch Whisky Caribbean Cask Aged 14 Years 43% Alc./Vol	The Balvenie	October 28, 2019	October 28. 2024
18.	Dark Rum, 40% Alc./Vol	Cruzan	April 21, 2017	April 21, 2022
19.	Double Oak Kentucky Straight Bourbon Whiskey, 43% Alc./Vol	Jim Beam Kentucky	April 21, 2017	April 21, 2022
20.	Kininvie 23 Year Old Single Malt Scotch Whisky 42.6% Alc./Vol	William Grant & Sons	October 8, 2018	October 8, 2023
21.	Monkey Shoulder (40% Alc./Vol)	William Grants & Sons	October 11, 2018	October 11, 2023
22.	Single Grain Japanese Whiskey @ 43% Alc./Vol	The Chita	January 7, 2020	January 7, 2025
23.	Single Malt Scotch Whisky Age 15 Years 40% Alc./Vol	Glenfiddich	November 7, 2019	November 7, 2024
24.	Balvenie Double Wood 12 Years Old 40% Alc./Vol	William Grant & Sons	June 1, 2018	June 1, 2023
25.	Sipsmith London Dry Gin 41.6% Alc./Vol	Sipsmith	February 14, 2020	February 14, 2025
26.	Vodka 40% Alc./Vol	Haku	July 4, 2019	July 4, 2024
27.	Single Malt Scotch Whiskey 30 Years Old 47.3% Alc./Vol	The Balvenie	March 27, 2019	March 27, 2024
28.	Small Batch Vodka Hand Crafted in Iceland 40% Alc./Vol	Eimada Islandi Reyka	March 27, 2019	March 27, 2024
29.	Rose Premium Gin 37.5% Alc./Vol	Larios	March 26, 2019	March 26, 2024
30.	Bowmore Islay Single Malt Scotch Whisky Aged 18 Years Old 43% Alc./Vol	Bowmore	March 26, 2019	March 26, 2024
31.	Islay Single Malt Scotch Whisky Aged 15 Years Old 43% Alc./Vol	Bowmore	March 26, 2019	March 26, 2024
32.	Auchentoshan Single Malt Scotch Whisky 18 Years 43% Alc./Vol	Auchentoshan	March 26, 2019	March 26, 2024
33.	Threewood Single Malt Scotch Whisky 43% Alc./Vol	Auchentoshan	March 26, 2019	March 26, 2024
34.	Single Malt Scotch Whisky 12 Years 40% Alc./Vol	Auchentoshan	March 26, 2019	March 26, 2024
35.	Hendricks Gin 41.4% Alc./Vol	William Grant & Sons	February 21, 2019	February 21, 2024
36.	Balvenie 21 Year Old Portwood 40% Alc./Vol	William Grant & Sons	March 4, 2019	March 4, 2024
37.	The Isle of Skye Liqueur – A Unique Blend of Aged Scotch Whisky, Heather Honey, Herbs & Spices 40% Alc./Vol	Drambuie	February 26, 2019	February 26, 2024
38.	Solerno Blood Orange Liqueur 40% Alc./Vol	William Grant & Sons	January 14, 2019	January 14, 2024
39.	Glenfiddich 18 Year Old	William Grant & Sons	September 7, 2018	September 7, 2023
40.	Bowmore Slay Single Malt Scotch Whisky Aged 12 Years Old, 40% Alc./Vol	Bowmore	April 2, 2019	April 2, 2024
41.	Kentuck Straight Bourbon Whiskey, 40% Alc./Vol	Jim Beam	April 2, 2019	April 2, 2024
42.	California Chardonnay 2016 White Wine 13.0% Alc./Vol	Beringer Main & Vine	June 8, 2020	June 8, 2025
43.	Napa Valley Merlot 2017 14.0% Alc./Vol	Beringer	June 5, 2020	June 5, 2025
44.	Luminus Oak Knoll District Napa Valley Chardonnay 2017 – 14.3% Alc./Vol	Beringer	June 8, 2020	June 8, 2025
45.	Napa Valley Chardonnay 2017 14.5% Alc./Vol	Beringer	June 9, 2020	June 9, 2025
46.	Napa Valley Quantum Red Wine 2017 14.8% Alc./Vol	Beringer	June 9, 2020	June 9, 2025
47.	California White Zinfandel 2016 Wine 10% Alc./Vol	Beringer Main & Vine	June 9, 2020	June 9, 2025
48.	California Chardonnay 2017 – 13.9% Alc./Vol	Beringer Founders' Estate	June 10, 2020	June 10, 2025

49.	California Cabernet Sauvignon 2016 Red Wine 13.5% Alc./Vol	Beringer Main & Vine	June 10, 2020	June 10, 2025
50.	Pinotage Rose 2016 (Wine of South Africa)-12.5% Alc./Vol	Tall Horse Wines South Africa	August 1, 2017	August 1, 2022
51.	Wine South Africa Sauvignon Blanc 2016 12.5% Alc./Vol	Tall Horse	August 4, 2017	August 4, 2022
52.	Melon Juice Liqueur (Sparkling)-3% Alc./Vol	Suntory Horoyoi	October 27, 2020	October 27, 2025
53.	Chardonnay 2016 13.5% Alc./Vol	Tall Horse Wines	August 4, 2017	August 4, 2022
54.	Grape Sour (3% ALC)	Horoyoi	January 15, 2018	January 15, 2023
55.	Kentucky Straight Bourbon Whiskey 40% Alc./Vol	Jim Beam	June 2, 2017	June 2, 2022
56.	Aged Rum 40% Alc./Vol	Cruzan	April 8, 2017	April 8, 2022
57.	Cinnamon Whisky 33% Alc./Vol	Fireball	January 19, 2018	January 19, 2023
58.	Double Light Spirit Drink 25.8% Alc./Vol	Fundador	August 11, 2020	August 11, 2025
59.	Roku Gin 6 43% Alc./Vol	Suntory	February 10, 2018	February 10, 2023
60.	Premium Gin 40% Alc./Vol	Larios 12	March 5, 2018	March 5, 2023
61.	Umeshu Plum Liqueur 14% Alc./Vol	Suntory	February 28, 2018	February 28, 2023
62.	Napa Valley Cabernet Sauvignon 2016, 15.2% Alc./Vol	Beringer	July 9, 2020	July 9, 2025
63.	Islay Single Malt Scotch Whisky Aged 25 Years 49.8% Alc./Vol	Laphroaig	July 10, 2020	July 10, 2025
64.	Bernard Series Bush Vine Pinotage 2017-14% Alc./Vol	Bellingham	August 24, 2020	August 24, 2025
65.	Distilled Light Spirit 28% Alc./Vol	Fundador	February 7, 2020	February 7, 2025
66.	Solera Brandy De Jerez 36% Alc./Vol	Fundador	February 7, 2020	February 7, 2025
67.	Sipsmith Sloe Gin 29% Vol.	Sipsmith	February 7, 2020	February 7, 2025
68.	Raffles 1915 Fin 43% Alc./Vol	Sipsmith	February 7, 2020	February 7, 2025
69.	Honey – Real Honey Liqueur with Kentucky Straight Bourbon Whiskey 30% Alc./Vol	Jim Beam	February 7, 2020	February 7, 2025
70.	Islay Single Malt Scotch Whisky 48% Alc./Vol	Laphroaig Lore	May 30, 2017	May 30, 2022
71.	Kentucky Bourbon Whisky Barrel Finished with Oak Staves 47% Alc./Vol	Maker’s 46	June 2, 2017	June 2, 2022
72.	Moscato Wines 2016 8.0% Alc./Vol	Tall Horse	June 14, 2017	June 14, 2022
73.	Wines South Africa Chenin Blanc 2016 12.5% Alc./Vol	Tall Horse	June 14, 2017	June 14, 2022
74.	Wines South Africa Merlot 13.5% Alc./Vol	Tall Horse	June 14, 2017	June 14, 2022
75.	Kentucky Straight Bourbon Whiskey-43% Alc./Vol	Jim Beam Black	June 15, 2017	June 15, 2022
76.	Straight Bourbon Whisky Handmade-45% Alc./Vol	Maker’s Mark Kentucky	June 15, 2017	June 15, 2022
77.	Pinotage 2015, 13.5% Alc./Vol – Wine of South Africa	Tall Horse Wines South Africa	July 11, 2017	July 11, 2022
78.	Shiraz 2015, 13.5% Alc./Vol – Wine of South Africa	Tall Horse Wines South Africa	July 11, 2017	July 11, 2022
79.	Cabernet Sauvignon 2016, 13.5% Alc./Vol – Wine of South Africa	Tall Horse Wines South Africa	July 11, 2017	July 11, 2022
80.	Casked Umeshu-Plum Liqueur Latured in Toasted Casks 17.0% Alc./Vol	Suntory	March 14, 2018	March 14, 2023
81.	Melon Liqueur 20% Alc./Vol	Midori	March 6, 2018	March 6, 2023
82.	Straight Rye Whiskey 50% Alc./Vol	Knob Creek	March 16, 2018	March 16, 2023
83.	Solera Brandy, 32% Alc./Vol	Alhambra	November 2, 2017	November 2, 2022

84.	Apple Liqueur Infused with Kentucky Straight Bourbon 25% Alc./Vol	Jim Beam	May 30, 2017	May 30, 2022
85.	Double Shekwasha Sparkling Juice Cocktail – 9% Alc./Vol.	Suntory -196°	January 28, 2021	January 28, 2026

Premier

No.	Product Name	Brand Name	Issue Date	Expiry Date
1.	Smooth & Mellow Finest Blended Irish Whiskey 40% Alc./Vol	Bushmills	April 20, 2020	April 20, 2025
2.	Irish Whiskey – 40% Alc./Vol	Bushmills Black Bush	April 1, 2020	April 1, 2025
3.	Triple Distilled Aged 12 Years Single Malt Irish Whiskey 40.0% Alc./Vol	Bushmills	April 2, 2020	April 2, 2025
4.	Single Malt Irish Whiskey (Aged 10 Years) 40% Alc./Vol	Bushmills	March 26, 2020	March 26, 2025
5.	Liqueur Blended with Honey and Bourbon Whiskey	Wild Turkey American Honey 71 Proof Kentucky	April 15, 2019	September 19, 2022
6.	Kentucky Straight Bourbon Whiskey Single Barrel Vintage 2012 – 34.4% Alc./Vol	Evan Williams	March 24, 2020	March 24, 2025
7.	Carlos Brandy de Jerez Solera Gran Reserva 40% Alc./Vol	Osborne	July 18, 2017	July 18, 2022
8.	Carlos I Imperial X.O. Brandy De Jerez Solera Gran Reserva 40% Alc./Vol	Osborne	March 27, 2019	April 8, 2024
9.	Light (Spirit Drink) 25% Alc./Vol	Carlos	February 20, 2018	February 20, 2023
10.	Carlos III Brandy de Jerez Solera Reserva 36% Alc./Vol	Osborne	April 4, 2017	April 4, 2022
11.	Black Spiced Rum, 40% Alc./Vol	The Kraken	April 10, 2019	January 10, 2024
12.	Tequila Anejo Reserva 1800	Anejo Reserva 1800	January 16, 2020	April 19, 2025
13.	Jose Cuervo Especial Tequila Reposado	Jose Cuervo Especial	January 16, 2020	April 19, 2025
14.	Tequila Plata	Jose Cuervo Especial	January 31, 2020	October 12, 2025
15.	Islay Dry Gin	The Botanist	January 9, 2020	December 11, 2024
16.	Atlantic Galician Gin 40% Alc./Vol	Nordes	March 24, 2020	March 24, 2025
17.	Marula Fruit and Cream Liqueur	Amarula	March 28, 2019	July 20, 2023
18.	Herbal Liqueur – 35% Alc./Vol	Jägermeister	February 10, 2020	February 10, 2025
19.	Tequila Rose (Strawberry Cream Liqueur with Tequila) 15% Alc./Vol	Mc Cormickq	December 9, 2020	December 9, 2025
20.	Liqueur (Cognac & Liqueur D'Orange) 40% Alc./Vol	Grand Marnier	June 23, 2021	June 23, 2026
21.	Riserva Ducale Oro (Chianti Classico) Gran Selezione 2015 – 14.5% Alc./Vol	Ruffino	April 8, 2020	April 8, 2025
22.	Alauda 2016 Toscana Red Wine – 15.5% Alc./Vol	Ruffino	March 27, 2020	March 27, 2025
23.	Chianti 12.5% Alc./Vol	Ruffino	April 6, 2020	April 6, 2025
24.	Orvieto Classico 2018 12.0% Alc./Vol	Ruffino	March 27, 2020	March 27, 2025
25.	Moduc Toscana 2017 – 14.5% Alc./Vol	Ruffino	April 7, 2020	April 7, 2025
26.	Tenuta Greppone Mazzi 2014 Brunello Di Montalcino – 13.5% Alc./Vol	Ruffino	April 6, 2020	April 6, 2025
27.	Il Ducale 2017 – 14.5% Alc./Vol	Ruffino	April 6, 2020	April 6, 2025
28.	Riserva Ducale Chianti Classico 2016 14% Alc./Vol	Ruffino	April 6, 2020	April 6, 2025

29.	White Wine	Herederos del Marques de Riscal Rueda	October 16, 2019	November 13, 2022
30.	Red Wine	Arienzo de Marques de Riscal Rioja Crianza 2010	February 5, 2020	November 13, 2022
31.	Vino de Misa – 13.9% Alc./Vol	Mompo	April 6, 2020	April 6, 2025
32.	Sauvignon Blanc 13.5% Alc	Table Mountain	March 28, 2019	August 12, 2023
33.	Full Bodied Smooth Red Wine – 13% Alc./Vol	Overmeer	February 19, 2021	February 10, 2024
34.	Cabernet Sauvignon 13.5% Alc./Vol	Table Mountain	November 25, 2020	November 25, 2023
35.	Chardonnay 13.5% Alc.	Table Mountain	January 29, 2019	October 25, 2023
36.	Red Wine	Proximo Marques de Riscal Rioja 2011	February 5, 2020	August 10, 2022
37.	Shiraz, 14.5% Alc./Vol	Wolf Blass Grey Label	January 29, 2019	March 14, 2024
38.	Gold Label Regional Reserva Barossa Shiraz 2016 14.5% Alc./Vol	Wolf Blass	February 9, 2021	February 9, 2024
39.	Yellow Label Shiraz, 13.5% Alc./Vol	Wolf Blass	January 29, 2019	November 16, 2023
40.	Gold Label Chardonnay 2013 12.5% Alc./Vol	Wolf Blass	July 1, 2019	January 8, 2024
41.	Eaglehawk Chardonnay, 13.5% Alc./Vol	Wolf Blass	January 29, 2019	December 1, 2023
42.	Yellow Label Cabernet Sauvignon 13.5% Alc./Vol	Wolf Blass	July 1, 2019	November 10, 2023
43.	Private Release Chardonnay 13% Alc./Vol	Wolf Blass	January 29, 2019	January 8, 2024
44.	Yellow Label Dry Riesling 11.5% Alc./Vol	Wolf Blass	January 29, 2019	November 16, 2023
45.	Sauvignon Blanc 12.5% Alc./Vol	Wolf Blass Yellow Label	January 29, 2019	October 27, 2023
46.	Sauvignong Blanc, 13% Alc./Vol	Wolf Blass Eaglehawk	January 29, 2019	January 10, 2024
47.	Yellow Label Merlot 13.5% Alc./Vol	Wolf Blass	January 29, 2019	January 8, 2024
48.	Yellow Label Moscato 2020 5.5% Alc./Vol	Wolf Blass	February 16, 2021	February 16, 2024
49.	Yellow Label Chardonnay, 13.5% Alc./Vol	Wolf Blass	July 1, 2019	November 17, 2023
50.	Bilyara Shiraz 13.5% Alc./Vol	Wolf Blass	January 29, 2019	January 8, 2024
51.	Shiraz, 13.5% Alc./Vol	Wolf Blass Eaglehawk	January 29, 2019	January 12, 2024
52.	Private Release Cabernet Sauvignon, 13.5% Alc./Vol	Wolf Blass	January 29, 2019	December 1, 2023
53.	Black Label Cabernet Shiraz Malbec Barossa Valley Mclaren Vale Langhorne Creek 2017, 14.5% Alc./Vol	Wolf Blass	February 23, 2021	February 23, 2024
54.	Bilyara Chardonnay, 13.5% Alc./Vol	Wolf Blass	January 29, 2019	January 16, 2024
55.	Bin 2 Shiraz Mataro Wine of Australia 14.5% Alc./Vol	Penfolds	March 28, 2019	February 5, 2023
56.	Bin 28 Kalimna Shiraz 14.5% Alc./Vol	Penfolds	March 28, 2019	February 3, 2023
57.	Old Vine Zin – Lodi Zinfandel 2018, 14.5% Alc./Vol	Gnarly Head	June 4, 2021	June 4, 2024
58.	Chardonnay 12.5 Alc./Vol	Rothbury Estate	February 16, 2021	February 16, 2024
59.	Merlot (Central Coast) 2017 14.5% Alc./Vol	Gnarly Head	June 9, 2021	June 9, 2024
60.	RWT Bin 798 Shiraz Barossa Valley 2017 14.5% Alc./Vol	Penfolds Wines	April 2, 2020	April 2, 2025
61.	Rose Wine 2015 13.5% Alc./Vol	Caves D'esclans Whispering Angel	March 27, 2019	November 2, 2023
62.	Shiraz Cabernet 13.5% Alc./Vol	Rothbury Estate	February 9, 2021	February 9, 2024
63.	Koonunga Hill Shiraz Cabernet	Penfolds	March 9, 2020	February 15, 2023

64.	2017 Yattarna Bin 144 Chardonnay 13% Alc./Vol	Penfold Wines	March 25, 2020	March 25, 2025
65.	Cabernet Sauvignon 2019 (14% Alc./Vol)	19 Crimes	April 30, 2021	April 30, 2024
66.	Bin 707 Cabernet Sauvignon 14.5% Alc./Vol	Penfolds	January 9, 2020	January 26, 2023
67.	2019 Red Blend – 14% Alc./Vol	19 Crimes	June 29, 2021	June 29, 2026
68.	Shiraz 2019 14% Alc./Vol	19 Crimes	June 30, 2021	June 30, 2023
69.	Grange Bin 95 Red Wine 14.5% Vol	Penfolds	January 29, 2019	February 9, 2023
70.	Eaglehawk Cabernet Sauvignon 13.5% Alc./Vol	Wolf Blass	January 29, 2019	January 8, 2024
71.	Pinot Noir Marlborough 2019 12.5% Alc./Vol	Matua	June 30, 2021	June 30, 2026
72.	Black Label Cabernet Shiraz 15% Alc./Vol	Wolf Blass	January 29, 2019	January 10, 2024
73.	St. Henri Shiraz, Wine of Australia – 14.5% Alc./Vol	Penfolds	March 28, 2019	February 17, 2023
74.	Bin 8 Cabernet Shiraz, Wine of Australia – 14.5% Alc./Vol	Penfolds	March 28, 2019	January 26, 2023
75.	Antares Chardonnay – 13% Alc./Vol	Santa Carolina	July 11, 2020	July 11, 2025
76.	Anne De Codorniu Cava Brut – 11.5% Alc./Vol	Codorniu	July 1, 2021	July 1, 2026
77.	Scottish Barley The Classic Laddie Single Malt Scotch Whisky	Bruichladdich	January 16, 2020	November 13, 2024
78.	Strong Beer, 6.9% Alc./Vol	Foster's	November 10, 2017	November 10, 2022
79.	Beer 5% Alc./Vol	Budweiser King of Beers	July 29, 2019	July 29, 2024
80.	Prosecco D.O.C. – Dry Sparkling Wine 11% Alc./Vol	Cinzano	May 21, 2021	May 21, 2024
81.	Pale Lager 4.3% Alc./Vol	Hite	October 16, 2019	August 10, 2023
82.	Aperitivo 1919 11% Alc./Vol	Aperol	June 30, 2021	June 30, 2026
83.	Antares Cabernet Sauvignon 12.8% Alc./Vol	Santa Carolina	July 14, 2020	July 14, 2025
84.	Estrellas Cabernet Sauvignon 13% Alc./Vol	Santa Carolina	July 11, 2020	July 11, 2025
85.	Rosado – 12% Alc./Vol	Codorniu	June 29, 2021	June 29, 2026
86.	Arboralis Single Malt Scotch Whisky 40% Alc./Vol	The Glen Grant	May 24, 2021	May 24, 2026
87.	Herencia Camenere 2012 – 14.5% Alc./Vol	Santa Carolina	July 11, 2020	July 11, 2025
88.	Brut 11.5% Alc./Vol	Codorniu	June 28, 2021	June 28, 2026
89.	Spumante Sweet Sparling White Wine	Cinzano Asti DOCG	January 9, 2020	November 13, 2024
90.	Islay Single Malt Scotch Whisky	Octomore Scottish Barley	January 29, 2020	November 24, 2024
91.	Energy Drink	Red Bull	April 3, 2020	January 20, 2025
92.	Blended Scotch Whisky 40% Alc./Vol	Kirkland Signature	May 26, 2021	May 26, 2026
93.	Premium Strong Beer – 16 Imported Mega Strong	Oranjeboom	January 29, 2020	December 11, 2024
94.	Chardonnay (California) – 13.5% Alc./Vol	Kirkland Signature	May 26, 2021	May 26, 2026
95.	Cabernet Sauvignon – 13% Alc./Vol	Kirkland Signature	May 26, 2021	May 26, 2026
96.	Premio Fruity Chilean White Wine 12.2% Alc./Vol	Santa Carolina	July 11, 2020	July 11, 2025
97.	Premium Special Ultra Strong Beer 14% 500ml	Royal Dutch Post Horn Black	January 8, 2020	November 13, 2022
98.	Energy Drink	Red Bull	April 14, 2020	March 3, 2022
99.	Classic Red Sangria – 6% Alc./Vol	Kirkland Signature	July 2, 2021	July 2, 2026

100.	Premium American Vodka 40% Alc./Vol	Kirkland Signature	June 30, 2021	June 30, 2026
101.	Energy Drink Sugar Free	Red Bull	July 14, 2017	July 14, 2022
102.	Premium Special Super Strong Bear 12% 500mL	Royal Dutch Post Horn Gold	March 20, 2020	November 13, 2022
103.	Energy Drink Sugarfree	Red Bull	August 29, 2019	August 29, 2024
104.	Premium Strong Beer – 8.5 Imported Extra Strong	Oranjeboom	January 29, 2020	December 26, 2024
105.	Premio Fruity Chilean Red Wine 11.6% Alc./Vol	Santa Carolina	July 11, 2020	July 11, 2025
106.	Bitter	Campari	August 2, 2021	August 2, 2026

The CPRs for the following products are currently in the process of being renewed by the Group with the FDA:

No.	Product Name	Brand Name
1.	Indian Tonic Water	Fever-Tree
2.	Peach Flavor	Perrier
3.	Lemon (Flavored Carbonated Mineral Water)	Perrier
4.	Ginger Ale	Fever-Tree
5.	Elderflower Tonic Water	Fever-Tree
6.	Soda Water	Fever-Tree
7.	Carbonated Natural Mineral Water	Perrier
8.	Mediterranean Tonic Water	Fever-Tree
9.	Natural Artesian Water[34]	Fiji

[34] The Group is in the process of renewing this CPR.

REGULATORY AND ENVIRONMENTAL MATTERS

The following description is a summary of certain sector specific laws and regulations in the Philippines, which are applicable to the Keepers Holdings, Inc. The information detailed in this chapter has been obtained from publications available in the public domain. The regulations set out below may not be exhaustive and are only intended to provide general information to the investors and are neither designed nor intended to substitute for professional legal advice or a detailed review of the relevant laws and regulations.

FOREIGN INVESTMENT LAWS AND RESTRICTIONS

Foreign Investments Act of 1991

Republic Act No. 7042, otherwise known as the Foreign Investments Act of 1991 ("**Foreign Investments Act**"), liberalized the entry of foreign investment into the Philippines. As a general rule, there are no restrictions on extent of foreign ownership of export enterprises. In domestic market enterprises, foreigners can invest as much as one hundred percent (100%) equity except in areas included in the Foreign Investment Negative List.

For the purpose of complying with nationality laws, the term "Philippine National" is defined under the Foreign Investments Act as any of the following:

- a citizen of the Philippines;
- a domestic partnership or association wholly owned by citizens of the Philippines;
- a corporation organized under the laws of the Philippines of which at least 60% of the capital stock outstanding and entitled to vote is owned and held by citizens of the Philippines;
- a corporation organized abroad and registered to do business in the Philippines under the Revised Corporation Code of the Philippines, of which 100% of the capital stock outstanding and entitled to vote is wholly owned by Filipinos; or
- a trustee of funds for pension or other employee retirement or separation benefits, where the trustee is a Philippine National and at least 60% of the fund will accrue to the benefit of Philippine Nationals.

For as long as the percentage of Filipino ownership of the capital stock of the corporation is at least 60% of the total shares outstanding and voting, the corporation shall be considered as a 100% Filipino-owned corporation. A corporation with more than 40% foreign equity may be allowed to lease private land for a period of 25 years, renewable for another 25 years.

Registration of Foreign Investments and Exchange Controls

Under current BSP regulations, an investment in Philippine securities (such as the Offer Shares) must be registered with the BSP if the foreign exchange needed to service the repatriation of capital and/or the remittance of dividends, profits, and earnings derived from such shares is to be sourced from the Philippine banking system. If the foreign exchange required to service capital repatriation or dividend remittance will be sourced outside the Philippine banking system, registration with the BSP is not required. BSP Circular No. 471 issued on January 24, 2005 subjects foreign exchange dealers and money changers to RA No. 9160 (the Anti-Money Laundering Act of 2001, as amended) and requires these non-bank sources of foreign exchange to require foreign exchange buyers to submit supporting documents in connection with their application to purchase foreign exchange for purposes of capital repatriation and remittance of dividends.

Registration of Philippine securities listed in the PSE may be done directly with a custodian bank duly designated by the foreign investor. A custodian bank may be a universal or commercial bank or an offshore banking unit registered with the BSP to act as such and appointed by the investor to register the investment, hold shares for the investor, and represent the investor in all necessary actions in connection with his investments in the Philippines. Applications for registration must be accompanied by: (i) purchase invoice, subscription agreement and proof of listing on the PSE (either or both); (ii) original certificate of inward remittance of foreign exchange and its conversion into Philippine Pesos through an authorized agent bank in the prescribed format; and (iii) authority to disclose ("**Authority to Disclose**") in the prescribed format. The Authority to Disclose allows the custodian bank to disclose to the BSP any information that may be required to comply with post-audit requirements for the registration of Peso-denominated investments.

Upon registration of the investment, proceeds of divestments, or dividends of registered investments are repatriable or remittable immediately and in full through the Philippine banking system, net of applicable tax, without need of BSP approval. Capital repatriation of investments in listed securities is permitted upon presentation of the BSP registration document ("**BSRD**") or BSRD Letter-Advice from the registering custodian bank and the broker's sales invoice, at the exchange rate prevailing at the time of purchase of the foreign exchange from the banking system. Remittance of dividends is permitted upon presentation of: (1) the BSRD or BSRD Letter-Advice; (2) the cash dividends notice from the PSE and the Philippine Depository and Trust Corporation (formerly the Philippine Central Depository) showing a printout of cash dividend payment or computation of interest earned; (3) the copy of the corporate secretary's sworn statement attesting to the board resolution covering the dividend declaration and (4) the detailed computation of the amount applied for in the format prescribed by the BSP. For direct foreign equity investments, the latest audited financial statements or interim financial statements of the investee firm covering the dividend declaration period need to be presented in addition to the documents enumerated above. Pending reinvestment or repatriation, divestment proceeds, as well as dividends of registered investments, may be lodged temporarily in interest-bearing deposit accounts. Interest earned thereon, net of taxes, may also be remitted in full. Remittance of divestment proceeds or dividends of registered investments may be reinvested in the Philippines if the investments are registered with the BSP or the investor's custodian bank.

The foregoing is subject to the power of the BSP, with the approval of the President of the Philippines, to suspend temporarily or restrict the availability of foreign exchange, require licensing of foreign exchange transactions or require delivery of foreign exchange to the BSP or its designee during a foreign exchange crisis, when an exchange crisis is imminent, or in times of national emergency. Furthermore, there can be no assurance that the foreign exchange regulations issued by the BSP will not be made more restrictive in the future.

The registration with the BSP of all foreign investments in the Offer Shares shall be the responsibility of the foreign investor.

The 1987 Constitution of the Philippines

The Philippine Constitution and Philippine statutes set forth restrictions on foreign ownership of companies engaged in certain activities.

The ownership of private lands in the Philippines is reserved for Philippine Nationals and Philippine corporations at least 60% of whose capital stock is owned by Philippine Nationals. The prohibition is rooted in Sections 2, 3 and 7 of Article XII of the 1987 Philippine Constitution, which states that, save in cases of hereditary succession, no private lands shall be transferred or conveyed except to individuals, corporations or associations qualified to acquire or hold lands of the public domain. In turn, the nationality restriction on the ownership of private lands is further underscored by Commonwealth Act No. 141 which provides that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens.

Furthermore, the Foreign Investments Act and the Eleventh Regular Foreign Investment Negative List categorize the ownership of private lands as a partly-nationalized activity, such that the operation, ownership, or both thereof is partially reserved for Filipinos. Thus, landholding companies may have a maximum of 40% foreign equity.

REGULATIONS RELATING TO HEALTH, FOOD, AND COSMETICS, AND THE SALE OF SUCH PRODUCTS

The Food, Drug, and Cosmetic Act

The Food, Drug and Cosmetic Act, was passed into law on June 22, 1963. This was later amended by Executive Order 175 and Republic Act No. 9711 or "The Food and Drug Administration Act of 2009".

The Food, Drug and Cosmetic Act, as amended, was enacted as part of the government's policy of ensuring that safe and quality food is available to the people of the Philippines and to regulate the production, sale and trade of food to protect the health of the citizens. The Food and Drug Administration ("**FDA**"), under the Department of Health ("**DOH**") administers and enforces The Food, Drug and Cosmetic Act, among other laws on safety and good quality supply of food, consumer drugs and cosmetics and regulates the production, sale, and traffic of the same to protect the health of the people.

Under The Food, Drug and Cosmetic Act, "food" is defined as any processed substance which is intended for human consumption and includes drinks, beverages, chewing gum and any substances which have been used as an ingredient in the manufacture, preparation or treatment of food. "Cosmetics", on the other hand, is defined as any substance or preparation intended to be placed in contact with the various external parts of the human body or with the teeth and the mucous membranes of the oral cavity, with a view exclusively or mainly to cleaning them, perfuming them, changing their appearance and/or correcting body odor, and/or protecting the body or keeping them in good condition.

The Food, Drug and Cosmetic Act covers both locally manufactured and imported products and establishes standards as well as quality measures for food. A comprehensive enforcement framework was set up, which is deemed as necessary to ensure a pure and safe supply of food in the country.

Under The Food, Drug and Cosmetic Act, the following scenarios, among others, are considered prohibited and are punishable:

- the manufacture, import, export, sale, offer for sale, distribution, transfer, non-consumer use, promotion, advertising or sponsorship of any health products (defined as food, cosmetics, devices, biologicals, vaccines, in-vitro diagnostic reagents, and household/urban hazardous substances) that are adulterated, unregistered or misbranded;

- the adulteration or misbranding of any health product;

- the refusal to permit entry or inspection as authorized by Section 27 of The Food, Drug and Cosmetic Act or to follow samples to be collected;

- the alteration, mutilation, destruction, obliteration, or removal of the whole or any part of the labeling of, or the doing of any other act with respect to health products if such act is done while the article is held for sale (whether or not the first sale) and results in the article being adulterated or misbranded; and

- the sale, offering for sale, importation, exportation, distribution or transfer of any health product beyond its expiration or expiry date, if applicable.

The commission of any of the prohibited acts stated above can result in imprisonment and/or a fine, in the sole discretion of the courts. Furthermore, any article of food, drug, device or cosmetic that is adulterated or misbranded when introduced into the domestic commerce may be seized and held in custody pending proceedings, without a hearing or court order, when the director general of the FDA has reasonable cause to believe from facts found by him or any officer or employee of the FDA that such health products may cause harm or prejudice to the consuming public.

Food shall be deemed to be adulterated if it carries or contains any poisonous or deleterious substance which may render it injurious to health, except if the quantity of such substance in such food does not ordinarily render it injurious to health. Food shall be deemed adulterated if it carries or contains any added poisonous or added deleterious substance other than one which is a pesticide chemical in or on a raw agricultural commodity for which tolerances have been established and it conforms to such tolerances. Food is adulterated if it consists in whole or in part of any filthy, putrid, or in part decomposed substance, or if it is otherwise unfit for human consumption; likewise, if it is, in whole or in part, the product of a diseased animal or of an animal which has died otherwise than by slaughter. Lastly, if the container is composed, in whole or in part, of any poisonous or deleterious substance that may render the contents injurious to health, the food is considered adulterated.

Food shall be deemed to be misbranded if its labeling is false or misleading in any particular; if it is offered for sale under the name of another food; if it is an imitation of another food, unless its label bears in type of uniform size and prominence, the word "imitation" and immediately thereafter, the name of the food imitated; if its container is made, formed, or filled as to be misleading; if in package form unless it bears a label containing (i) the name and place of business of the manufacturer, packer, distributor; and (ii) an accurate statement of the quantity of the contents in terms of weight, measure, numerical count; (iii) subject to reasonable variations and exemptions as to small packages as may be established by regulations, if any word, statement, or other information required by or under authority of the secretary of the FDA.

The Food, Drug and Cosmetic Act to appear on the label or labeling is not prominently placed thereon with such conspicuousness and in such terms as to render it likely to be read and understood by the ordinary individual under customary conditions of purchase and use; (iv) if it purports to be or is represented as food for which a definition and standard of identity has been prescribed unless (i) it conforms to such definition and standard, and (ii) its label bears the name of the food specified in the definition and standard, and insofar as may be required by such regulations, the common names of optional ingredients (other than spices, flavoring, and coloring) present in such food; if it purports to be or is represented as (i) food for which a standard of quality has been prescribed by regulations, and its quality falls below such standard, unless its label bears, in such manner and form as such regulations specify, a statement that it falls below such standard; or (ii) food for which a standard or standards of fill of container have been prescribed by regulations and it falls below the standard of fill of container applicable thereto, unless its label bears, in such manner and form as such regulations specify, statement that if falls below such standard; if its label does not bear (i) the common or usual name of the food, if there be any, and (ii) in case it is fabricated from two or more ingredients, the common or usual name of each such ingredient; except the spices, flavorings and colorings without naming each; and to the extent that compliance becomes impracticable or results in deception or unfair competition, exemptions shall be established by regulations promulgated by the Secretary of the FDA; if it purports to be or is presented for special dietary uses, unless its label bears such information concerning its vitamin, mineral and other dietary properties as the Secretary determines to be, and by regulations prescribes as necessary to fully inform purchasers as to its value for such uses; if it bears or contains any artificial flavoring, artificial coloring, or chemical preservative, unless it bears labeling stating that fact however, to the extent that compliance with this requirements is impracticable, exemptions shall be established by regulations promulgated by the Secretary of the FDA.

For the purposes of enforcement of the Food, Drug and Cosmetic Act, officers or employees duly designated by the Secretary, upon presenting appropriate credentials to the owner, operator, or agent in charge, are authorized (i) to enter, at reasonable hours, any factory, warehouse, or establishment in which food, drugs, devices or cosmetics are manufactured, processed, packed, or held, for introduction into domestic commerce; and (ii) to inspect, in a reasonable manner, such factory, warehouse, establishment, or vehicle and all pertinent equipment, finished or unfinished materials, containers, and labeling therein.

The Secretary of the FDA may cause to be disseminated information regarding food, drugs, devices, or cosmetics in situations involving, in the opinion of the Secretary, imminent danger to health, or gross deception of the consumer. The Secretary of the FDA shall not be prohibited from collecting, reporting and illustrating the results of investigations of the DOH.

The Consumer Act

Republic Act No. 7394, or Consumer Act of the Philippines ("**Consumer Act**"), seeks to: (a) protect consumers against hazards to health and safety; (b) protect consumers against deceptive, unfair and unconscionable sales acts and practices; (c) provide information and education to facilitate sound choice and the proper exercise of rights by the consumer; (d) provide adequate rights and means of redress; and (e) involve consumer representatives in the formulation of social and economic policies. "Consumer products and services," as defined by the Consumer Act, means goods, services and credits, debts or obligations which are primarily for personal, family, household or agricultural purposes, which shall include but not limited to food, drugs, cosmetics, and devices. The DTI is the implementing agency tasked to promulgate the policies under the Consumer Act.

The Consumer Act establishes quality and safety standards with respect to the composition, contents, packaging, labeling and advertisement of products and prohibits the manufacture for sale, offer for sale, distribution, or importation of products which are not in conformity with applicable consumer product quality or safety standards promulgated thereunder.

The minimum labeling requirements for consumer products sold in the Philippines are: (a) the correct and registered trade name or brand name; (b) the duly registered trademark; (c) the duly registered business name; (d) the address of the manufacturer, importer, repacker of the consumer product in the Philippines; (e) the general make or active ingredients; (f) the net quantity of contents, in terms of weight, measure or numerical count rounded off to at least the nearest tenths in the metric system; (g) the country of manufacture, if imported; and (h) if a consumer product is manufactured, refilled or repacked under license from a principal, the label shall so state the fact.

The Price Act

Republic Act No. 7581, as amended by Republic Act No. 10623, or the Price Act, seeks to ensure the availability of basic necessities and prime commodities at reasonable prices at all times without denying legitimate business a fair return on investment. It also aims to protect consumers against hoarding, profiteering and cartels with respect to the supply, distribution, marketing and pricing of said goods, especially during periods of calamity, emergency, widespread illegal price manipulation and other similar situations.

The law particularly regulates basic necessities and prime commodities. Basic commodities are goods vital to the needs of consumers for their sustenance and existence, and include beverages such as but not limited to potable water in bottles and containers, and fresh and processed milk.

The law prohibits the following illegal acts of manipulation: hoarding, profiteering and cartel of basic necessities and prime commodities, and imposes the penalty of imprisonment for a period not less than five nor more than fifteen years, and a fine of not less than ₱5,000.00 nor more than ₱2,000,000.00.

Further, the law provides for the automatic price control of basic necessities in certain defined circumstances, such as declaration of emergency. The President may also impose a price ceiling on any basic necessity or prime commodity if the conditions so warrant, such as when the prevailing price of the good has risen to unreasonable levels. The violation of price ceiling carries the penalty of imprisonment for a period of not less than one year nor more than ten years or a fine of not less than ₱5,000.00 nor more than ₱1,000,000.00.

FDA Rules and Regulations

Under Department of Health Administrative Order No. 0029-14 or the Rules and Regulations on the Licensing of Food Establishments and Registration of Processed Food, all food establishments are required to obtain a License to Operate ("**LTO**") from the FDA. An LTO and other requirements specified in the Food Safety Act and its implementing rules and regulations are necessary for establishments engaged in the manufacturing, importation, exportation, sale, offer for sale, distribution, transfer, use, testing, promotion, advertisement, and/or sponsorship of alcoholic beverages.

The FDA also requires a Certificate of Product Registration ("**CPR**") for the distribution, supply, sale, offer for sale, or use of processed food products. A CPR covering a particular health product constitutes prima facie evidence of the registrant's marketing authority for said health product in connection with the activities permitted pursuant to the registrant's LTO.

The operation of a food business without the proper authorization from the FDA is prohibited and punishable with a fine. The closure of the establishment may also be imposed as a penalty upon the finding of a commission of a prohibited act.

Finally, the FDA issues authorization based on the risk categorization of food establishments and food products. It also conducts post-market surveillance and product monitoring based on the risks presented by the food products. In this regard, the FDA follows a classification list based on the Codex Alimentarius General Standard of Food Additives and the United Nations Food and Agriculture Organization Risk Categories, wherein processed food products are classified according to microbiological risk: (a) Low Risk Food — foods that are unlikely to contain pathogenic microorganisms and will not normally support their growth because of food characteristics, and foods that are unlikely to contain harmful chemicals; (b) Medium Risk Food — foods that may contain pathogenic microorganisms but will not normally support their growth because of food characteristics; or food that is unlikely to contain pathogenic microorganisms because of food type or processing but may support the formation of toxins or the growth of pathogenic microorganisms; and (c) High Risk Food — foods that may contain pathogenic microorganisms and will support the formation of toxins or the growth of pathogenic microorganisms, and foods that may contain harmful chemicals. Alcoholic beverages are classified as Low Risk Foods.

The Food Safety Act

Republic Act No. 10611 otherwise known as the Food Safety Act of 2013 ("**Food Safety Act**") aims to protect the public from food-borne and water-borne illnesses and unsanitary, unwholesome, misbranded or adulterated foods; enhance industry and consumer confidence in the food regulatory system; and achieve economic growth and development by promoting fair trade practices and sound regulatory foundation for domestic and international trade. The same law created the Food Safety Regulation Coordinating Board responsible for monitoring and coordinating the performance and implementation of the mandates of the DA, the DOH, the DILG and the local government units in food safety regulation.

Under the Food Safety Act, the DOH and DA set the mandatory food safety standards. Foods imported into the country must come from countries with an equivalent food safety regulatory system and shall comply with international agreements to which the Philippines is a party.

Food business operators are primarily responsible in ensuring that the food satisfies the requirements of food laws relevant to their activities in the food supply chain and that control systems are in place to prevent, eliminate or reduce risks to consumers. Non-compliance with the provisions of the Food Safety Act may result in the imposition of fine and a suspension of the appropriate authorization, as warranted.

The Intellectual Property Code

To encourage the transfer and dissemination of technology, prevent or control practices and conditions that may in particular cases constitute an abuse of intellectual property rights having an adverse effect on competition and trade, all technology transfer arrangements shall comply with the provisions of Republic Act No. 8293, or the Intellectual Property Code of the Philippines. Technology transfer arrangements refer to contracts or agreements involving the transfer of systematic knowledge for the manufacture of a product, the application of a process, or rendering of a service including management contracts; and the transfer, assignment or licensing of all forms of intellectual property rights.

The law provides for several prohibited clauses in the technology transfer agreement which, on its face, may be considered to have an adverse effect on competition and trade. These include, among others, provisions such as: a) those which impose upon the licensee the obligation to acquire from a specific source capital goods, intermediate products, raw materials, and other technologies, or of permanently employing personnel indicated by the licensor; b) those pursuant to which the licensor reserves the right to fix the sale or resale prices of the products manufactured on the basis of the license; c) those that contain restrictions regarding the volume and structure of production; and d) those which prevent the licensee from adapting the imported technology to local conditions, or introducing innovation to it, as long as it does not impair the quality standards prescribed by the licensor.

The law also provides for several mandatory provisions, to wit:

(1) That the laws of the Philippines shall govern the interpretation of the same and in the event of litigation, the venue shall be the proper court in the place where the licensee has its principal office;

(2) Continued access to improvements in techniques and processes related to the technology shall be made available during the period of the technology transfer arrangement;

(3) In the event the technology transfer arrangement shall provide for arbitration, the Procedure of Arbitration of the Arbitration Law of the Philippines or the Arbitration Rules of the United Nations Commission on International Trade Law or the Rules of Conciliation and Arbitration of the International Chamber of Commerce shall apply and the venue of arbitration shall be the Philippines or any neutral country; and

(4) The Philippine taxes on all payments relating to the technology transfer arrangement shall be borne by the licensor.

Technology transfer arrangements that conform to the foregoing need not be registered with the Documentation, Information and Technology Transfer Bureau. Non-conformance, however, shall automatically render the technology transfer arrangement unenforceable, unless said technology transfer arrangement is approved and registered with the Documentation, Information and Technology Transfer Bureau in exceptional or meritorious cases where substantial benefits will accrue to the economy, such as high technology content, increase in foreign exchange earnings, employment generation, regional dispersal of industries and/or substitution with or use of local raw materials, or in the case of Board of Investments, registered companies with pioneer status.

Other Regulations Particular to the Alcoholic Beverage Industry

Presidential Decree No. 1619

The law prohibits the sale of volatile substances that induce intoxication, including alcoholic beverages, to minors without the consent of their parents or guardians. For alcoholic beverages that contain at least thirty percent alcohol (or sixty proof), it is entirely prohibited to sell to minors. Any person found in violation of the law may be punished by imprisonment and fine.

FDA Circular No. 2019-006

Pursuant to the provisions of the Food Safety Act, the FDA issued FDA Circular No. 2019-006 on the Guidelines on Commercial Display, Selling, Promotion, and Advertising of Alcoholic Beverages and Beverages that Contain Alcohol, providing for the following guidelines:

1. All alcoholic beverages, regardless of type of packaging, shall only be displayed in designated conspicuous area in all convenience stores, supermarkets, hypermarkets, groceries and other food retailing stores with prominent signage "ALCOHOLIC BEVERAGES." Other beverages with alcohol regardless of level of alcohol content like alcopop (flavoured beverage with alcohol content) shall likewise be displayed in this

same designated area. These beverages shall not be displayed together with other products like juice drinks and MUST NOT be accessible to children;

2. Owners or operators of sari-sari stores which may not have enough space to designate an area for alcoholic beverages and other beverages with alcohol content shall be responsible to ensure that subject beverages as mentioned in Item no. 2 above are not sold to minors (below 18 years old); and
3. Promotional and advertising materials on alcoholic beverages and beverages with alcohol content (regardless of amount) shall clearly state or inform consumers that such beverages contain alcohol, and therefore not to be promoted and advertised to be sold to and consumed by minors. Packaging and labelling materials shall not be appealing to children.

Sanctions and penalties over violations of any of the provisions of this FDA Circular shall follow the Food Safety Act and its IRR.

Liquor Bans as COVID-19 Restrictions by LGUs

As a measure to control the spread and local transmission of COVID-19, the local governments around Metro Manila and the rest of the Philippines implemented and continue to implement temporary liquor bans within their respective jurisdictions to ensure social distancing and prevent mass gatherings in the Philippines.

EXCISE TAX LAW

The Group's alcoholic and liquor products are subject to excise taxes which are currently substantially passed on to consumers and form part of the sales prices.

R.A. No. 11467 (signed into law on 22 January 2020)

Excise taxes apply to alcohol products such as distilled spirits, wines and fermented liquors, which are manufactured or produced in the Philippines for domestic sales or consumption or for any other disposition, including imported items. The excise tax imposed by law is in addition to Value Added Tax ("**VAT**").

Spirits or distilled spirits are substances known as ethyl alcohol, ethanol or spirits of wine, including all dilutions, purifications and mixtures thereof, from whatever source, by whatever process produced, and includes whisky, brandy, rum, gin and vodka, and other similar products or mixtures. Proof spirits are liquors containing one-half (1/2) of their volume of alcohol with a specific gravity of 0.7939 at 15˚C. A proof liter is a liter of proof spirits.

Pursuant to R.A. No. 11467, excise taxes on distilled spirits shall be levied, assessed and collected as follows:

1. Effective on January 1, 2020:
    - An ad valorem tax equivalent to 22.0% of the net retail price (excluding the excise tax and VAT) per proof; and
    - In addition to the ad valorem tax, a specific tax of ₱42.00 per proof liter.

2. Effective on January 1, 2021:
    - An ad valorem tax equivalent to 22.0% of the net retail price (excluding the excise tax and VAT) per proof; and
    - In addition to the ad valorem tax, a specific tax of ₱47.00 per proof liter.

3. Effective January 1, 2022:
    - An ad valorem tax equivalent to 22.0% of the net retail price (excluding the excise tax and VAT) per proof; and
    - In addition to the ad valorem tax, a specific tax of ₱52.00 per proof liter.

4. Effective January 1, 2023
    - An ad valorem tax equivalent to 22.0% of the net retail price (excluding the excise tax and VAT) per proof; and
    - In addition to the ad valorem tax, a specific tax of ₱59.00 per proof liter.

5. Effective January 1, 2024
    - An ad valorem tax equivalent to 22.0% of the net retail price (excluding the excise tax and VAT) per proof; and

- In addition to the ad valorem tax, a specific tax of ₱66.00 per proof liter.

6. Effective January 1, 2025, the specific tax of ₱66.00 per proof liter shall be increased by six percent (6%) every year thereafter, while the ad valorem tax shall remain the same.

Medicinal preparations, flavoring extracts, and all other preparations, except toilet preparations, of which, excluding water, distilled spirits form the chief ingredient, are subject to the same tax as the chief ingredient.

The tax shall be proportionally increased for any strength of the spirits taxed over proof spirits, and the tax shall attach to this substance as soon as it is in existence as such, whether it be subsequently separated as pure or impure spirits, or transformed into any other substance either in the process of original production or by any subsequent process.

The net retail price shall mean the price at which the distilled spirits is sold on retail in at least five (5) major supermarkets in Metro Manila, excluding the amount intended to cover the applicable excise tax and the value-added tax. For distilled spirits which are marketed outside Metro Manila, the net retail price shall mean the price at which the distilled spirits are sold in at least five (5) major supermarkets in the region excluding the amount intended to cover the applicable excise tax and the value-added tax. This shall initially be provided by the manufacturer through a sworn statement and shall be validated by the Bureau of Internal Revenue ("**BIR**") through a price survey. The net retail price shall be determined by the BIR through a biannual price survey under oath.

The suggested net retail price means the net retail price (excluding excise tax and value-added tax) at which locally manufactured or imported distilled spirits are intended by the manufacturer or importer to be sold in major supermarkets or retail outlets in Metro Manila for those marketed nationwide, and in other regions, for those with regional markets. At the end of three months from the product launch, the BIR will validate the suggested net retail price of the new brand against the net retail price and determine the correct tax on a newly introduced distilled spirits. After the end of nine months from such validation, the BIR shall revalidate the initially validated net retail price against the net retail price as of the time of revalidation in order to finally determine the correct tax on a newly introduced distilled spirits.

Understatement of the suggested net retail price by as much as 15.0% of the actual net retail price results in the manufacturer's or importer's liability for additional excise tax equivalent to the tax due and the difference between the understated suggested net retail price and the actual net retail price.

Wines are levied, assessed and collected an excise tax of ₱50 per liter effective January 1, 2020, increasing by 6% every year thereafter.

Manufacturers and importers of distilled spirits and wines, within 30 days from the effectivity of R.A. No. 11467 and within the first five (5) days of every month thereafter, submit to the BIR a sworn statement of the volume of sales and removals for each particular brand of distilled spirits sold at their establishment for the three-month period immediately preceding.

Any manufacturer or importer who misdeclares or misrepresents in the sworn statement any pertinent data or information shall, upon final findings by the BIR that the violation was committed, be penalized by a summary cancellation or withdrawal of the permit to engage in business as a manufacturer or importer of distilled spirits or wines. Any corporation, association or partnership liable for any of the acts or omissions in violation of the provision on excise tax for distilled spirits or wines will be fined treble the amount of deficiency taxes, surcharges and interest which may be assessed. Any person liable for, or who wilfully aids or abets, any of the acts or omissions prohibited under the excise tax laws will be criminally liable and penalized under the National Internal Revenue Code of 1997, as amended (the "**Tax Code**").

THE LOCAL GOVERNMENT CODE

Republic Act No. 7160, otherwise known as the Local Government Code ("**LGC**") establishes the system and powers of provincial, city, municipal, and barangay governments in the country. The LGC general welfare clause states that every local government unit ("**LGU**") shall exercise the powers expressly granted, those necessarily implied, as well as powers necessary, appropriate, or incidental for its efficient and effective governance, and those which are essential to the promotion of the general welfare.

An LGU, through its respective legislative bodies, may enact ordinances and approve resolutions, as shall be necessary and proper to provide for health and safety, comfort and convenience, maintain peace and order, improve the morals, and promote the prosperity and general welfare of the community and the inhabitants thereof, and the protection of property therein. Ordinances can reclassify land, impose real property taxes, order the closure of business establishments, and require permits and licenses from businesses operating within the territorial jurisdiction of the LGU**.**

Businesses are required to obtain a local business permit from the LGU having jurisdiction over the territory where the entity seeks to operate before commencement of actual operations. In order to obtain a local business permit for any business or activity, a clearance must first be obtained from the barangay where such business or activity is located or conducted.

Subject to certain limitations, the power to tax is also exercised by the LGU through their respective legislative bodies, upon enactment of an appropriate ordinance.

LABOR AND EMPLOYMENT

Labor Code of the Philippines

The Department of Labor and Employment ("**DOLE**") is the Philippine government agency mandated to formulate policies, implement programs and services, and serves as the policy-coordinating arm of the Executive Branch in the field of labor and employment. The DOLE has exclusive authority in the administration and enforcement of labor and employment laws such as the Labor Code of the Philippines ("**Labor Code**") and the Occupational Safety and Health Standards, as amended, and such other laws as specifically assigned to it or to the Secretary of the DOLE.

On March 15, 2017, Department Order No. 174 (2017) ("**D.O. 174**") was issued by the DOLE providing for the guidelines on contracting and subcontracting, as provided for under the Labor Code. It has reiterated the policy that Labor-only Contracting is absolutely prohibited where: (1) (a) the contractor or subcontractor does not have substantial capital, or does not have investments in the form of tools, equipment, machineries, supervision, work premises, among others; and (b) the contractor's or subcontractor's employees recruited and placed are performing activities which are directly related to the main business operation of the principal; or (2) the contractor or subcontractor does not exercise the right to control over the performance of the work of the employee. Subsequently, DOLE issued Department Circular No. 1 (2017) clarifying that the prohibition under D.O. 174 does not apply to business process outsourcing, knowledge process outsourcing, legal process outsourcing, IT Infrastructure outsourcing, application development, hardware and/or software support, medical transcription, animation services, and back office operations or support.

Occupational Safety and Health Standards Law

On August 17, 2018, Republic Act No. 11058 or the Occupational Safety and Health Standards Law was signed into law. It mandates employers, contractors, or subcontractors and any person who manages, controls or supervises the work, to furnish the workers a place of employment free from hazardous conditions that are causing or are likely to cause death, illness or physical harm to the workers. It also requires to give complete job safety instructions or orientation and to inform the workers of all hazards associated with their work, health risks involved or to which they are exposed to, preventive measures to eliminate or minimize the risks and steps to be taken in cases of emergency.

An employer, contractor or subcontractor who willfully fails or refuses to comply with the Occupational Safety and Health Standards shall be administratively liable for a fine. Further, the liability of the employer, project owner, general contractor, contractor or subcontractor, if any, and any person who manages, controls or supervises the work, shall be solidary.

Social Security System, PhilHealth and the Pag-IBIG Fund

An employer or any person who uses the services of another person in business, trade, industry or any undertaking is required under Republic Act No. 8282 to ensure coverage of employees following procedures set out by the law and the Social Security System ("**SSS**"). Under the said law, social security coverage is compulsory for all employees under 60 years of age. An employer must deduct and withhold from its compulsorily covered employees their monthly contributions based on a given schedule, pay its share of contribution and remit these to the SSS within a period set by law and/or SSS regulations.

Employers are likewise required to ensure enrollment of its employees in a National Health Program administered by the Philippine Health Insurance Corporation, a government corporation attached to the DOH tasked with ensuring sustainable, affordable, and progressive social health insurance pursuant to the provisions of the National Health Insurance Act of 1995, as amended by the Republic Act No. 11223, otherwise known as the Universal Health Care Act. The registration, accurate and timely deductions and remittance of contributions to the Philippine Health Insurance Corporation is mandatory as long as there is employer-employee relationship.

Under the Home Development Mutual Fund Law of 2009, all employees who are covered by the Social Security Act of 1997 must also be registered with and covered by the Home Development Mutual Fund, more commonly referred to as the Pag-IBIG Fund. It is a national savings program as well as a fund to provide affordable shelter financing to Filipino employees. The employer is likewise mandated to deduct and withhold, pay and remit to the Pag-IBIG Fund the respective contributions of the employees under the prescribed schedule.

CORPORATE LAWS

Philippine Competition Act

Republic Act. No. 10667, or the Philippine Competition Act ("**PCA**"), is the primary competition policy of the Philippines. This is the first anti-trust statute in the Philippines and it provides the competition framework in the Philippines. The PCA was enacted to provide free and fair competition in trade, industry and all commercial economic activities. To implement its objectives, the PCA provides for the creation of a Philippine Competition Commission ("**PCC**"), an independent quasi-judicial agency with powers to conduct investigations, issue subpoenas, conduct administrative proceedings, and impose administrative fines and penalties. To conduct a search and seizure, the PCC must apply for a warrant with the relevant court. It aims to enhance economic efficiency and promote free and fair competition in trade, industry and all commercial economic activities.

The PCA prohibits and imposes sanctions on:

(1) anti-competitive agreements between or among competitors, which restrict competition as to price, or other terms of trade and those fixing price at an auction or in any form of bidding including cover bidding, bid suppression, bid rotation and market allocation and other analogous practices of bid manipulation; and those which have the object or effect of substantially preventing, restricting or lessening competition;

(2) practices which are regarded as abuse of dominant position, by engaging in conduct that would substantially prevent, restrict or lessen competition; and

(3) merger or acquisitions which substantially prevent, restrict or lessen competition in the relevant market or in the market for goods or services, or breach the thresholds provided in the Implementing Rules and Regulations ("**PCA IRR**") without notice to the PCC.

The PCA provides for mandatory notification to the PCC where the value of such transaction exceeds ₱2.2 billion ("**Size of Transaction**"), and where the size of the ultimate parent entity of either party exceeds ₱5.6 billion ("**Size of Party**"). Effective March 1, 2020, these thresholds will be raised to ₱6 billion for Size of Person and ₱2.4 billion for Size of Transaction. Notification is also mandatory for joint venture transactions if either (a) the aggregate value of the assets that will be combined in the Philippines or contributed into the proposed joint venture exceeds ₱2.2 billion; or (b) the gross revenues generated in the Philippines by the assets to be combined in the Philippines or contributed into the proposed joint venture exceed ₱2.2 billion. Effective March 1, 2020, these thresholds will likewise be raised to ₱2.4 billion.

On November 22, 2017, the PCC published the 2017 Rules on Merger Procedures ("**Merger Rules**") which provides the procedure for the review or investigation of mergers and acquisition pursuant to the PCA. The Merger Rules provides, among others, that parties to a merger that meets the thresholds in Section 3 of Rule 4 of the IRR are required to notify the PCC within 30 days from the signing of definitive agreements relating to the notifiable merger.

Under the PCA and the IRR, a transaction that meets the thresholds and does not comply with the notification requirements and waiting periods shall be considered void and will subject the parties to an administrative fine of 1% to 5% of the value of the transaction. Criminal penalties for entities that enter into these defined anti-competitive agreements include: (i) a fine of not less than ₱50 million but not more than ₱250 million; and (ii) imprisonment for two to seven years for directors and management personnel who knowingly and willfully participate in such criminal offenses. Administrative fines of ₱100 million to ₱250 million may be imposed on entities found violating prohibitions against anti-competitive agreements and abuse of dominant position. Treble damages may be imposed by the PCC or the courts, as the case may be, where the violation involves the trade or movement of basic necessities and prime commodities.

On September 11, 2020, the Bayanihan to Recover as One Act (the "**Bayanihan 2 Act**") was signed into law by President Duterte. The Bayanihan 2 Act exempts from compulsory notification those mergers and acquisitions with transaction value of less than ₱50.0 billion which are entered into within two years from the effectivity of the Bayanihan 2 Act. The Bayanihan 2 Act also suspends the PCC's exercise of motu propio review of such mergers and acquisitions for a period of one year. On 24 September 2020, the PCC issued the PCC Rules for the implementation of Section 4 (eee) of the Bayanihan 2 Act relating to the review of mergers and acquisitions ("PCC Bayanihan 2 IRR"). Under the PCC Bayanihan 2 IRR, only the following mergers and acquisitions are subject to compulsory notification: (1) those with a transaction value of at least ₱50.0 billion, or (2) the transaction is entered into prior to the effectivity of the PCC Bayanihan 2 IRR and exceeds the thresholds applicable as of the date the definitive agreement was executed. These two kinds of transactions are also not covered by the one year exemption from the PCC's exercise of motu propio review. In any case, nothing prevents the parties to a transaction to voluntarily notify the PCC of the proposed transaction. Such voluntary notification will constitute a waiver of the exemption from review provided in the Bayanihan 2 Act and PCC Bayanihan 2 IRR. The Company is in the process of obtaining the PCC confirmation of non-coverage from the compulsory notification regime pursuant to the Revised Guidelines on Letters of Non-Coverage from Compulsory Notification with respect to the Share Swap Transaction.

Revised Corporation Code

Republic Act No. 11232 or the Revised Corporation Code ("**Revised Corporation Code**") was signed into law on February 20, 2019 and became effective on March 8, 2019. Among the salient features of the Revised Corporation Code are:

- corporations are granted perpetual existence, unless the articles of incorporation provide otherwise. Perpetual existence shall also benefit corporations whose certificates of incorporation were issued before the effectivity of the Code, unless a corporation, upon a vote of majority of the stockholders of the outstanding capital stock notifies the SEC that it elects to retain its specific corporate term under its current Articles of Incorporation.

- the Code allows the creation of a "One Person Corporation" ("**OPC**"), which is a corporation composed of a single stockholder, provided that, only natural person, trust or an estate may form such. No minimum authorized capital stock is also required for an OPC, unless provided for under special laws.

- material contracts between the corporation and its own directors, trustees, officers, or their spouses and relatives within the fourth civil degree of consanguinity or affinity must be approved by at least 2/3 of the entire membership of the Board, with at least a majority of the independent directors voting to approve the same.

- the right of stockholders to vote in the election of directors or trustees, or in shareholders' meetings, may now be done through remote communication or *in absentia* if authorized by the corporate by-laws. However, as to corporations vested with public interest, these votes are deemed available, even if not expressly stated in the corporate by-laws. The shareholders who participate through remote communication or *in absentia* are deemed present for purposes of quorum. When attendance, participation and voting are allowed by remote communication or *in absentia,* the notice of meetings to the stockholders must state the requirements and procedures to be followed when a stockholder or member elects either option; and

- in case of transfer of shares of listed companies, the SEC may require that these corporations whose securities are traded in trading markets and which can reasonably demonstrate their capability to do so, to issue their securities or shares of stock in uncertificated or scripless form in accordance with the Rules of the SEC.

The Revised Corporation Code refers to the PCA in case of covered transactions under said law involving the sale, lease, exchange, mortgage, pledge, or disposition of properties or assets; increase or decrease in the capital stock, incurring creating or increasing bonded indebtedness; or mergers or consolidations covered by the PCA thresholds.

Data Privacy Laws

Data Privacy Act

Republic Act No. 10173, otherwise known as the Data Privacy Act of 2012 ("**DPA**"), was signed into law on August 15, 2012, to govern the processing of all types of personal information (i.e., personal, sensitive, and privileged information) in the hands of the government or private natural or juridical person through the use of Information and Communications System ("**ICT"**), which refers to a system for generating, sending, receiving, storing or otherwise processing electronic data messages or electronic documents and includes the computer system or other similar device by or which data is recorded, transmitted or stored and any procedure related to the recording, transmission or storage of electronic data, electronic message, or electronic document. While the law expressly provides that it does not apply to certain types of information, including those necessary for banks and other financial institutions under the jurisdiction of BSP to comply with the Anti Money Laundering Act and other applicable laws, the said law applies to all other personal information obtained by banks for other purposes.

It mandated the creation of the National Privacy Commission ("**NPC**"), which shall administer and implement the provisions of the DPA and ensure compliance of the Philippines with international standards set for data protection. The Philippines recognizes the need to protect the fundamental human right of privacy and of communication, while ensuring free flow of information to promote innovation and growth. It also identifies the vital role of information and communications technology in nation building and its inherent obligation to ensure that personal information in ICT in the government and in the private sector are secured and protected.

The DPA seeks to protect the confidentiality of "personal information", which is defined as "any information, whether recorded in material form or not, from which the identity of an individual is apparent or can be reasonably and directly ascertained by the entity holding the information, or when put together with other information would directly and certainly identify an individual." The law provides for certain rights of a data subject or an individual whose personal information is being processed. The law imposes certain obligations on "personal information controllers" and "personal information processors". It also provides for penal and monetary sanctions for violations of its provisions.

Intended to protect the privacy of individuals, the DPA mandates companies to inform the individuals about how their personal information are collected and processed. It also ensures that all personal information must be (a) collected and processed with lawful basis, which includes consent, and only for reasons that are specified, legitimate, and reasonable; (b) handled properly, ensuring its accuracy and retention only for as long as reasonably needed; and (c) discarded properly to avoid access by unauthorized third parties.

The DPA IRR took effect on September 9, 2016, mandating all Philippines companies to comply with the following: (a) appointment of a Data Protection Officer; (b) conduct of a privacy impact assessment; (c) adoption of a privacy management program and privacy policy; (d) implement privacy and data protection measures; and (e) establish a breach reporting procedure. In addition, companies with at least 250 employees or access to sensitive personal information of at least 1,000 individuals are required to register their data processing systems with the NPC. The DPA IRR, furthermore provides the only instances when data sharing is allowed, to wit: (a) data sharing is authorized by law, provided that there are adequate safeguards for data privacy and security, and processing adheres to principles of transparency, legitimate purpose and proportionality; (b) in the private sector, data sharing for commercial purposes is allowed upon (i) consent of data subject, and (ii) when covered by a data sharing agreement; (c) data collected from parties other than the data subject for purpose of research shall be allowed when the personal data is publicly available; and (d) data sharing among government agencies for purposes of public function or provision of a public service shall be covered by a data sharing agreement.

Environmental Laws

Environmental Impact Statement System

Development projects that are classified by law as environmentally critical or projects within statutorily defined environmentally critical areas are required to obtain an ECC prior to commencement. The DENR, through its regional offices or through the Environmental Management Bureau (the "**EMB**"), determines whether a project is environmentally critical or located in an environmentally critical area. As a requirement for the issuance of an ECC, an environmentally critical project must submit an EIS to the EMB while a project in an environmentally critical area is generally required to submit an Initial Environmental Examination ("**IEE**") to the proper EMB regional office. In the case of an environmentally critical project within an environmentally critical area, an EIS is mandatory. The construction of major roads and bridges are considered environmentally critical projects for which EIS and ECC are mandatory. Presidential Proclamation No. 2146 also classified petroleum and petro-chemical industries as environmentally critical projects.

The EIS refers to both the document and the study of a project's environmental impact, including a discussion of the scoping agreement identifying critical issues and concerns as validated by the EMB, environmental risk assessment if determined necessary by the EMB during the scoping, environmental management program, direct and indirect consequences to human welfare and the ecological as well as environmental integrity. The IEE refers to the document and the study describing the environmental impact, including mitigation and enhancement measures, for projects in environmentally critical areas.

While the terms and conditions of an EIS or an IEE may vary from project to project, as a minimum it contains all relevant information regarding the project's environmental effects. The entire process of organization, administration and assessment of the effects of any project on the quality of the physical, biological and socio-economic environment as well as the design of appropriate preventive, mitigating and enhancement measures is known as the EIS System. The EIS System successfully culminates in the issuance of an ECC. The issuance of an ECC is a Philippine government certification that the proposed project or undertaking will not cause a significant negative environmental impact; that the proponent has complied with all the requirements of the EIS System; and that the proponent is committed to implementing its approved Environmental Management Plan in the EIS or, if an IEE was required, that it shall comply with the mitigation measures provided therein before or during the operations of the project and in some cases, during the project's abandonment phase.

Project proponents that prepare an EIS are required to establish an Environmental Guarantee Fund when the ECC is issued for projects determined by the DENR to pose a significant public risk to life, health, property and the environment or where the project requires rehabilitation or restoration. The Environmental Guarantee Fund is intended to meet any damage caused by such a project as well as any rehabilitation and restoration measures. Project proponents that prepare an EIS are required to include a commitment to establish an Environmental Monitoring Fund when an ECC is eventually issued. In any case, the establishment of an Environmental Monitoring Fund must not occur later than the initial construction phase of the project. The Environmental Monitoring Fund must be used to support the activities of a multi-partite monitoring team, which will be organized to monitor compliance with the ECC and applicable laws, rules and regulations.

In addition to the requirement for the issuance of an ECC, all public and private proponents of subdivision development projects, housing projects and other land development and infrastructure projects are required to undertake an Engineering Geological and Geohazard Assessment ("**EGGA**"). The EGGA is undertaken in order that project proponents can adequately and comprehensively address and mitigate the possible effects/impacts of geologic hazards. To comply with this requirement, the proponent causes the preparation of an Engineering Geological and Geohazard Assessment Report ("**EGGAR**") which includes the results of all engineering geological, structural geological and geohazard assessment and geotechnical tests, with any other specialised studies and tests undertaken, as prescribed by the DENR-Mines and Geosciences Bureau ("**MGB**"). The EGGAR shall be subject to review/verification by DENR-MGB and for appropriate transmittal or endorsement to the DENR-EMB and other concerned government Agencies. The EGGAR is used as an institutional planning tool to safeguard development projects from the hazards caused by geological phenomena.

Philippine Clean Air Act of 1999

Republic Act No. 8749, otherwise known as the Philippine Clean Air Act ("**Clean Air Act**"), provides more stringent fuel specifications over a period of time to reduce emission that pollutes the air. The Clean Air Act specifies the allowable sulfur and benzene content for gasoline and automotive diesel. Under the law, oil firms are mandated to lower the sulfur content of automotive diesel oils to 0.05% by weight by January 1, 2004 nationwide. The law also prohibits a manufacturer, processor or trader of any fuel or additive to import, sell, offer for sale, or introduce into commerce such fuel or fuel additive unless these have been registered with the DOE. All the requirements of the said law have been implemented, starting with the phase-out of leaded gasoline in Metro Manila in April 2000 and all over the country in December 2000.

The Technical Committee on Petroleum Products and Additives sets the standards for all types of fuel and fuel related products, to improve fuel consumption for increased efficiency and reduced emissions. The committee is guided by strict time-bound and quality-specific targets under the mandate of the Clean Air Act and the DOE initiative on alternative fuels.

Philippine Clean Water Act of 2004

In 2004, Republic Act No. 9275, or the "Philippine Clean Water Act", was enacted to streamline processes and procedures in the prevention, control, and abatement of pollution in the country's water resources and provide for a comprehensive water pollution management program focused on pollution prevention. The law primarily applies to the abatement and control of water pollution from land-based sources. The EMB, in partnership with other Philippine government agencies and the respective local government units, is tasked by the Implementing Rules of the Philippine Clean Water Act to identify existing sources of water pollutants and strictly monitor pollution sources which are not in compliance with the effluent standards provided in the law. The Philippine Clean Water Act also authorizes the DENR to formulate water quality criteria and standards for oil and gas exploration which encounter re-injection constraints.

Ecological Solid Waste Management Act

Republic Act No. 9003, or the Ecological Solid Waste Management Act of 2000, provides for the proper management of solid waste which includes discarded commercial waste and non-hazardous institutional and industrial waste. The said law prohibits, among others, the transporting and dumping of collected solid wastes in areas other than prescribed centers and facilities. The same law mandates all, especially, the local government units, to adopt a systematic, comprehensive and ecological solid waste management program which shall ensure protection of public health and environment, utilize environmentally sound methods, set targets and guidelines for solid waste avoidance and reduction, and ensure proper segregation, collection, transport and storage of solid waste.

The National Solid Waste Management Commission, together with other government agencies and the different local government units, are responsible for the implementation and enforcement of the said law.

Toxic Substances and Hazardous and Nuclear Wastes Control Act

Republic Act No. 6969 or "The Hazardous Wastes Act" governs the program for the control and management of the importation, manufacture, processing, all other actions involving toxic substances and hazardous and nuclear tastes.

New chemicals are listed in the Philippine Inventory of Chemicals and Chemical Substances ("**PICCS**"). The PICCS is a list of existing industrial chemicals and chemical substances used, sold, distributed, imported, processed, manufactured, stored, exported, treated, or transported in the Philippines.

Once a chemical is listed in the PICCS, it may be manufactured or imported with no control, provided it is not included in the Priority Chemicals List ("**PCL**") or subject to a Chemical Control Order ("**CCO**").

A CCO prohibits, limits or regulates the use, manufacture, import, export, transport, processing, storage, possession and wholesale of priority chemicals that are determined to be regulated, phased- out, or banned because of the serious risks they pose to public health, the work place and the environment. The objective of a CCO is to ensure the proper management of the chemicals so that danger to human health and the environment is reduced.

Violations of this Act are punishable by fine and/or imprisonment and possible administrative fines.

Bayanihan Laws

On March 24, 2020, the Bayanihan Act into law, which conferred emergency powers on the President of the Philippines, moved statutory deadlines and timelines for filing and submission of documents, regulated public and private transportation, and implemented government assistance programs. It also obligated banks to provide 30-day grace periods for the payment of loans without interest, and 30-day grace periods for residential rental payments falling due within the period of ECQ and MECQ. On June 25, 2020, the Bayanihan Act measures implemented to address the pandemic in the Philippines expired without extension or replacement.

On September 11, 2020, the Bayanihan 2 Act was signed into law by President Duterte. Similar to the Bayanihan Act, the Bayanihan 2 Act conferred emergency powers to President Duterte which would be in effect until December 19, 2020. The Bayanihan 2 Act provided a stimulus package to struggling sectors as part of the country's COVID-19 response and recovery plan. The Bayanihan 2 Act directed all banks and lending institutions to implement a one-time 60-day grace period for all existing, current, and outstanding loans falling due, or any part thereof, on or before December 31, 2020, including salary, personal, housing, commercial, and motor vehicle loans. The same law also directed all institutions providing electric, water, telecommunications, and other similar utilities services to implement a minimum 30-day grace period for the payment of utilities falling due within the period of ECQ or MECQ without incurring penalties, interests, or other charges. Furthermore, the law provided for a minimum 30-day grace period on residential rents and commercial rents of lessees not permitted to work, micro-, small, and medium-sized enterprises ("**MSMEs**") temporarily ceasing operations, falling due within the period of community quarantine, without incurring interests, penalties, fees, or other charges.

On December 29, 2020, the Congress passed Republic Act No. 11519, extending the availability of appropriations under the Bayanihan 2 Act until June 30, 2021.

TAXATION

National Internal Revenue Code

The National Internal Revenue Code, as amended, provides for the goods and products manufactured or produced in the Philippines for domestic sales or consumption, including alcohol and distilled spirits, that are subject to excise taxes.

On January 22, 2020, President Duterte signed into law Republic Act No. 11467 which amended certain provisions of the National Internal Revenue Code increasing the excise taxes due on alcohol products, among others. Republic Act No. 11467 provides for the gradual increase in rates for the excise taxes every year upon the effectivity of the law.

The effectivity of the Republic Act No. 11467 retroacted to January 1, 2020.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

The Company's overall management and supervision are undertaken by the Board. Its executive officers and management team cooperate with the Board by preparing appropriate information and documents concerning its business operations, financial condition, and results of operations for its review. Currently, the Board consists of seven (7) members, at least two (2) of whom are independent directors. All directors will hold office for a period of one year from their election and until their successors have been duly elected and qualified.

The following table sets forth the Board of Directors of the Company who were elected to the Board on July 18, 2021:

Name	Age	Position	Citizenship
Lucio L. Co	66	Chairman / Director	Filipino
Jose Paulino L. Santamarina	57	President / Director	Filipino
Camille Clarisse P. Co	32	Director	Filipino
Jannelle O. Uy	33	Director	Filipino
Robin Derrick C. Chua	31	Director	Filipino
Enrico S. Cruz	63	Independent Director	Filipino
Bienvenido E. Laguesma	70	Independent Director	Filipino

The following table sets forth the Company's key executive and corporate officers ("**Senior Management**"), who were each appointed to such positions on July 18, 2021:

Name	Age	Position	Citizenship
Lucio L. Co	66	Chairman	Filipino
Jose Paulino L. Santamarina	57	President	Filipino
Baby Gerlie I. Sacro	43	Corporate Secretary	Filipino
Candy H. Dacanay-Datuon	42	Assistant Corporate Secretary and Compliance Officer	Filipino
Imelda Lacap	43	Comptroller	Filipino
Ma. Editha D. Alcantara	49	Treasurer	Filipino

The following states the business experience of its incumbent directors and officers:

Lucio L. Co, 66 years old, Chairman of the Board of Directors

Mr. Co is the Chairman and President of the following companies: Bellagio Holdings, Inc., Canaria Holdings Corporation, Ellimac Prime Holdings, Inc., Invescap Incorporated, Puregold Duty Free, Inc., and Puregold Properties, Inc. He is the Chairman of the Alcorn Petroleum and Minerals Corporation, Entenso Equities, Inc., NE Shopping Centers Corporation, P.G. Holdings, Inc., Pajusco Holdings Corporation, Puregold Duty Free (Subic), Inc., Puregold Finance, Inc., Puregold Realty Leasing & Management, Inc., San Jose City I Power Corp., Union Energy Corporation, and Union Equities, Inc. He is one of the Directors of these companies: Catuiran Hydropower Corporation, Cleangreen Energy Corporation, Forbes Corporation, Grass Gold Renewable Energy (G2REC) Corporation, Karayan Hydropower Corporation, Kareila Management Corporation, LCCK & Sons Realty Corporation, Luis Co Chi Kiat Foundation, Inc., Meritus Prime Distributions, Inc., Montosco, Inc., League One Finance and Leasing Corporation, Pamana Water Corporation, Tower 6789 Corporation and VS Gripal Power Corporation. Mr. Co is holding the following positions in other Philippine listed companies: Director of Philippine Bank of Communications, Chairman of Puregold Price Club, Inc. and Chairman of the Company. He is a member of the Board of Trustees of Luis Co Chi Kiat Foundation, Inc.

Mr. Co has been an entrepreneur for the past 40 years.

Jose Paulino L. Santamarina, 57 years old, Director and President

Mr. Santamarina, Filipino, is currently the President of Premier Wine and Spirits, Inc. - one of the leading companies in the imported wine and spirits industry - and a company he helped co-found in 1996.

Prior to Premier, Mr. Santamarina was the Chief Financial Officer from 1988 to 1996 of CMG Marketing, Inc., a subsidiary of United Distillers Ltd., the precursor of what is now known as Diageo. CMG was a pioneer in the imported wine and spirits industry, established during the early stages of market liberalization in 1986.

Before CMG, he was an auditor of the professional firm, Sycip, Gorres, Velayo & Co. from 1984 to 1988, right after college.

He holds directorship and/or officer positions in the following companies: Booze Online, Inc., Cleangreen Energy Corporation; Karayan Hydropower Corporation, Liquorph Distributors Corp., Pamana Consortium, Inc., Pamana Water Corporation, Southern Utility Management and Services Incorporation, Technowater Corporation, and VS Gripal Power Corporation, Premier Wine and Spirits, Inc. (Chairman and President), San Jose City I Power Corp., Southern Utility Management and Services Incorporation, Technowater Corporation, and VS Gripal Power Corporation.

He graduated from Ateneo de Davao University with a degree of Bachelor of Science in Accountancy. He is a Certified Public Accountant.

Camille Clarisse P. Co, 32 years old, Director

Ms. Co is currently the Chairman and President of Meritus Prime Distributions, Inc. She is also a Director of Alerce Holdings, Corp., Blue Ocean Holdings, Corp., CHMI Hotels and Residences, Inc., Fertuna Holdings, Corp., Invesco Company, Inc., KMC Realty Corporation, League One, Inc., Montosco, Inc., Nation Realty Inc., P.G. Holdings, Inc., Patagonia Holdings, Corp., Pure Petroleum Corp., Premier Wine and Spirits, Inc. Puregold Properties, Inc., S&R Pizza, Inc., SPC Resources, Inc., Union Equities, Inc., VFC Land Resources, Inc.

Ms. Co is a graduate of De La Salle University with a degree of Bachelor of Arts in Psychology in 2009.

Jannelle O. Uy, 33 years old, Director

Ms. Uy is the Chairman and President of Montosco, Inc. Her previous experience includes working as a Key Account Manager in Unilever Philippines from 2009 to 2013.

She graduated from the De La Salle University with a degree in Applied Corporate Management in 2009.

Robin Derrick C. Chua, 31 years old, Director

Mr. Chua is the Managing Director of Premier Wine and Spirits, Inc. from 2018 up to the present. He also worked in various consumer marketing and sales roles in Unilever Philippines and overseas from 2012 to 2018.

He is a graduate of Ateneo de Manila University with a degree of Bachelor of Science in Management and a Minor in Entrepreneurship in 2012.

Enrico S. Cruz, 63 years old, Independent Director

Mr. Cruz is currently an Independent Director of Security Bank Corporation, where he is also the Chairman of Risk Oversight Committee and Vice Chairman of the Audit Committee, Member Nominations and Renumeration Committee and Finance Committee. He is the incumbent Vice Chairman and a member of Engagement and Underwriting Committee of SB Capital Investment Corporation.

He is also an Independent Director of AREIT, Inc (Ayala Land REIT Company), where he chairs the Audit Committee, and is a member of the Related Party Transactions, Corporate Governance and Nominations, Compensation and Benefit and Risk Oversight Committees. Mr. Cruz is also an Independent Director of Maxicare Corporation and a member of the Audit and Related Party Transactions Committees.

He is likewise part of the Board of Directors of CIBI Information Inc.

Mr. Cruz previous experience includes being the Chief Country Officer (CCO) of Deutsche Bank AG Manila Branch from 2003 until his retirement in 2019. Before he joined Deutsche Bank, he was a Senior Vice President at Citytrust Banking Corporation (CTBC), an affiliate of Citibank N.A.

He was a Director of the Bankers Association of the Philippines (BAP) from 2003 to 2007, and from 2011 to 2015. He was again elected to the Board of the BAP and was appointed 2nd Vice President and Secretary from 2017 to 2020. As a BAP Director, he was likewise the Chairman of the Capital Markets Committee from 2017 to 2019 and Open Market Committee from 2019 to 2020.

Mr. Cruz was also a Director of Deutsche Knowledge Services RHQ, Deutsche Regis Partners, Philippine Dealing and Exchange Corporation, and Philippines Securities Settlement Corporation. He is also a past President of the Money Market Association. He obtained his B.S. in Business Economics and MBA from the University of the Philippines. He was named by the UP College of Business as a Distinguished Alumnus in 2008 and also a Distinguished Alumnus Awardee by the UP School of Economics Alumni Association.

Bienvenido E. Laguesma, 70 years old, Independent Director

Mr. Laguesma is a Senior Partner at Laguesma Magsalin Consulta Law Offices, Independent Director of Philippine Bank of Communications and Cosco Capital, Inc., both are listed companies. He is also a Director of Rural Bank of Angeles, Cavite United Rural Bank, Asia United Leasing & Finance Corp., and Asia United Fleet Management Services, Inc.

He served as Secretary of the Department of Labor and Employment from 1998 to 2001, Commissioner of Social Security System from 2011 to 2016. He also became Presidential Assistant of the Office of the President of the Republic of the Philippines from 1996 to 1998, Undersecretary of the Department of Labor and Employment from 1990 to 1996, Administrator in the National Conciliation and Mediation Board from 1987 to 1990, Regional Director of the Department of Labor and Employment from 1982 to 1986, Assistant Regional Director from 1981-1982, and Executive Labor Arbiter, National Labor Relations Commission from 1979 to 1981. Mr. Laguesma started his public service as Labor Arbiter of the National Labor Relations Commission in 1979 and Provincial Director of Bataan Provincial Labor Office 1978 to 1979, and Mediator-Arbiter of the Bureau of Labor Relations from 1976 to 1978.

Atty. Laguesma completed his Career Executive Development Course from the Development Academy of the Philippines from 1984 to 1985 and Public Administration Course from the Royal Institute of Public Administration in London, United Kingdom in 1985. Lyceum of the Philippines awarded Atty. Laguesma, with an Outstanding Alumnus award in 1971, Doctor of Humanities, Honoris Causa, by the Adamson University in 1999, and Doctor of Humanities, Honoris Causa, by the Central Colleges of the Philippines in 2016.

He is a member of the Integrated Bar of the Philippines since 1976, the Philippine Bar Association since 2004, and the Rotary Club of Manila since 2002.

Atty. Laguesma graduated from the Lyceum of the Philippines with a degree of Bachelor of Arts major in Political Science in 1971 and Ateneo de Manila University College of Laws with a degree of Bachelor of Laws in 1975.

Ms. Baby Gerlie I. Sacro, 43 years old, Corporate Secretary

Ms. Sacro has been the Corporate Secretary of Puregold Price Club, Inc. since 2000. She is a graduate of Polytechnic University of the Philippines with a degree of Bachelor of Science in Entrepreneurial Management. Before joining Puregold Price Club, Inc, she worked as a Compensation and Benefits employee at Plaza Fair, Inc.

Ms. Imelda Lacap, 43 years old, Comptroller

Ms. Lacap started as Audit Officer of Puregold Price Club, Inc. in 2001 before joining the liquor group in 2006. She is a graduate of Centro Escolar University – Malolos with a degree of Bachelor of Science in Accountancy in 1998. She is a Certified Public Accountant.

Ms. Candy H. Dacanay – Datuon, 42 years old, Assistant Corporate Secretary and Compliance Officer

Atty. Dacanay has been the Compliance Officer of the Company since 2013.

Atty. Dacanay is a graduate of Colegio De San Juan de Letran with a degree of Bachelor of Arts in Political Science, with a distinction of *cum laude*. She finished her Bachelor of Laws from the University of Santo Tomas in 2003 and was admitted to the Philippine Bar in 2004.

Atty. Dacanay started her career as Associate Counsel of Puregold Price Club, Inc. from 2004 to 2011. She became the Company's Assistant Corporate Secretary and at the same time Compliance Officer in 2012, and Data Privacy Officer in 2018.

Concurrently, she is the Assistant Corporate Secretary and Compliance Officer of Cosco Capital, Inc. (*a listed company*) and Corporate Secretary of Kareila Management Corporation (S&R warehouse) and Corporate Secretary and Compliance Officer of League One Finance and Leasing Corporation.

Atty. Dacanay has recently completed the Harvard Business School Online Certificate Program, "*Sustainable Business Strategy*", in 2020.

Ms. Editha D. Alcantara, 49 years old, Treasurer

Ms. Alcantara serves as Chairman of Blue Ocean Holdings, Inc. and Jurist Realty, Inc.; President of PSMT Philippines, Inc.; Vice-President and Treasurer of Invescap Incorporated; Treasurer of Blue Ocean Foods, Inc, KB Space Holdings, Inc., Maxents Investments, Inc. and Premier Freeport, Inc., Director of Cosco Price, Inc., Fertuna International Trading, Inc., Subic Freeport Zone Hamburgers Corporation and Corporate Secretary of P.G. Holdings, Inc.

Ms. Alcantara is a graduate of Polytechnic University of the Philippines with a degree of Bachelor of Economics and Politics in 1992.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS OF DIRECTORS AND SENIOR MANAGEMENT

To the best of the Company's knowledge, as of [June 30, 2021], and the past five (5) years, the Company has no director, executive officer or principal officer who is involved in any of the following:

1) Bankruptcy case.
2) Convicted by final judgment of any criminal proceeding, domestic or foreign.
3) The subject of any order, judgment, or decree of any court of competent jurisdiction permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities, or banking activities.
4) Being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

CORPORATE GOVERNANCE

The Company submitted its revised Manual on Corporate Governance ("**Manual**") to the SEC on May 29, 2017. The Company and its respective directors, officers and employees have complied with the best practices and principles on good corporate governance as embodied in its Manual. An evaluation system has been established by the Company to measure or determine the level of compliance of the Board of Directors and top level management with its Manual. The Board of Directors should conduct an annual self-assessment of its performance, including the performance of the Chairman, individual members and committees.

The Board of Directors is primarily responsible for the governance of the Company. In addition to setting the policies for the accomplishment of corporate objectives, it has the duty to provide an independent check on the Management. The Board is mandated to attend its regular and special meetings in person or through teleconferencing. The Company board's independent directors are aware of their duties as such under the Manual. These independent directors are expected to look after the interests of minority shareholders as well as other Company stakeholders.

In adopting the Manual, the Company understands the responsibilities of the Board and its members, in governing the conduct of the business of the Company and the Board Committees, in focusing on specific board functions to aid in the optimal performance of its roles and responsibilities, and the officers, in ensuring adherence to corporate principles and best practices.

To date there has been no reported deviation from the Manual and the Company continually endeavours to comply with the Manual. The Board of Directors are continually assessing policies that could further improve the corporate governance of the Company.

Independent Directors

The Manual requires the Company to have at least two independent directors in the Board of Directors [who serves as the Chairman of the Audit Committee and as a member of the Compensation Commission]. An independent director is defined as a person who has not been an officer or employee of the Company, its Subsidiaries or affiliates or related interests during the past three years counted from date of his election, or any other individual having a relationship with the institution, its parent, subsidiaries or related interest, or to any of the Company's director, officer or stockholder holding shares of stock sufficient to elect one seat in the board of directors or any of its related companies within the fourth degree of consanguinity or affinity, legitimate or common-law, which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

COMMITTEES OF THE BOARD

To aid in complying with the principles of good governance, the Manual provides that the Board shall create and appoint Board members to each of the committees set forth below. Each member of the respective committees named below holds office as of the date of this Prospectus and will serve until his successor is elected and qualified.

Audit Committee

The Audit Committee is responsible for overseeing the Company's financial reporting, internal control system, internal and external audit purposes, and compliance with applicable laws and regulations. It shall also be responsible for the oversight of the Company's enterprise risk management system and review all material related party transactions of the Company.

The Audit Committee should be composed of at least three (3) appropriately qualified non-executive directors, majority of whom, including the Chairman, should be independent. All members of the committee must have relevant background, knowledge, skills and/or experience in the area of accounting, auditing, and finance. The Chairman of the Audit Committee should not be the chairman of the Board or of any other committees.

The incumbent members of the Company's Audit Committee are Bienvenido E. Laguesma (Chairman), Enrico S. Cruz, and Jose Paulino L. Santamarina.

Corporate Governance Committee

The Corporate Governance Committee is responsible for assisting the Board in the performance of its corporate governance responsibilities. It should be composed of at least three (3) members, all of whom, including the Chairman, should be independent.

The incumbent members of the Company's Corporate Governance Committee are Enrico S. Cruz (Chairman), Bienvenido Laguesma, and Lucio Co.

Executive Committee

The Executive Committee consists of five (5) members, namely the President, the Executive Vice President, and three (3) other directors to be elected by the Board. Apart from the powers and duties conferred upon them, the Executive Committee shall have the powers and duties as may delegated to them by the Board, except for those matters which are prohibited by the Revised Corporation Code to be delegated to them. The Executive Committee may, as they deem appropriate, appoint the following officers and confer upon them their powers and duties, as well as their compensations: (a) Vice President, (b) General Manager, (c) Treasurer, (d) Division Managers, (e) other supervisory staff, and (f) Secretary and Assistant Secretary.

The Executive Committee shall hold regular monthly meetings at such time and place as the Executive Committee may prescribe and shall report to the Board for their confirmation during their regular quarterly meetings the matters and actions carried out by the Executive Committee during the quarter.

A quorum of the Executive Committee shall consist of a minimum of three (3) members present in person. Any resolution of the Executive Committee shall be adopted by a simple majority of the members present.

The incumbent members of the Company's Executive Committee are Lucio Co (Chairman), Jose Paulino L. Santamarina, Camille Clarisse P. Co, Jannelle O. Uy, and Robin Derrick C. Chua.

EVALUATION SYSTEM AND COMPLIANCE

As part of its system for monitoring and assessing compliance with the Manual and the SEC Code of Corporate Governance, each committee is required to report regularly to the Board of Directors and the Manual is subject to quarterly review. The Compliance Officer is responsible for determining and measuring compliance with the Manual and the SEC Code of Corporate Governance. Any violation of the Manual shall subject the responsible officer or employee to the following penalties:

- For a first violation, the offender shall be reprimanded.
- For a second violation, suspension from office shall be imposed on the offender. The duration of suspension shall depend on the gravity of the violation. This penalty shall not apply to the members of the Board of Directors.
- For a third violation, the maximum penalty of removal from office shall be imposed on the offender. The commission of a third violation by any member of the board or the Company or its Subsidiaries and affiliates shall be sufficient cause for removal from directorship. In case the offender is a member of the Board of Directors, the provisions of Section 27 of the Revised Corporation Code shall be observed.

COMPLIANCE WITH RULES ON CORPORATE GOVERNANCE

The Company is in the process of implementing its Manual. It will monitor compliance with the Rules on Corporate Governance issued by the SEC and will remain committed in ensuring the adoption of other systems and practices of good corporate governance to enhance its value for its stockholders.

EXECUTIVE COMPENSATION SUMMARY

Compensation

The Company had no operations or business in 2019 and 2020; thus, no total salaries and allowances and bonuses were paid to its officers. The Company will develop a plan in the future regarding the compensation of its officers.

Compensation of Directors

The Company has no operation or business; thus, it is not paying the directors and executive officers' compensation. The Company is only paying directors a per diem allowance of ₱40,000.00 per board meeting. The Company will develop a plan in the future regarding the compensation of its directors.

STANDARD ARRANGEMENTS

Other than payment of reasonable gross per diem per director for every meeting, there are no standard arrangements pursuant to which the Board of Directors are compensated, or are to be compensated, director or indirectly, for any services provided as director.

SIGNIFICANT EMPLOYEES

The Company believes that it is not dependent on any single employee. The Company considers the collective efforts of all its employees as instrumental to its success. The Company believes there is no non-executive employee that the resignation or loss of whom would have a material adverse impact on the business of the Company.

FAMILY RELATIONSHIPS

As of the date of this prospectus, none of the directors/independent directors and executive officers of the Company, or nominees for election to such positions has any family relationships up to the fourth civil degree by consanguinity or affinity, except for Mr. Lucio L. Co who is the father of Ms. Camille Clarisse P. Co. and the uncle of Mr. Robin Derrick C. Chua.

EMPLOYMENT CONTRACTS

All employees, including executive and principal officers, have employment contracts with the Company, which are consistent with the existing labor laws of the country. The Company has a retirement plan for its employees that is also in concordance with current Labor laws.

WARRANTS AND OPTIONS OUTSTANDING

There are no outstanding warrants or options held by Senior Management, and all officers and directors as a group.

PRINCIPAL SHAREHOLDERS

The Company has over 450 shareholders as of June 30, 2021, the top 20 of which based on shareholding are as follows:[35]

No.	Name of Shareholder	Nationality	No. of Common Shares Held	Amount Subscribed (₱)	Amount Paid-up (₱)	Percent of Ownership
1	Cosco Capital Inc.	Filipino	11,250,000,000	1,125,000,000	1,125,000,000	97.75%
2	Invescap Incorporated	Filipino	219,926,768	219,992,676.80	21,992,676.80	1.91%
3	PCD Nominee Corporation (Filipino)	Filipino	34,953,752	3,495,375.20	3,495,375.20	0.30%
4	TGN Realty Corp.	Filipino	1,356,489	135,648.90	135,648.90	0.01%
5	PCD Nominee Corporation (Non-Filipino)	Non-Filipino	1,321,283	132,128.30	132,128.30	0.01%
6	Tersero, Inc.	Filipino	323,964	32,396.40	32,396.40	Nil
7	Silcor Management	Filipino	121,289	12,128.90	12,128.90	Nil
8	Peter Nepomuceno	Filipino	98,762	9,876.20	9,876.20	Nil
9	Reliance Commercial Enterprises Incorporated	Filipino	78,077	7,807.60	7,807.60	Nil
10	Yvonne Ong-Chua Keh ITF Mitchell Jonathan Keh Stewart	Filipino	63,250	6,325.00	6,325.00	Nil
11	Yvonne Ong-Chua Keh ITF Abigail Janet Keh Stewart	Filipino	63,250	6,325.00	6,325.00	Nil
12	Patrick Anggala	Filipino	55,200	5,520.00	5,520.00	Nil
13	Citisecurities, Inc.	Filipino	53,990	5,399.00	5,399.00	Nil
14	Yvonne Keh	Filipino	51,750	5,175.00	5,175.00	Nil
15	Rosario Chua Go	Filipino	42,468	4,246.80	4,246.80	Nil
16	Emerson Co Seteng	Filipino	41,128	4,112.80	4,112.80	Nil
17	Dionisio Chua	Filipino	36,067	3,606.70	3,606.70	Nil
18	Sanpiro Insurance Co.	Filipino	24,661	2,466.10	2,466.10	Nil
19	Tersero Realty Development Corp.	Filipino	21,598	2,159.80	2,159.80	Nil
20	Roberto Yangco	Filipino	14,794	1,479.40	1,479.40	Nil
	TOTAL		**11,508,648,532**	**1,150,864.853.20**	**1,150,864.853.20**	**100%**

THE PRINCIPAL SHAREHOLDER

Cosco Capital, Inc. is a domestic corporation registered with the SEC on January 19, 1988 for the primary purpose of investing in, purchasing, or otherwise acquiring and owning, holding, using, selling, assigning, transferring, mortgaging, pledging, exchanging, or otherwise disposing of real and personal property of every kind and description, including shares of stock, bonds, debentures, notes, evidences of indebtedness, and other securities or obligations of any corporation or corporations, association or associations, domestic or foreign, for whatever lawful purpose or purposes.

The following table below sets forth, for the Principal Shareholder, the number of Shares and percentage of outstanding shares held before the Offer, the maximum number of Shares to be sold in the Offer and the number of shares and percentage of outstanding shares owned immediately after the Offer:

Principal Shareholder	Shareholdings before the Offer	% of Shares Outstanding before the Offer	Shareholdings following completion of the Offer	% of Shares Outstanding following completion of the Offer
Cosco Capital, Inc.	11,250,000,000	97.75%	11,250,000,000	77.54%

[35] A pro forma presentation of the increase in authorized capital and conversion of deposits for future subscription to equity and its effect on the Group's selected financial information as of and for the year ended December 31, 2020 is shown in "*Summary Pro Forma Consolidated Financial Information – Statement of Financial Position – Equity*" on page 30 of this Prospectus.

SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS

As of June 30, 2021, the following are the owners of its common stock in excess of 5% of total issued and outstanding shares:

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Record Owner	Citizenship	Number of Shares held	Percentage of Ownership
Common shares	Cosco Capital, Inc. Address: No. 900 Romualdez St., Paco, Manila Relationship: Stockholder	Lucio L. Co Relationship: Direct Susan P. Co Relationship: Direct	Filipino Filipino	11,250,000,000	97.75%

SECURITY OWNERSHIP OF MANAGEMENT

As of June 30, 2021 the following are the shareholdings of its Senior Management:

Title of Class	Name of Record Owner	Position	Citizenship	Amount and Nature of Beneficial Ownership	Percentage of Ownership
Common	Lucio L. Co	Chairman / Director	Filipino	Amount: 1 share Nature: Direct Amount: 219,926,768 shares Nature: Indirect[36] Amount: 2,380,741,492 shares Nature: Indirect[37]	Nil 1.91% 20.69%
Common	Camille Clarisse P. Co	Director	Filipino	Amount: 23 shares Nature: Direct	Nil
Common	Robin Derrick C. Chua	Director	Filipino	Amount: 23 shares Nature: Direct	Nil
Common	Jose Paulino Santamarina	President / Director	Filipino	Amount:23 shares Nature: Direct	Nil
Common	Jannelle O. Uy	Director	Filipino	Amount: 230 shares Nature: Direct	Nil
Common	Enrico S. Cruz	Independent Director	Filipino	Amount: 23 shares Nature: Direct	Nil
Common	Bienvenido Laguesma	Independent Director	Filipino	Amount: 23 shares Nature: Direct	Nil
Common	Imelda Lacap	Comptroller	Filipino	None	N/A
Common	Ma. Editha D. Alcantara	Treasurer	Filipino	None	N/A
Common	Baby Gerlie I. Sacro	Corporate Secretary	Filipino	None	N/A

[36] The Co family owns a total of 25,000 shares or 100% of the total outstanding capital stock Invescap Incorporated which is a stockholder of the Company.

[37] The Co family owns a total of 4,776,908,830 shares or 66.43% of the total outstanding capital stock of Cosco Capital, Inc. which is the principal stockholder of the Company.

Common	Candy H. Dacanay-Datuon	Compliance Officer	Filipino	None	N/A

Except for the foregoing, no other members of the Board or Senior Management own any shares in the Company.

VOTING TRUST HOLDERS OF 5% OR MORE

As of June 30, 2021, the Company is not aware of any person holding more than 5.0% of a class of its shares under a voting trust or similar agreement.

CHANGE IN CONTROL

There has been no change in the control of the Company since it was incorporated.

FOREIGN SHAREHOLDINGS

As of September 9, 2021, Filipino shareholders own 99.99% of the outstanding capital stock of the Company, while foreign shareholders own 0.01% of the outstanding capital stock of the Company.

RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions or the parties are subject to common control or common significant influence (referred herein as affiliates). Related parties may be individuals or corporate entities.

In the ordinary course of business, the Group enters into various transactions with related parties and affiliates. Each of the Company and the Subsidiaries are separate and distinct entities from their related parties.

The Group's policy adheres to the principles of sound and responsible business ethics and legal standards. The Company, through its Board of Directors (the "**Board**"), recognizes that transactions between and among related parties create strategic financial, commercial, and economic benefits to the Company and its stakeholders. In this regard, related party transactions ("**RPT**") are generally allowed. However, when RPTs amount to ten percent (10%), or higher, of the Company's total audited consolidated assets, it shall be considered as a material RPT and shall be subject to arms-length principle and prior board approval as herein provided. These measures are designed to protect the Company from the adverse effects of material RPTs entered into by its personnel, officers, or directors laden with conflict of interest.

To ensure a high standard of best practice for the Group and its stockholders, it is the policy of Group that the Board shall conduct themselves with honesty, integrity and fairness in performance of their duties and their dealings that would ensure the honesty of any related-party transactions between and among the company, its subsidiaries and affiliates, stockholders, officers and directors, and of interlocking director relationship by members of the Board.

The Audit Committee shall review, evaluate and approve all material RPTs before endorsing to the Board for final approval. The Committee shall consider the following factors in reviewing material RPTs:

- terms of the transaction
- the aggregate value of the transaction
- whether the terms of the transaction are no less favorable than those generally available to non-related parties under similar circumstances
- the extent of the related party's interest in the transaction
- purpose and timing of the transaction
- whether the transaction would present a conflict of interests or special risks or contingencies for the Company, its subsidiaries or affiliates or the related party, taking into account the size of the transaction and the overall financial position of the related party
- material information or other factors the Committee deems relevant

Upon affirmative endorsement of the Audit Committee, the material RPT shall also be approved by at least two-thirds (2/3) of the vote of the Board of Directors, with at least a majority of the independent directors voting to approve the material RPT. In case that a majority of the independent directors' vote is not secured, the material RPT may be ratified by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock of the Company. Aggregate RPT within the twelve (12) month period that breaches the materiality threshold shall require the same Committee and Board approval as herein required.

The Group has the following significant transactions with related parties:

- Amounts due to Cosco Capital for corporate services rendered to Premier in 2017 and 2016;
- The Group distributes wines and liquors to related companies in the normal course of business;
- Cash advances to Premier from an entity under common control for additional working capital requirements. These advances earn annual interest rate of 2.0%, 4.5% and 3.25% in 2020, 2019, and 2018, respectively with maturities of two (2) years;

- Cash advances to and from related parties in the form of reimbursement expenses and working capital advances;

- In 2018, Meritus paid advances from a stockholder amounting to ₱20 million;

- In prior years, Montosco received cash advances from a stockholder in a form of promissory notes. These advances earn fixed annual interest rate of 1.8% with maturities of two (2) years. Montosco made principal payments amounting to ₱234 million in 2018;

- In 2018, Montosco received unsecured cash advances from a stockholder in a form of promissory notes amounting to ₱659.5 million These advances earn fixed annual interest rate of 4.00% with maturities of one (1) year. The advances were intended for Montosco's working capital requirements to finance inventory purchases;

- On November 5, 2019, both parties renewed the promissory note for the same amount and interest rate with a new maturity date of November 21, 2021. In June 2020, both parties terminated the promissory note and Montosco paid in full the outstanding loan principal and related interest;

- Interest expense recognized in profit or loss relating to advances from a stockholder amounted to ₱6.12 ₱26.66 million, and ₱4.13 million for the years ended December 31, 2020, 2019, and 2018, respectively;

- Stockholder's advances amounting to ₱7.85 million, ₱6.76 million, and ₱5.61 million as at December 31, 2020, 2019 and 2018 represent amounts owed to related parties for working capital requirements of the Company. These advances are non-interest bearing, unsecured, payable on demand, and will be settled in cash; and

- Lease agreements with related parties for the office spaces and warehouses. These leases have terms ranging from three (3) to five (5) years, renewable under terms and conditions agreed upon by the parties. Please refer to the section on "*Description of Property*" for more information on the lease agreements.

For more information on volume and amounts outstanding, see Note [16] of Group's pro forma financial statements as of and for the years ended December 31, 2018, 2019, and 2020.

Other than the above disclosed related party transactions and those disclosed in Group's financial statements, Group has no material transactions with negotiated terms that are not available from other, more clearly independent parties on an arm's length basis.

DESCRIPTION OF THE SHARES

The following is general information relating to its capital stock but does not purport to be complete or to give full effect to the provisions of law and is in all respects qualified by reference to the applicable provisions of its Articles of Incorporation and By-Laws.

The Offer Shares shall be offered at a price of ₱[2.00] to ₱[2.50] per Offer Share (the "**Offer Price**"). The determination of the Offer Price is further discussed on page 130 of this Prospectus. A total of [14,508,750,313] Shares will be outstanding after the Offer and the Offer Shares will comprise [20.68]% of the outstanding Shares after the Offer.

SHARE CAPITAL INFORMATION

As of December 31, 2020, the Company's authorized capital stock was Three Hundred Twenty-Seven Million Six Hundred Thousand Pesos (₱327,600,000.00) divided into One Billion Two Hundred Million (1,200,000,000) common shares with a par value of Two and Three-Tenths Centavos (₱0.023) per share, and Three Billion (3,000,000,000) preferred shares with par value of Ten Centavos (₱0.10) per share.

On June 30, 2021, the SEC approved the amendment of the Articles of Incorporation of the Company to increase its authorized capital stock and to change its par value. As of the date of this Prospectus, the Company has an authorized capital stock of Two Billion Pesos (₱2,000,000,000.00) divided into Twenty Billion Pesos (₱20,000,000,000.00) common shares with a par value of ₱0.10 per share. Of the net increase of ₱1,672,400,000.00, 11,250,000,000 common shares have been subscribed by Cosco Capital at ₱2.00 per share, which was fully paid by way of a share-for-share swap pursuant to the Share Swap Transaction. The Company issued 11,250,000,000 common shares of the Company with a par value of ₱0.10 in exchange for Cosco Capital's investments in Montosco, Meritus and Premier as outlined below and resulted to adjustments in the Company's capitalization.

- 9,488,444,240 common shares of the Company will be swapped with 7,500,000 common shares of Cosco Capital in Montosco;
- 907,885,074 common shares of the Company will be swapped with 7,500,000 common shares of Cosco Captial in Meritus; and
- 853,670,686 common shares of the Company will be swapped with 1,500,000 common shares of Cosco Capital in Premier.

  See section on "*Capitalization*" for further details.

As of the date of this Prospectus, it has [11,508,750,313] common shares issued and outstanding. The Company has no shares held in treasury.

The Offer Shares will consist of up to 3,000,000,000 unissued shares to be offered and issued by way of primary offer.

RIGHTS RELATING TO SHARES

Voting Rights of Shares

Each common share is entitled to one vote. At each meeting of the shareholders, every stockholder entitled to vote on a particular question or matter involved shall be entitled to one vote for each share of stock standing in his name in the Company's books at the time of the closing of the transfer books for such meeting.

In accordance with Section 23 of the Revised Corporation Code of the Philippines, at each election of directors, every stockholder entitled to vote at such election shall have the right to vote, in person or by proxy, the number of shares owned by him as of the relevant record date for as many persons as there are directors to be elected and for whose election he has a right to vote, or to cumulate his votes by giving one candidate the number of votes equal to the number of directors to be elected multiplied by the number his shares shall equal or by distributing such votes on the same principle among any number of candidates as the stockholder shall see fit.

The Company's shares have full voting rights. However, the Revised Corporation Code provides that voting rights cannot be exercised with respect to shares declared by the Board of Directors as delinquent, treasury shares, or if the shareholder has elected to exercise his right of appraisal referred to below.

Dividend Rights of Common Shares

The Company may declare dividends out of its unrestricted retained earnings at such times and in such percentages as may be determined by its Board of Directors. Such determination will take into consideration factors such as debt service requirements, the implementation of business plans, operating expenses, budgets, funding for new investments, appropriate reserves and working capital, among other things.

A cash dividend declaration does not require any further approval from the shareholders. A stock dividend declaration requires the further approval of shareholders holding or representing not less than two-thirds of its outstanding capital stock. The Revised Corporation Code defines the term "outstanding capital stock" to mean the "total shares of stock issued under binding subscription contracts to subscribers or stockholders, whether fully or partially paid, except treasury shares." Such shareholders' approval may be given at a general or special meeting duly called for such purpose. See section on "*Dividends and Dividend Policy*."

Rights of Shareholders to Assets of the Company

Each holder of a Share is entitled to a pro rata share in the Company's assets available for distribution to the shareholders in the event of dissolution, liquidation, and winding up.

Pre-emptive Rights

Pursuant to its Articles of Incorporation, the Company's stockholders are not entitled pre-emptive rights to subscribe to any issue or disposition of shares of any class of the Company.

Appraisal Rights

Under Philippine law, shareholders dissenting from the following corporate actions may demand payment of the fair value of their shares in certain circumstances:

- in case any amendment to the corporation's articles of incorporation has the effect of changing and restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class;
- in case of any sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property or assets;
- in case of merger or consolidation;
- in case the corporation decides to invest its funds in another corporation or business or for any purpose other than the primary purpose; and
- in case of extension or shortening of the term of corporate existence.

Derivative Rights

Under Philippine law, shareholders have the right to institute proceedings on behalf of the corporation in a derivative action in the event that the corporation itself is unable or unwilling to institute the necessary proceedings to rectify the wrongs committed against the corporation or to vindicate corporate rights as, for example, where the directors themselves are the malefactors.

Right of Inspection

It is a recognized right of a shareholder to inspect the corporate books, records of all business transactions of the corporation and the minutes of any meeting of the Board and shareholders at reasonable hours on business days and may demand a copy of excerpts from such records or minutes at his or her expense. On the other hand, the corporation may refuse such inspection if the shareholder demanding to examine or copy the records of the corporation has improperly used any information secured through any prior examination, or was not acting in good faith or for a legitimate purpose in making his demand.

Right to Financial Statements

Another recognized right of a shareholder is the right to be furnished with the most recent financial statement of the corporation, which shall include a balance sheet as of the end of the last taxable year and a profit and loss statement for said taxable year, showing in reasonable detail its assets and liabilities and the results of its operations. At the meeting of shareholders, the board of directors is required to present to the shareholders a financial report of the operations of the corporation for the preceding year, which shall include financial statements duly signed and certified by an independent certified public accountant.

Change in Control

There are no existing provisions in its Articles of Incorporation or the By-Laws which will delay, defer or in any manner prevent a change in control of the Company.

SHAREHOLDERS' MEETINGS

Annual or Regular Shareholders' Meetings

All Philippine corporations are required to hold an annual meeting of shareholders for corporate purposes, one of which is the election of directors. The Company's by-laws provide for annual meetings in the month of May of each year, and if a legal holiday, then on the day following.

Special Shareholders' Meeting

Special meetings of shareholders, for any purpose or purposes, may at any time be called by the President of the Company or its Board of Directors, at its own instance, or upon the written request of stockholders registered as the owners of not less than thirty percent (30%) of the outstanding capital stock of the Company. Under SEC Memorandum Circular No. 7, series of 2021, any number of shareholders of a corporation who hold at least ten percent (10%) or more of the outstanding capital stock of a publicly listed company shall have the right to call a special stockholders' meeting, subject to the guidelines set under Section 49 of the Revised Corporation Code and other relevant regulations.

Notice of Shareholders' Meeting

Whenever shareholders are required or permitted to take any action at a meeting, a written notice of the meeting shall be given which shall state the place, date, and time of the meeting, and the purpose or purposes for which the meeting is called. Notices for regular or special meetings of the stockholders shall be sent by the Secretary by personal delivery or by registered mail at least 30 days prior to the date of the meeting to each stockholder of record at his last known address. The notice shall state the place, date, and hour of the meeting, and the purpose or purposes for which the meeting is called. In case of special meetings, only matters stated in the notice can be the subject of motions or deliberations at such meeting. Notice of any meeting may be waived, expressly or impliedly, by any shareholder, in person or by proxy, before or after the meeting.

When the meeting of the shareholders is adjourned to another time or place, notice of the adjourned meeting need not be provided so long as the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is decided. At the reconvened meeting, any business may be transacted that might have been transacted on the original date of the meeting.

Quorum

Unless otherwise provided by law or an existing shareholders' agreement, shareholders who own or hold a majority of the subscribed and issued capital stock must be present or represented in all regular or special meeting of shareholders in order to constitute a quorum, except in cases where the Revised Corporation Code provides a greater percentage vis-à-vis the total outstanding capital shares. If no quorum is constituted, the meeting shall be adjourned until shareholders who own or hold the requisite number of shares shall be present or represented.

Voting

The shareholders may vote at all meetings the corresponding number of shares registered in their respective names, either in person or by proxy duly appointed as discussed herein below.

Fixing Record Dates

Pursuant to the SEC rules, cash dividends declared by corporations whose shares are listed on the PSE shall have a record date which shall not be less than ten and not more than 30 days from the date of declaration of cash dividends. As to stock dividends, the record date shall not be less than ten nor more than 30 days from the date of shareholder approval.

In the event that a stock dividend is declared in connection with an increase in authorized capital stock, the corresponding record date shall be fixed by the SEC and shall be indicated in the SEC order which shall not be less than 10 days nor more than 30 days after all clearances and approvals by the SEC shall have been secured. Regardless of the kind of dividends, the record date set shall not be less than 10 trading days from receipt by the PSE of the notice of declaration of the dividend.

Proxies

Shareholders may vote at all meetings the number of shares registered in their respective names, either in person or by proxy. A proxy shall be in writing and duly presented to and received by the Corporate Secretary for inspection and recording within five business days prior to the scheduled meeting. Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to the Corporate Secretary. No proxy shall be valid and effective for a period longer than five (5) years at any one time.

No member of the PSE and no broker/dealer shall give any proxy, consent or authorization, in respect of any securities carried for the account of a customer to a person other than the customer, without the express written authorization of such customer. The proxy executed by the broker shall be accompanied by a certification under oath stating that before the proxy was given by the broker, he had duly obtained the written consent of the persons in whose account the shares are held. There shall be a presumption of regularity in the execution of proxies and proxies shall be accepted if they have the appearance of prima facie authenticity in the absence of a timely and valid challenge. Proxies are required to comply with the relevant provisions of the Revised Corporation Code, the SRC, the Implementing Rules and Regulations of the SRC (as amended), and SEC Memorandum Circular No. 5 (series of 1996) issued by the SEC.

ISSUE OF SHARES

Subject to otherwise applicable limitations, the Company may issue additional shares to any individual for consideration deemed fair by its Board, provided said consideration shall not be less than the par value of the issued shares. No share certificates shall be issued to a subscriber until the full amount of the subscription together with interest and expenses (in case of delinquent Shares) has been paid and proof of payment of the applicable taxes shall have been submitted to the Company's Corporate Secretary. Under the PSE Rules, only fully-paid shares may be listed on the PSE.

TRANSFER OF COMMON SHARES

All transfer of shares on the PSE shall be done by means of a book-entry system. Pursuant to this system of trading and settlement, a registered shareholder transfers legal title over the shares to such nominee, but retains beneficial ownership over the shares. A shareholder transfers legal title by surrendering the stock certificate representing his shares to participants of the PDTC System (i.e., brokers and custodian banks) that, in turn, lodge the same with the PCD Nominee. A shareholder may request his shares to be uplifted from the PDTC, in which case a certificate of stock is issued to the shareholder and the shares are registered in the name of the shareholder. See "*The Philippine Stock Market*" on page 242 of this Prospectus.

Under Philippine law, transfer of the Shares is not required to be effected on the PSE, but any off exchange transfers will subject the transferor to a capital gains tax that may be significantly greater than the stock transfer tax applicable to transfers effected on an exchange. See "*Philippine Taxation*" on page 248 of this Prospectus. All transfers of Shares on the PSE must be effected through a licensed stockbroker in the Philippines.

SHARE REGISTER

The Company's share register is maintained at the principal office of the Company's stock and transfer agent, BDO Trust.

SHARE CERTIFICATES

Certificates representing the Shares will be issued in such denominations as shareholders may request, except that certificates will not be issued for fractional shares. For Shareholders who wish to split their certificates, they may do so through application to its stock transfer agent. Shares may also be lodged and maintained under the book-entry system of the PDTC. See "*The Philippine Stock Market*" beginning on page 243 of this Prospectus.

MANDATORY TENDER OFFER

Pursuant to the SRC and its implementing rules and regulations, it is mandatory for any person or group of persons acting in concert to make a tender offer to all the shareholders of the target corporation before the intended acquisition of:

- 35% of the outstanding voting shares or such outstanding voting shares that are sufficient to gain control of the board in a public company in one or more transactions within a period of 12 months;
- 35% of the outstanding voting shares or such outstanding voting shares that are sufficient to gain control of the board in a public company directly from one or more stockholders; or
- equity which would result in ownership of over 50% of the outstanding equity securities of a public company.

Pertaining to the first instance, when the securities tendered pursuant to such an offer exceed the number of shares that the acquiring person or group of persons is willing to acquire, the securities shall be purchased from each tendering shareholder on a pro rata basis according to the number of securities tendered by each security holder. In the event that the tender offer is oversubscribed, the aggregate amount of securities to be acquired at the close of such tender offer shall be proportionately distributed to both the selling shareholders with whom the acquirer may have been in private negotiations with and the minority shareholders.

Pertaining to the second instance, the tender offer shall be made for all the outstanding voting shares. The sale of shares pursuant to the private transaction with the stockholders shall not be completed prior to the closing and completion of the tender offer.

Pertaining to the third instance, the acquirer shall be required to make a tender offer for all the outstanding equity securities to all remaining stockholders of the company at a price supported by a fairness opinion provided by an independent financial advisor or equivalent third party. The acquirer shall be required to accept all securities tendered.

Further, no mandatory tender is required in:

- purchases of shares from unissued capital shares unless such purchases will result in a 50% or more ownership of shares by the purchaser or such percentage that is sufficient to gain control of the Board;
- purchases from an increase in the authorized capital shares of the target company;
- purchases in connection with a foreclosure proceeding involving a pledge or security where the acquisition is made by a debtor or creditor;
- purchases in connection with a privatization undertaken by the government of the Philippines;
- purchases in connection with corporate rehabilitation under court supervision;
- purchases through an open market at the prevailing market price; or
- purchases resulting from a merger or consolidation.

THE SHARE SWAP TRANSACTION BETWEEN THE COMPANY AND COSCO CAPITAL WHICH RESULTED TO COSCO CAPITAL OWNING 97.75% OF THE COMPANY'S TOTAL ISSUED AND OUTSTANDING CAPITAL STOCK WAS EXEMPT FROM THE MANDATORY TENDER OFFER REQUIREMENT SINCE SUCH SUBSCRIPTION WAS FROM THE INCREASE IN AUTHORIZED CAPITAL STOCK OF THE COMPANY, AND THUS, NOT COVERED BY THE MANDATORY TENDER OFFER REQUIREMENT AS PROVIDED ABOVE. IN ADDITION, THERE WAS NO EFFECTIVE

CHANGE IN CONTROL AND BENEFICIAL OWNERSHIP IN THE COMPANY AFTER THE SHARE SWAP TRANSACTION.CHANGE IN CONTROL

There are no existing provisions in the Company's Articles of Incorporation or the By-Laws which will delay, defer, or in any manner prevent a change in control of the Company.

FUNDAMENTAL MATTERS

The Revised Corporation Code provides that the following acts of the corporation require the approval of shareholders representing at least two-thirds of the issued and outstanding capital stock of the corporation: (i) amendment of the articles of incorporation; (ii) removal of directors; (iii) sale, lease, exchange, mortgage, pledge or other disposition of all or substantially all of the assets of the corporation; (iv) investment of corporate funds in any other corporation or business or for any purpose other than the primary purpose for which the corporation was organized; (v) delegation to the board of directors of the power to amend or repeal by-laws or adopt new by-laws; (vi) merger or consolidation; (vii) an increase or decrease in capital stock; (viii) dissolution; (ix) extension or shortening of the corporate term; (x) creation or increase of bonded indebtedness; (xi) declaration of stock dividends; (xii) management contracts with related parties; and (xiii) ratification of contracts between the corporation and a director or officer.

Further, the approval of shareholders holding a majority of the outstanding capital shares of a Philippine corporation, including non-voting shares, is required for the adoption or amendment of the by-laws of such corporation.

ACCOUNTING AND AUDITING REQUIREMENTS

Philippine stock corporations are required to file copies of their annual financial statements with the SEC. In addition, public corporations are required to file quarterly financial statements (for the first three quarters) with the SEC. Those corporations whose shares are listed on the PSE are additionally required to file said quarterly and annual financial statements with the PSE. Shareholders are entitled to request copies of the most recent financial statements of the corporation which include a statement of financial position as of the end of the most recent tax year and a profit and loss statement for that year. Shareholders are also entitled to inspect and examine the books and records that the corporation is required by law to maintain.

The Board is required to present to shareholders at every annual meeting a financial report of the Company's operations for the preceding year. This report is required to include audited financial statements.

THE PHILIPPINE STOCK MARKET

The information presented in this section has been extracted from publicly available documents which have not been prepared or independently verified by the Company, the Joint Lead Underwriters, nor any of their respective subsidiaries, affiliates or advisors in connection with sale of the Offer Shares.

BRIEF HISTORY

The Philippines initially had two stock exchanges, the Manila Stock Exchange, which was organized in 1927, and the Makati Stock Exchange, which began operations in 1963. Each exchange was self-regulatory, governed by its respective board of governors elected annually by its members.

Several steps initiated by the Government have resulted in the unification of the two bourses into the PSE. The PSE was incorporated in 1992 by officers of both the Makati and the Manila Stock Exchanges. In March 1994, the licenses of the two exchanges were revoked. The PSE maintains a single, unified trading floor in Bonifacio Global City in Taguig City.

In June 1998, the SEC granted the PSE “Self-Regulatory Organization” status, allowing it to impose rules as well as implement penalties on erring trading participants and listed companies. On August 8, 2001, the PSE completed its demutualization and converted from a non-stock member-governed institution into a stock corporation in compliance with the requirements of the SRC.

The PSE has an authorized capital stock of ₱120 million. As of June 30, 2021, PSE had 85,406,248 issued shares, of which 3,513,951 are treasury shares, resulting in 81,892,297 total shares outstanding. Each of the then 184 member-brokers was granted 50,000 shares of the new PSE at a par value of ₱1 per share. In addition, a trading right evidenced by a “Trading Participant Certificate” was immediately conferred on each member-broker allowing the use of the PSE’s trading facilities. As a result of the demutualization, the composition of the PSE board of governors was changed, requiring the inclusion of seven brokers and eight non-brokers, one of whom is the president of the PSE. On December 15, 2003, the PSE listed its shares by way of introduction at its own bourse as part of a series of reforms aimed at strengthening the Philippine securities industry.

Classified into financial, industrial, holding firms, property, services, and mining and oil sectors, companies are listed either on the PSE’s Main Board or the SME Board. Recently, the PSE issued Rules on Exchange Traded Funds (“**ETF**”) which provides for the listing of ETFs on an ETF Board separate from the PSE’s existing boards. Previously, the PSE allowed listing on the First Board, Second Board or the SME Board. With the issuance by the PSE of Memorandum No. CN-No. 2013-0023 dated June 6, 2013, revisions to the PSE Listing Rules were made, among which changes are the removal of the Second Board listing and the requirement that lock-up rules be embodied in the articles of incorporation of the Issuer. Each index represents the numerical average of the prices of component stocks.

The PSE has a benchmark index, referred to as the PSEi, which, as of the date thereof, reflects the price movements of selected stocks listed on the PSE, based on traded prices of stocks from the various sectors. The PSE shifted from full market capitalization to free float market capitalization effective as of April 3, 2006 simultaneous with the migration to the free float index and the renaming of the PHISIX to PSEi. The PSEi is composed of 30 selected stocks listed on the PSE. In July 2010, the PSE’s new trading system, now known as PSE Trade, was launched. In June 2015, the PSE Trade system was replaced by PSE Trade XTS.

In December 2013, the PSE EDGe, a new disclosure system co-developed with the Korea Exchange, went live. The EDGe system provided a dedicated portal for listed company disclosures and also offered a free-to download mobile application for easy access by investors.

With the increasing calls for good corporate governance, the PSE has adopted an online daily disclosure system to improve the transparency of listed companies and to protect the investing public.

Furthermore, the PSE launched its Corporate Governance Guidebook in November 2010 to promote good governance among listed companies. It is composed of ten guidelines embodying principles of good business practice and is based on internationally recognized corporate governance codes and best practices.

The table below indicates the number of listed companies, market capitalization, and value of shares traded for the same period:

Year	Composite Index at Closing	Number of Listed Companies	Aggregate Market Capitalization	Combined Value of Turnover
			(in ₱ billions)	(in ₱ billions)
2000	1,494.5	229	2,576.5	357.7
2001	1,168.1	231	2,141.4	159.6
2002	1,018.4	234	2,083.2	159.7
2003	1,442.4	236	2,973.8	145.4
2004	1,822.8	235	4,766.3	206.6
2005	2,096.0	237	5,948.4	383.5
2006	2,982.5	239	7,173.2	572.6
2007	3,621.6	244	7,977.6	1,338.3
2008	1,872.9	246	4,069.2	763.9
2009	3,052.7	248	6,029.1	994.2
2010	4,201.1	253	8,866.1	1,207.4
2011	4,372.0	245	8,697.0	1,422.6
2012	5,812.7	254	10,952.7	1,771.7
2013	5,889.8	257	11,931.3	2,546.2
2014	7,230.6	263	14,251.7	2,130.1
2015	6,952.1	265	13,465.2	2,151.4
2016	7,629.7	268	14,438.8	1,929.5
2017	8,558.4	267	17,583.1	1,960.0
2018	7,466.0	267	16,150.0	1,740.0
2019	7,815.3	268	16,710.0	1,770.0
2020	7,139.71	274	15,888.92	1,770.9

Source: PSE and PSE Annual Reports.

TRADING

The PSE is a double auction market. Buyers and sellers are each represented by stockbrokers. To trade, bid, or ask, prices are posted on the PSE's electronic trading system. A buy (or sell) order that matches the lowest asked (or highest bid) price is automatically executed. Buy and sell orders received by one broker at the same price are crossed at the PSE at the indicated price. Payment of purchases of listed securities must be made by the buyer on or before the third trading day (the settlement date) after the trade.

Equities trading on the PSE starts at 9:30 a.m. and ends at 12:00 noon for the morning session. It resumes at 1:30 p.m. and ends at 3:30 p.m. for the afternoon session, with a ten-minute extension during which transactions may be conducted, provided that they are executed at the last traded price and are only for the purpose of completing unfinished orders. Trading days are Mondays to Fridays, except legal and special holidays, days when the BSP clearing house is closed and such other days as may be declared by the SEC or the PSE, to be a non-trading day.

Beginning on March 15, 2020, the PSE, in observance of the Government's implementation of the community quarantine in parts of the country including Metro Manila due to the COVID-19 pandemic, has implemented shortened trading hours starting at 9:30 a.m. and ending at 1:00 p.m. The shortened trading hours are still being implemented as of the date of this Prospectus.

Minimum trading lots range from five to 1,000,000 shares depending on the price range and nature of the security traded. Odd-sized lots are traded by brokers on a board specifically designed for odd-lot trading.

To maintain stability in the stock market, daily price swings are monitored and regulated. Under current PSE regulations, whenever an order may result in a breach of the trading threshold of a security within a trading day, the trading of that security will be frozen. Orders cannot be posted, modified, or canceled for a security that is frozen. In cases where an order has been partially matched, only the portion of the order that will result in a breach of the trading threshold will be frozen. Where the order results in a breach of the trading threshold, the following procedures shall apply:

- in the event the static threshold is breached, the PSE will accept the order, provided the price is within the allowable percentage price difference under the implementing guidelines of the revised trading rules (i.e., 50% of the previous day's reference or closing price, or the last adjusted closing price). Otherwise, such order will be rejected. In cases where the order is accepted, the PSE will adjust the static threshold to 60%. All orders breaching the 60% static threshold will be rejected by the PSE;

- in the event the dynamic threshold is breached, the PSE will accept the order if the price is within the allowable percentage price difference under the existing regulations (i.e., 20% for security cluster A and newly listed securities, 15% for security cluster B and 10% for security cluster C). Otherwise, such order will be rejected by the PSE.

NON-RESIDENT TRANSACTIONS

When the purchase or sale of Philippine shares involves a non-resident, whether the transaction is effected in the domestic or foreign market, it will be the responsibility of the securities dealer/broker to register the transaction with the BSP. The local securities dealer/broker shall file with the BSP, within three business days from the transaction date, an application in the prescribed registration form. After compliance with other required undertakings, the BSP shall issue a certificate of registration. Under BSP rules, all registered foreign investments in Philippine securities, including profits and dividends, net of taxes and charges, may be repatriated.

SETTLEMENT

The Securities Clearing Corporation of the Philippines ("**SCCP**") is a wholly owned subsidiary of the PSE and was organized primarily as a clearance and settlement agency for SCCP-eligible trades executed through the facilities of the PSE. SCCP received its permanent license to operate on January 17, 2002. It is responsible for: (a) synchronizing the settlement of funds and the transfer of securities through delivery versus payment, as well as clearing and settlement of transactions of clearing members, who are also PSE trading participants; (b) guaranteeing the settlement of trades in the event of a PSE trading participant's default through the implementation of its "Fails Management System" and administration of the Clearing and Trade Guaranty Fund, and; (c) performing risk management and monitoring to ensure final and irrevocable settlement.

SCCP settles PSE trades on a three-day rolling settlement environment, which means that settlement of trades takes place three days after the transaction date (T+3). The deadline for settlement of trades is 12:00 noon of T+3. Securities sold should be in scripless form and lodged under the book-entry system of the Philippine Depository & Trust Corp. (formerly the Philippine Central Depository, Inc.) ("**PDTC**"). Each PSE trading participant maintains a cash settlement account with one of the nine existing settlement banks of SCCP which are BDO Unibank, Inc. ("**BDO Unibank**"), Rizal Commercial Banking Corporation ("**RCBC**"), Metropolitan Bank & Trust Company ("**Metrobank**"), Deutsche Bank AG Manila Branch ("**DB**"), The Union Bank of the Philippines, Inc. ("**Unionbank**"), The Hongkong and Shanghai Banking Corporation Limited ("**HSBC**"), Maybank Philippines, Inc. ("**Maybank**"), Asia United Bank, and China Banking Corporation. Payment for securities bought should be in good, cleared funds and should be final and irrevocable. Settlement is presently on a broker-level.

SCCP implemented its Central Clearing and Central Settlement ("**CCCS**") system on May 29, 2006. CCCS employs multilateral netting, whereby the system automatically offsets "buy" and "sell" transactions on a per issue and a per flag basis to arrive at a net receipt or a net delivery security position for each clearing member. All cash debits and credits are also netted into a single net cash position for each clearing member. Novation of the original PSE trade contracts occurs, and SCCP stands between the original trading parties and becomes the central counterparty to each PSE-eligible trade cleared through it.

SCRIPLESS TRADING

In 1995, the PDTC, was organized to establish a central depository in the Philippines and introduce scripless or book-entry trading in the Philippines. On December 16, 1996, the PDTC was granted a provisional license by the SEC to act as a central securities depository.

All listed securities at the PSE have been converted into book-entry settlement in the PDTC. The depository service of the PDTC provides the infrastructure for lodgment (deposit) and upliftment (withdrawal) of securities, pledge of securities, securities lending and borrowing and corporate actions including shareholders' meetings, dividend declarations, and rights offerings. The PDTC also provides depository and settlement services for non-PSE trades of listed equity securities. For transactions on the PSE, the security element of the trade will be settled through the book-entry system, while the cash element will be settled through the current settlement banks, BDO Unibank, RCBC, Metrobank, DB, Unionbank, HSBC and Maybank.

In order to benefit from the book-entry system, securities must be immobilized into the PDTC system through a process called lodgment. Lodgment is the process by which shareholders transfer legal title (but not beneficial title) over their shares of stock in favor of PCD Nominee Corporation ("**PCD Nominee**") whose sole purpose is to act as nominee and legal title holder of all shares of stock lodged into the PDTC. On the other hand, immobilization is the process by which the warrant or share certificates of lodging holders are canceled by the transfer agent and the corresponding transfer of beneficial ownership of the immobilized shares to PCD Nominee will be recorded in the Issuer's registry. This trust arrangement between the participants and PDTC through PCD Nominee is established by and explained in the PDTC Rules and Operating Procedures approved by the SEC. No consideration is paid for the transfer of legal title to PCD Nominee. Once lodged, transfers of beneficial title of the securities are accomplished via book-entry settlement.

Under the current PDTC system, only participants (e.g., brokers and custodians) will be recognized by the PDTC as the beneficial owners of the lodged equity securities. Thus, each beneficial owner of shares, through his participant, will be the beneficial owner to the extent of the number of shares held by such participant in the records of the PCD Nominee. All lodgments, trades, and uplifts on these shares will have to be coursed through a participant. Ownership and transfers of beneficial interests in the shares will be reflected, with respect to the participant's aggregate holdings, in the PDTC system, and with respect to each beneficial owner's holdings, in the records of the participants. Beneficial owners are thus advised that in order to exercise their rights as beneficial owners of the lodged shares, they must rely on their participant-brokers and/or participant custodians.

Any beneficial owner of shares who wishes to trade his interests in the shares must execute the trade through a participant. The participant can execute PSE trades and non-PSE trades of lodged equity securities through the PDTC system. All matched transactions in the PSE trading system will be fed through the SCCP and into the PDTC system. Once it is determined on the settlement date (T+3) that there are adequate securities in the securities settlement account of the participant-seller and adequate cleared funds in the settlement bank account of the participant-buyer, the PSE trades are automatically settled in the CCCS system, in accordance with the SCCP and PDTC Rules and Operating Procedures. Once settled, the beneficial ownership of the securities is transferred from the participant-seller to the participant-buyer without the physical transfer of stock certificates covering the traded securities.

If a shareholder wishes to withdraw his stockholdings from the PDTC System, the PDTC has a procedure of upliftment under which PCD Nominee will transfer back to the shareholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedure of the PDTC for the upliftment of shares lodged under the name of PCD Nominee. The transfer agent shall prepare and send a Registry Confirmation Advice to the PDTC covering the new number of shares lodged under PCD Nominee. The expenses for upliftment are generally on the account of the uplifting shareholder.

The difference between the depository and the registry would be on the recording of the ownership of the shares in the issuing corporations' books. In the depository set-up, shares are simply immobilized, wherein customers' certificates are cancelled and a confirmation advice is issued in the name of PCD Nominee to confirm new balances of the shares lodged with the PDTC. Transfers among/between broker and/or custodian accounts, as the case may be, will only be made within the book-entry system of PDTC. However, as far as the issuing corporation is concerned, the underlying certificates are in the PCD Nominee's name. In the registry set-up, settlement and recording of ownership of traded securities will already be directly made in the corresponding issuing company's transfer agents' books or system. Likewise, recording will already be at the beneficiary level (whether it be a client or a registered custodian holding securities for its clients), thereby removing from the broker its current "de facto" custodianship role.

AMENDED RULE ON LODGMENT OF SECURITIES

On June 24, 2009, the PSE apprised all listed companies and market participants through Memorandum No. 2009-0320 that commencing on July 1, 2009, as a condition for the listing and trading of the securities of an applicant company, the applicant company shall electronically lodge its registered securities with the PDTC or any other entity duly authorized by the SEC, without any jumbo or mother certificate, in compliance with the requirements of Section 43 of the SRC. In compliance with the foregoing requirement, actual listing and trading of securities on the scheduled listing date shall take effect only after submission by the applicant company of the documentary requirements stated in Article III, Part A of the PSE's Revised Listing Rules.

In addition to the foregoing, the PSE also apprised all listed companies and market participants through Memorandum No. 2010-0246 that the Amended Rule on Lodgment of Securities under Section 16 of Article III, Part A of the

Revised Listing Rules of the Exchange shall apply to all securities that are lodged with the PDTC or any other entity duly authorized by the SEC.

For listing applications, the amended rule on lodgment of securities is applicable to:

- the offer shares/securities of the applicant company in the case of an initial public offering;
- the shares/securities that are lodged with the PDTC, or any other entity duly authorized by the SEC in the case of a listing by way of introduction;
- new securities to be offered and applied for listing by an existing listed company; and additional listing of securities of an existing listed company.

Pursuant to the said amendment, the PDTC issued an implementing procedure in support thereof, to wit:

- for a new company to be listed at the PSE as of July 1, 2009, the usual procedure will be observed but the transfer agent of the company shall no longer issue a certificate to PCD Nominee but shall issue a registry confirmation advice, which shall be the basis for the PDTC to credit the holdings of the depository participants on listing date;
- for an existing listed company, the PDTC shall wait for the advice of the transfer agent that it is ready to accept surrender of PCD Nominee jumbo certificates and upon such advice, the PDTC shall surrender all PCD Nominee jumbo certificates to the transfer agent for cancelation. The transfer agent shall issue a registry confirmation advice to PCD Nominee evidencing the total number of shares registered in the name of PCD Nominee in the listed company's registry as of confirmation date.

ISSUANCE OF STOCK CERTIFICATES FOR CERTIFICATED SHARES

On or after the listing of the shares on the PSE, any beneficial owner of the shares may apply with PDTC through his broker or custodian-participant for withdrawal from the book-entry system and return to the conventional paper-based settlement. If a shareholder wishes to withdraw his shareholdings from the PDTC system, the PDTC has a procedure of upliftment under which the PCD Nominee will transfer back to the shareholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedures of the PDTC for the uplifting of the shares lodged under the name of the PCD Nominee. The transfer agent shall prepare and send a registry confirmation advice to the PDTC covering the new number of shares lodged under the PCD Nominee.

Upon the issuance of stock certificates for the shares in the name of the person applying for upliftment, such shares shall be deemed to be withdrawn from the PDTC book-entry settlement system, and trading on such shares will follow the normal process for settlement of certificated securities. The expenses for upliftment of the shares into certificated securities will be charged to the person applying for upliftment. Pending completion of the upliftment process, the beneficial interest in the shares covered by the application for upliftment is frozen and no trading and book-entry settlement will be permitted until the relevant stock certificates in the name of the person applying for upliftment shall have been issued by the relevant company's transfer agent.

AMENDED RULE ON MINIMUM PUBLIC OWNERSHIP

On December 1, 2017, the SEC issued SEC Memorandum Circular No. 13, Series of 2017 ("**SEC MC 13-2017**") on the rules and regulations on minimum public ownership ("**MPO**") on initial public offerings.

Under SEC MC 13-2017, companies filing a registration statement pursuant to Sections 8 and 12 of the SRC and with intention to list their shares for trading in an exchange shall apply for registration with a public float of at least 20% of the companies' issued and outstanding shares. It shall, at all times, maintain an MPO of at least 20%. If the MPO of the company falls below 20% at any time after registration, such company shall bring the public float to at least 20% within a maximum period of 12 months from the date of such fall.

The determination of whether shareholdings are considered public or non-public is based on: (a) the amount of shareholdings and its significance to the total outstanding shares; (b) the purpose of investment; and (c) the extent of involvement in the management of the company.

The shares held by the following are generally considered as held by the public: (i) individuals whose shares are not of significant size and which are non-strategic in nature; (ii) PSE trading participants (such as brokers) whose shareholdings are non-strategic in nature; (iii) investment funds and mutual funds; (iv) pension funds which hold shares in companies other than the employing company or its affiliates; (v) PCD Nominee provided that none of the beneficial owners of the shares has significant holdings (i.e., shareholdings by an owner of 10% or more are excluded and considered non-public); and (vi) Social Security funds.

If an investment in a listed company is meant to partake of sizable shares for the purpose of gaining substantial influence on how the company is being managed, then the shareholdings of such investor are considered non-public. Ownership of 10% or more of the total issued and outstanding shares of a listed company is considered significant holding and therefore non-public.

Listed companies which become non-compliant with the minimum public ownership requirement will be suspended from trading for a period of not more than six months and will be automatically delisted if it remains non-compliant with the said requirement after the lapse of the suspension period.

Notwithstanding the quarterly public ownership report requirement of the PSE, listed companies listed on the PSE are required to (a) establish and implement an internal policy and procedure to monitor its MPO levels on a continuous basis; and (b) immediately report to the SEC within the next business day if its MPO level has falls below 20%. Listed companies are also required to submit to the SEC a time-bound business plan describing the steps that the company will take to bring the public float to at least 20% within a maximum period of 12 months from, within ten days from knowledge that its MPO has become deficient. Listed companies are also required to submit to the SEC a public ownership report and progress report on any such submitted business plan within 15 days after end of each month until such time that its MPO reaches the required level.

The MPO requirement also forms part of the requirement for the registration of securities. Non-compliance with these MPO requirements subject publicly listed companies to administrative sanctions, including suspension and revocation of their registration with the SEC.

PHILIPPINE TAXATION

The following is a general description of certain Philippine tax aspects of the investment in the Company. The following discussion is based upon laws, regulations, rulings, income tax treaties, administrative practices and judicial decisions in effect at the date of this prospectus and is subject to any changes occurring after such date. Subsequent legislative, judicial, or administrative changes or interpretations may be retroactive and could affect the tax consequences to the prospective investor.

The tax treatment of a prospective investor may vary depending on such investor's particular situation and certain investors may be subject to special rules not discussed below. This summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to invest in the shares and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rates. This discussion does not provide information regarding the tax aspects of acquiring, owning, holding or disposing of the shares under applicable tax laws of other applicable jurisdictions and the specific Philippine tax consequences in light of particular situations of acquiring, owning, holding and disposing of the shares in such other jurisdictions.

Each prospective investor should consult its own tax advisor as to the particular tax consequences of the acquisition, ownership, and disposition of the shares, including the applicability and effect of local and national tax laws.

As used in this section, the term "*resident alien*" *refers to an individual whose residence is within the Philippines and who is not a citizen thereof. A* "*non-resident alien*" *is an individual whose residence is not within the Philippines and who is not a citizen thereof. A non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a* "*non-resident alien engaged in trade or business in the Philippines;*" *otherwise, such non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year is considered a* "*non-resident alien not engaged in trade or business in the Philippines.*" *A* "*domestic corporation*" *is created or organized under the laws of the Philippines; a* "*resident foreign corporation*" *is a non-Philippine corporation engaged in trade or business in the Philippines; and a* "*non-resident foreign corporation*" *is a non-Philippine corporation not engaged in trade or business in the Philippines. The term* "*non-resident holder*" *means a holder of the Shares:*

- *who is an individual and is neither a citizen nor a resident of the Philippines, or an entity which is a non-resident foreign corporation; and*
- *should an income tax treaty be applicable, whose ownership of the Shares is not effectively connected with a fixed base or a permanent establishment in the Philippines.*

PHILIPPINE TAXATION

On January 1, 2018, Republic Act No. 10963, otherwise known as the Tax Reform for Acceleration and Inclusion ("**TRAIN Law**") took effect. The TRAIN Law is the first package of the Philippine government's Comprehensive Tax Reform Program ("**CTRP**"). It amended various provisions of the Philippine Tax Code, including those on ordinary income tax of individuals, capital gains tax on the sale and disposition of shares of stock, estate tax, donor's tax, and documentary stamp tax. On March 26, 2021, the second package of the Comprehensive Tax Reform program, Republic Act No. 11534, otherwise known as the Corporate Recovery and Tax Incentives for Enterprises Act ("**CREATE Law**") was signed into law, amending provisions of the Tax Code relating to, among others, corporate income tax, lowering corporate income taxes and modernizing fiscal incentives in a bid to complement the expected incremental revenues from the first package. The CREATE Law took effect on April 11, 2021.

Corporate Income Tax

Domestic corporations with net taxable income of more than ₱5 million and total assets (excluding land on which the corporation's office, plant, and equipment are situated) of more than ₱100 million shall be subject to a reduced corporate income tax rate of 25%, effective July 1, 2020. Domestic corporations with net taxable income of more than ₱5 million and total assets (excluding land on which the corporation's office, plant, and equipment are situated) not exceeding ₱100 million shall be subject to corporate income tax of 20% effective July 1, 2020. Taxable net income refers to items of income specified under Section 32 (A) of the Philippine Tax Code, less itemized deductions under Section 34 of the Tax Code or those allowed under special laws, or the optional standard deduction ("**OSD**") equivalent to an amount not exceeding 40% of the corporation's gross income.

Passive income of domestic corporations are taxed as follows: (a) gross interest income from Philippine currency bank deposits and yield from deposit substitutes, trust funds and similar arrangements as well as royalties from sources within the Philippines which are generally taxed at the lower final withholding tax rate of 20% of the gross amount of such income; and (b) interest income from a depository bank under the expanded foreign currency deposit system which is subject to a final tax at the rate of 15% of such income.

A minimum corporate income tax shall be imposed on domestic and resident foreign corporations at a rate of (i) 1% of gross income effective July 1, 2020 until June 30, 2023, and (ii) 2% thereafter beginning on the fourth taxable year immediately following the year in which such corporation commenced its business operations, when the minimum corporate income tax is greater than the ordinary corporate income tax.

Any excess of the minimum corporate income tax, however, over the ordinary corporate income tax shall be carried forward and credited against the latter for the three immediately succeeding taxable years. Likewise, subject to certain conditions, the minimum corporate income tax may be suspended with respect to a corporation which suffers losses (1) on account of a prolonged labor dispute, or (2) because of force majeure, or (3) because of legitimate business reverses.

SALE, EXCHANGE OR DISPOSITION OF SHARES

Capital Gains Tax

Pursuant to the TRAIN Law, net capital gains realized by an individual taxpayer or domestic corporation other than a dealer in securities during each taxable year from the sale, exchange or disposition of shares of stock in a Philippine corporation listed at and effected outside of the facilities of the local stock exchange, are subject to a final tax at the rate of 15% beginning January 1, 2018. Similarly, net capital gains realized by resident and non-resident foreign corporations during each taxable year from the sale, exchange or disposition of shares of stock in a Philippine corporation listed at but effected outside of the facilities of the local stock exchange, are subject to a final tax at the rate of 15% beginning April 11, 2021.

Gains from such sale or disposition of shares in a Philippine corporation may be exempt from capital gains tax or subject to a preferential rate under a tax treaty. An application for tax treaty relief must be filed (and approved) by the Philippine tax authorities to obtain a confirmation of exemption or preferential tax rate under a tax treaty. Such application must be filed before the deadline for the filing of the documentary stamp tax return. An Eligible Shareholder and Institutional Investor should consult its own tax advisor with respect to the applicable rates under the relevant tax treaty.

Furthermore, if the fair market value of the shares of stock in a Philippine corporation sold outside the facilities of the local stock exchange is greater than the consideration received by the seller or the selling price, the amount by which the fair market value of the shares exceeds the selling price shall be deemed a gift that is subject to donor's tax under Section 100 of the Tax Code; provided, however, that a sale, exchange or other transfer of such shares outside the facilities of the local stock exchange made in the ordinary course of business (a transaction which is bona fide, at arm's length and free from donative intent) will be considered as made for an adequate and full consideration in money or money's worth and will not be subject to donor's tax.

The transfer of shares shall not be recorded in the books of the Company unless the BIR certifies that the capital gains tax, documentary stamp tax, and other internal revenue taxes relating to the sale or transfer have been paid or, where applicable, tax treaty relief has been confirmed by the International Tax Affairs Division of the BIR ("**ITAD**") in respect of the capital gains tax or other conditions have been met.

Taxes on Transfer of Shares Listed and Traded at the Philippine Stock Exchange

Beginning January 1, 2018, a sale, barter, exchange or other disposition of shares of stock listed at and effected through the facilities of the PSE by a resident or a non-resident holder, other than a dealer in securities, is subject to a stock transaction tax at the rate of 0.6% of the gross selling price or gross value in cash of the shares of stock sold, bartered, exchanged or otherwise disposed, unless an applicable treaty exempts such sale from the said tax. The stock transaction tax is classified as a percentage tax and is paid in lieu of the capital gains tax. In addition, a value added tax of 12% is imposed on the commission earned by the PSE-registered broker who facilitated the sale, barter, exchange or disposition through the PSE, and is generally passed on to the client.

On November 7, 2012, the BIR issued Revenue Regulations No. 16-2012 which provides that the sale, barter, transfer, and/or assignment of shares of listed companies that fail to meet the MPO requirement (*i.e.* the rule that requires listed companies to maintain a minimum percentage of listed securities held by the public or “public float” at 10% of such companies’ issued and outstanding shares, exclusive of treasury shares, at all times) after December 31, 2012 will be subject to capital gains tax and documentary stamp tax. It also requires publicly listed companies to submit public ownership reports to the BIR within 15 days after the end of each quarter. The PSE gave non-compliant companies until December 31, 2012 to comply with the said requirement. Immediately after that grace period, listed companies which fail to maintain, at all times, a minimum percentage of listed securities held by the public at 20% of the listed companies’ issued and outstanding shares shall be subject to a trading suspension for a period of not more than six months. After the lapse of the suspension period, a listed company that remains non-compliant with the MPO shall be automatically be delisted. The sale, barter, transfer and/or assignment of shares of listed companies that fail to meet the MPO requirement will be subject to capital gains tax and documentary stamp tax.

The sale of such listed company’s shares during the trading suspension may be effected only outside the trading system of the PSE and shall be subject to capital gains tax and documentary stamp tax.

Tax on Dividends

Cash and property dividends received from a domestic corporation by individual shareholders who are either citizens or residents of the Philippines are subject to a final withholding tax at the rate of 10%, which shall be withheld by the Company. Cash and property dividends received by non-resident alien individuals engaged in trade or business in the Philippines are subject to a 20% final withholding tax on the gross amount thereof, while cash and property dividends received by non-resident alien individuals not engaged in trade or business in the Philippines are subject to a final withholding tax at 25% of the gross amount, subject, however, to the applicable preferential tax rates under income tax treaties executed between the Philippines and the country of residence or domicile of such non-resident alien individuals.

Cash and property dividends received from a domestic corporation by another domestic corporation or by a resident foreign corporation are not subject to income tax, while those received by a non-resident foreign corporation are generally subject to income tax at a final withholding tax rate of 25%. If the non-resident foreign corporation is a resident of a country with which the Philippines has an existing tax treaty in force, the dividends will be subject to the applicable preferential tax rates under income tax treaties (please see discussion on tax treaties below.) However, if the non-resident foreign corporation is a resident of a country with no existing tax treaty with the Philippines, the 25% income tax rate for dividends may be reduced to a lower rate of 15% whenever:

(1) the country where the non-resident foreign corporation is domiciled imposes no tax on foreign sourced dividends, or

(2) the country of domicile of the non-resident foreign corporation allows at least 15% credit equivalent (10% credit effective July 15, 2020) for taxes deemed to have been paid in the Philippines.

On March 31, 2021, the BIR issued Revenue Memorandum Order No. 14-2021 (“**RMO 14-2021**”). RMO 14-2021 was issued to streamline the procedures and documents for the availment of the tax treaty benefits. Said issuance will apply to the dividend income from the Offer. To avail of the tax treaty relief benefits, the following guidelines and procedures will be observed:

- The non-resident income recipient should submit to the withholding agent or income payor the submitted Application Form for Treaty Purposes, Tax Residency Certificate duly issued by the foreign tax authority, and the relevant provision of the applicable tax treaty on whether to apply a reduced rate of, or exemption from, withholding at source on the income derived by the non-resident income recipient. The documents should be submitted to each withholding agent or income payor prior to the payment of income for the first time. The failure to provide the said documents when requested may lead to the withholding using the regular withholding rates without the tax treaty benefit rate.
- When the preferential tax rates have been applied by the withholding agent, it shall file with the ITAD a request for confirmation on the propriety of the withholding tax rates applied by the withholding agent. On the other hand, if the regular withholding rates have been imposed on the income, the non-resident income recipient shall file a tax treaty relief application (“**TTRA**”) with ITAD. In either case, each request for confirmation and TTRA shall be supported by the documentary requirements set out in the issuance.
- The request for confirmation shall be filed by the withholding agent at any time after the payment of withholding tax but shall in no case be later than the last day of the fourth month following the close of each taxable year. On the other hand, the filing of the TTRA may be filed by the non-resident income recipient at any time after the receipt of the income.

If the BIR determines that the withholding tax rate applied is lower than the rate that should have been applied on an item of income pursuant to the treaty, or that the nonresident income recipient is not entitled to treaty benefits, it will issue a BIR Ruling denying the request for confirmation or TTRA. Consequently, the withholding agent shall pay the deficiency tax plus penalties. On the contrary, if the withholding tax rate applied is proper or higher than the rate that should have been applied, the BIR will issue a certificate confirming the nonresident income recipient's entitlement to the treaty benefits. In this case, the nonresident income recipient may apply for a refund of the excess withholding tax.

The original or certified true copy of the following documents, as may be applicable, shall be submitted to the International Tax Affairs Division of the BIR when claiming the tax treaty relief:

A. General Requirements
    1. Letter-request
    2. Application Form duly signed by the non-resident income earner or its/his/her authorized representative
    3. Tax Residency Certificate for the relevant period, duly issued by the tax authority of the foreign country in which the Bondholder is a resident
    4. Bank documents/certificate of deposit/telegraphic transfer/telex/money transfer evidencing the payment/remittance of income
    5. Withholding tax return with Alphalist of Payees
    6. Proof of payment of withholding tax
    7. Notarized Special Power of Attorney issued by the non-resident income earner to its/his/her authorized representative(s), which shall expressly state the authority to sign the Application Form as well as to file the tax treaty relief application or request for confirmation

B. Additional general requirements for legal persons and arrangements, and individuals:
    1. Authenticated copy of the non-resident legal person or arrangement's Articles/Memorandum of Incorporation/Association, Trust Agreement, or equivalent document confirming its establishment or incorporation, with an English translation thereof if in foreign language
    2. Original copy of the Certificate of Non-Registration of the Bondholder or certified true copy of License to Do Business in the Philippines duly issued by the SEC for legal persons and arrangements, or original copy of the Certificate of Business Registration/Presence duly issued by the Department of Trade and Industry for individuals

C. Additional general requirements for fiscally transparent entities:
    1. A copy of the law of the foreign country showing that tax is imposed on the owners or beneficiaries of the foreign fiscally transparent entity;
    2. List of owners/beneficiaries of the foreign entity;
    3. Proof of ownership of the foreign entity; and
    4. Tax Residency Certificate issued by the concerned foreign tax authority to the owners or beneficiaries of the fiscally transparent entity.

The BIR may require additional documents during the course of its evaluation as it may deem necessary. Upon the confirmation of the entitlement to the tax treaty benefit or confirmation of the correctness of the withholding tax rates applied, the BIR will issue a certification to that effect. Any adverse ruling may be appealed to the Department of Finance within thirty (30) days from receipt.

If the income of the nonresident Shareholder has been subjected to regular withholding rates, the Shareholder may file a claim for refund with the BIR independently of, or simultaneously with, the TTRA. Nonetheless, all claims for refund shall be filed within the two-year prescriptive period provided under Section 229 of the National Internal Revenue Code, as amended.

Transfer taxes (e.g. documentary stamp tax, local transfer tax) may be payable if the dividends declared are property dividends, depending on the type of property distributed as dividends. Stock dividends distributed pro rata to any holder of shares of stock are generally not subject to Philippine income tax. However, the sale, exchange or disposition of shares received as stock dividends by the Shareholder is subject to stock transaction tax if the transfer is through a local stock exchange; or if the transfer is made outside of the exchange, capital gains tax; and documentary stamp tax.

Preferential Rates under the Income Tax Treaties

The following table lists some of the countries with which the Philippines has tax treaties and the tax rates currently applicable to non-resident holders who are residents of those countries:

	Dividends (%)	Stock transaction tax on sale or disposition effected through the PSE (%)[9]	Capital gains tax due on disposition of shares outside the PSE (%)
Canada	25[1]	0.6	May be exempt[13]
China	15[2]	Exempt[10]	May be exempt[13]
France	15[3]	Exempt[11]	May be exempt[13]
Germany	15[4]	Exempt[12]	May be exempt[13]
Japan	15[5]	0.6	May be exempt[13]
Singapore	25[6]	0.6	May be exempt[13]
United Kingdom	25[7]	0.6	Exempt[14]
United States	25[8]	0.6	May be exempt[13]

Notes:

(1) 15% if the recipient company which is a resident of Canada controls at least 10% of the voting power of the company paying the dividends; 25% in all other cases.

(2) 10% if the beneficial owner is a company which holds directly at least 10% of the capital of the company paying the dividends; 15% in all other cases.

(3) 10% if the recipient company (excluding a partnership) holds directly at least 10% of the voting shares of the company paying the dividends; 15% in all other cases.

(4) 5% if the recipient company (excluding a partnership) holds directly at least 70% of the capital of the company paying the dividends; 10% if the recipient company (excluding a partnership) holds directly at least 25% of the capital of the company paying the dividends.; 15% in all other cases.

(5) 10% if the recipient company holds directly at least 10% of either the voting shares of the company paying the dividends or of the total shares issued by that company during the period of six months immediately preceding the date of payment of the dividends; 15% in all other cases.

(6) 15% if during the part of the taxable year of the paying company which precedes the date of payment of dividends and during the whole of its prior taxable year at least 15% of the outstanding shares of the voting shares of the paying company were owned by the recipient company; 25% in all other cases.

(7) 15% if the recipient company is a company which controls directly or indirectly at least 10% of the voting power of the company paying the dividends; 25% in all other cases.

(8) 20% if during the part of the taxable year of the paying company which precedes the date of payment of dividends and during the whole of its prior taxable year, at least 10% of the outstanding shares of the voting shares of the paying corporation were owned by the recipient corporation; 25% in other cases. Notwithstanding the rates provided under the Convention between the Government of the Republic of the Philippines and the Government of the United States of America with respect to Taxes on Income, corporations which are residents of the United States may avail of the 15% withholding tax rate under the tax-sparing clause of the Philippine Tax Code provided certain conditions are met.

(9) If the stock transaction tax is not expressly included in the tax treaty, the income recipient will be subject to stock transaction tax at the rate of 0.6% of the gross selling price as provided under Section 127 of the Tax Code as amended by the Section 39 of the TRAIN.

(10) Article 2(1)(b) of the Agreement between the Government of the Republic of the Philippines and the Government of the People's Republic of China for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income was signed on November 18, 1999.

(11) Article 1 of the Protocol to the Tax Convention between the Government of the Republic of the Philippines and the Government of the French Republic Signed on January 9, 1976 was signed in Paris, France on June 26, 1995 signed on June 26, 1995.

(12) Article 2 (3)(a) of Agreement between the Government of the Republic of the Philippines and the Federal Republic of Germany for the Avoidance of Double Taxation with Respect to Taxes on Income and Capital signed on September 9, 2013.

(13) Capital gains are taxable only in the country where the seller is a resident, provided the shares are not those of a corporation, the assets of which consist principally of real property situated in the Philippines, in which case the sale is subject to Philippine taxes.

(14) Under the income tax treaty between the Philippines and the United Kingdom, capital gains on the sale of the shares of Philippine corporations are subject to tax only in the country where the seller is a resident, irrespective of the nature of the assets of the Philippine corporation.

For sale of shares made outside the PSE, a Certificate Authorizing Registration from the BIR is required before the transfer is registered in the stock and transfer book. The BIR issues the CAR only after verifying that the applicable taxes have been paid. Thus, in lieu of proof of payment of capital gains tax, the tax treaty relief ruling should be submitted to the BIR office processing the CAR**.** The requirements for a tax treaty relief application in respect of capital gains tax or the stock transaction tax on the sale of shares are set out in RMO 14-2021, BIR Form No. 0901-C, and other BIR issuances.

With respect to the availment of preferential rates for dividends under an income tax treaty, most tax treaties to which the Philippines is a party provide for a reduced tax rate of 15% when the dividend arises in the Philippines and is paid to a resident of the other contracting state. Most income tax treaties also provide that reduced withholding tax rates shall not apply if the recipient of the dividend, who is a resident of the other contracting state, carries on business in the Philippines through a permanent establishment and the holding of the relevant dividend-earning interest is effectively connected with such permanent establishment. Similarly, the prescribed procedures for availment of tax treaty relief on dividends are laid down in RMO 14-2021.

Despite these procedural requirements, the Philippine Supreme Court in *Deutsche Bank AG Manila Branch v. CIR*, G.R. No. 188550, ruled that the period of application for the availment of tax treaty relief should not operate to divest entitlement to the relief as it would constitute a violation of the duty required by good faith in complying with a tax treaty. At most, the application for a tax treaty relief to be filed with the BIR should merely operate to confirm the entitlement of the taxpayer to such relief.

Documentary Stamp Tax

Beginning January 1, 2018, the original issue of shares is subject to a documentary stamp tax of ₱2.00 for each ₱200.00, or a fractional part thereof, of the par value of the shares issued. The transfer of shares is subject to a documentary stamp tax of ₱1.50 for each ₱200.00, or a fractional part thereof of the par value of the shares transferred. However, the sale, barter or exchange of shares of stock listed and traded through the local stock exchange shall not be subject to documentary stamp tax.

Estate and Gift Taxes

Beginning January 1, 2018, the transfer of shares of stock upon the death of an individual holder to his heirs by way of succession, whether such holder was a citizen of the Philippines or an alien and regardless of residence, is subject to Philippine tax at the rate of 6% based on the value of the decedent's net estate.

Moreover, beginning January 1, 2018, individual and corporate holders, whether or not citizens or residents of the Philippines, who transfer shares of stock by way of gift or donation are liable to pay Philippine donors' tax on such a transfer of shares at the rate of 6% computed on the basis of the total gifts in excess of ₱250,000.00 made during the calendar year.

Estate and donors' taxes, however, shall not be collected in respect of intangible personal property, such as shares of stock: (a) if the deceased at the time of his death or the donor at the time of his donation was a citizen and resident of a foreign country which at the time of his death or donation did not impose a transfer tax of any character, in respect of intangible personal property of citizens of the Philippines not residing in that foreign country, or (b) if the laws of the foreign country of which the deceased or donor was a citizen and resident at the time of his death or donation allows a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in that foreign country.

Taxation outside the Philippines

Shares of stock in a domestic corporation are considered under Philippine law as situated in the Philippines and the gain derived from their sale is entirely from Philippine sources; hence, such gain is subject to Philippine income tax and capital gains tax and the transfer of such shares by gift (donation) or succession is subject to the donors' or estate taxes stated above. Sales or other dispositions of shares of stock in a domestic corporation through the facilities of the PSE by a resident or a non-resident holder, other than a dealer in securities, are, however, subject to a stock transaction tax at the rate of 0.6% of the gross selling price or gross value in money of the shares of stock sold or otherwise disposed, unless an applicable treaty exempts such sale from said tax. The tax treatment of a non-resident holder of shares of stock in jurisdictions outside the Philippines may vary depending on the tax laws applicable to such holder by reason of domicile or business activities and such holder's particular situation. This Prospectus does not discuss the tax consideration on non-resident holders of shares of stock under laws other than those of the Philippines.

PLAN OF DISTRIBUTION

Up to [600,000,000] Offer Shares (or [20]% of the Offer Shares) are being offered in the Philippines through the PSE Trading Participants and up to [150,000,000] (or [5]% of the Offer Shares) are being offered in the Philippines to local small investors ("**LSI**") under the Local Small Investors Program of the PSE (subject to re-allocation as described below) (such shares, the "**Trading Participants and Retail Offer Shares**", and such offer of Trading Participants and Retail Offer Shares, the "**Trading Participants and Retail Offer**").

At least [2,250,000,000] Offer Shares, or [75]% of the Offer Shares (the "**Institutional Offer Shares**"), are being offered to QIBs and other investors in the Philippines, by the Joint Lead Underwriters.

The allocation of the Offer Shares between the Trading Participants and Retail Offer and the Institutional Offer is subject to adjustment as agreed between the Company and the Joint Lead Underwriters. In the event of an under-application in the Institutional Offer and a corresponding over-application in the Trading Participants and Retail Offer, the Offer Shares in the Institutional Offer may be reallocated to the Trading Participants and Retail Offer. If there is an under-application in the Trading Participants and Retail Offer and if there is a corresponding over-application in the Institutional Offer, Offer Shares in the Trading Participants and Retail Offer may be reallocated to the Institutional Offer. The reallocation shall not apply in the event of over-application or under-application in both the Trading Participants and Retail Offer, on the one hand, and the Institutional Offer, on the other hand. There is no arrangement for the Joint Lead Underwriters to return any of the Trading Participants and Retail Offer Shares or the Institutional Offer Shares to the Company.

The Joint Lead Underwriters will underwrite, on a firm commitment basis, the entire Offer.

THE TRADING PARTICIPANTS AND RETAIL OFFER

The Trading Participants and Retail Offer Shares shall (subject to re-allocation as described below) initially be offered by the Joint Lead Underwriters to the PSE Trading Participants and LSIs. Up to [600,000,000] Offer Shares, or [20]% of the Offer Shares, shall be allocated among the PSE Trading Participants. Each PSE Trading Participant shall initially be allocated approximately [4,800,000] Offer Shares (computed by dividing the Trading Participants and Retail Offer Shares allocated to the PSE Trading Participants among the 125 PSE Trading Participants) and subject to reallocation as may be determined by the Joint Lead Underwriters. In addition, up to [150,000,000] Offer Shares, or [5]% of the Offer Shares, shall be allocated to the LSIs. Upon closing of the Trading Participants and Retail Offer, any allocation of Trading Participants and Retail Offer Shares not taken up by the PSE Trading Participants and the LSIs shall be distributed by the Joint Lead Underwriters to its clients or the general public in the Philippines. Trading Participants and Retail Offer Shares not taken up by the PSE Trading Participants or the LSIs and which are not reallocated to the Institutional Offer, or taken up by the clients of the Joint Lead Underwriters, or the general public, shall be purchased by the Joint Lead Underwriters pursuant to the terms and conditions of the Underwriting Agreement (as defined below).

The Company and the Joint Lead Underwriters shall enter into an Underwriting Agreement to be dated on or about [•] (the "**Underwriting Agreement**"), whereby the Joint Lead Underwriters agree to underwrite, on a firm commitment basis, the Trading Participants and Retail Offer Shares and the Institutional Offer Shares.

LSI Subscription through PSE EASy

A total of up to [150,000,000] Offer Shares, or [5]% of the Offer, shall be made available nationwide to LSIs through the PSE Electronic Allocation System or "PSE EASy." An LSI is defined as a subscriber to the Offer who is willing to subscribe to a minimum board lot or whose subscription does not exceed ₱100,000.00. In the case of this Offer, the minimum subscription of LSIs shall be [1,000] Offer Shares or ₱[●], and thereafter, in multiple of [1,000] Offer Shares, while the maximum subscription shall be [●] shares or up to ₱[100,000.00]. There will be no discount on the Offer Price. The procedure in subscribing to Offer Shares via PSE EASy is indicated in the Company's Implementing Guidelines for Local Small Investors to be announced through the PSE EDGE website. Applications from LSIs shall be processed on a first-come, first-served basis. Should the total demand for the Offer Shares in the LSI program exceed the maximum allocation, the Joint Lead Underwriters shall allocate the Offer Shares ensuring equitable distribution by satisfying first the applications of investors with the smallest orders.

All Offer Shares not taken up by the QIBs, the PSE Trading Participants, the LSIs, the general public and the Joint Lead Underwriters' clients shall be purchased by the Joint Lead Underwriters on a firm commitment basis pursuant to the terms and conditions of the Underwriting Agreement and the details of each Joint Lead Underwriter's underwriting commitments is outlined below. Nothing herein or in the Underwriting Agreement shall limit the rights of the Joint Lead Underwriters to purchase the Offer Shares for their own accounts.

	Underwriting Commitment (Number of Offer Shares)	**%**
China Bank Capital Corporation	[●]	[●]%
PNB Capital and Investment Corporation	[●]	[●]%
SB Capital Investment Corporation	[●]	[●]%
Total	**[3,000,000,000]**	**100%**

For the purpose of complying with their respective commitments under the Underwriting Agreement, each Joint Lead Underwriter may, under such terms and conditions not inconsistent with the provisions of the Underwriting Agreement, particularly the underwriting commitment of the Joint Lead Underwriter, enter into agreements with sub-underwriters and appoint selling agents for the sale and distribution to the public of the Offer Shares; provided that the Joint Lead Underwriters shall remain solely responsible to the Issuer in respect of their obligations under the Underwriting Agreement entered into by them with the Issuer, and except as otherwise provided in the Underwriting Agreement, the Issuer shall not be bound by any of the terms and conditions of any agreements entered into by the Joint Lead Underwriters with the sub-underwriters and Selling Agents.

The Joint Lead Underwriters

China Bank Capital Corporation

China Bank Capital Corporation is the wholly-owned investment banking a subsidiary of China Banking Corporation. It was registered and licensed as an investment house in 2015 as a result of the spin-off of China Banking Corporation's Investment Banking Group. The firm offers a full suite of investment banking solutions, which include arranging, managing, and underwriting bond offerings corporate notes issuances, initial public offerings and follow-on offerings of common and preferred shares, private placement of securities, structured loans, project finance, real estate investment trusts, and asset securitizations. China Bank Capital also provides financial advisory services, such as structuring, valuation, and execution of M&A deals, joint ventures and other corporate transactions.

PNB Capital and Investment Corporation

PNB Capital, a wholly owned subsidiary of the Philippine National Bank, offers a spectrum of investment banking services including loan syndications and project finance, bond offerings, private placements, public offering of shares, securitization, financial advisory and mergers & acquisitions. PNB Capital obtained its license from the Philippine SEC to operate as an investment house in 1997 and is licensed to engage in underwriting and distribution of securities to the public.

SB Capital Investment Corporation

SB Capital is a Philippine corporation organized in October 1995 as a wholly-owned subsidiary of Security Bank Corporation. It obtained its license to operate as an investment house in 1996 and is licensed by the SEC to engage in underwriting and distribution of securities to the public. SB Capital provides a wide range of investment banking services including financial advisory, underwriting of equity and debt securities, project finance, privatizations, mergers and acquisitions, loan syndications and corporate advisory services. SB Capital is also involved in equity trading through its wholly-owned stock brokerage subsidiary, SB Equities, Inc. Its senior executives have extensive experience in the capital markets and were involved in a lead role in a substantial number of major equity and debt issues.

All services provided by the Joint Lead Underwriters, including in connection with the Offer, have been provided as an independent contractor and not as a fiduciary to the Company or the Principal Shareholder. The Joint Lead Underwriters do not have any right to designate or nominate a member of the Board. The Joint Lead Underwriters have no direct relationship with the Company in terms of share ownership and, other than as Joint Lead Underwriters for the Offer, do not have any material relationship with the Company, its Subsidiaries or the Principal Shareholder.

On or before 11:00 a.m. on [November 8, 2021], the PSE Trading Participants shall submit to the Receiving Agent their respective firm orders and commitments to purchase Trading Participants and Retail Offer Shares.

The Joint Lead Underwriters shall receive from the Company a fee equivalent to [2.25]% of the gross proceeds of the sale of the Offer Shares, inclusive of the amounts to be paid to participating underwriters and selling agents, if any and includes the commissions and fees to be paid to the PSE Trading Participants. The underwriting fees shall be withheld by the Joint Lead Underwriters from the proceeds of the sale of the Offer Shares.

PSE Trading Participants who take up Trading Participants and Retail Offer Shares shall be entitled to a selling fee of [1.00]%, inclusive of VAT, of the Trading Participants and Retail Offer Shares taken up and purchased by the relevant PSE Trading Participant. The selling fee, less a withholding tax of 15%, will be paid by the Joint Lead Underwriters to the PSE Trading Participants within ten (10) banking days from the Listing Date.

All of the Trading Participants and Retail Offer Shares are or shall be lodged with the PDTC and shall be issued to the PSE Trading Participants and LSIs in scripless form. Purchasers of the Trading Participants and Retail Offer Shares may maintain the Trading Participants and Retail Offer Shares in scripless form or opt to have the stock certificates issued to them by requesting an upliftment of the relevant Trading Participants and Retail Offer Shares from the PDTC's electronic system after the Listing Date.

The Joint Lead Underwriters and their respective affiliates have, from time to time, engaged in, and may in the future engage in, investment banking, financing, private banking, commercial banking or financial consulting activities and other commercial dealings in the ordinary course of business with the Company, the Principal Shareholder or their respective affiliates. They have received and expect to continue to receive customary fees and commissions for these activities and dealings. In addition, in the ordinary course of business, the Joint Lead Underwriters and their respective affiliates may trade the Company's securities or the securities of the Company's affiliates or derivatives relating to the foregoing securities for its and/or its affiliates' own account and/or for the accounts of customers, and may at any time hold a long or short position in such securities.

THE INSTITUTIONAL OFFER

The Institutional Offer Shares will be offered for sale to QIBs and other investors in the Philippines, by the Joint Lead Underwriters.

The allocation of the Offer Shares between the Trading Participants and Retail Offer and the Institutional Offer is subject to further adjustment as may be agreed between the Company and the Joint Lead Underwriters. In the event of an under-application in the Institutional Offer and a corresponding over-application in the Trading Participants and Retail Offer, Offer Shares in the Institutional Offer may be reallocated to the Trading Participants and Retail Offer. If there is an under-application in the Trading Participants and Retail Offer and if there is a corresponding over-application in the Institutional Offer, Offer Shares in the Trading Participants and Retail Offer may be reallocated to the Institutional Offer. The reallocation shall not apply in the event of over-application or under-application in both the Trading Participants and Retail Offer, on the one hand, and the Institutional Offer, on the other hand.

The SEC shall be advised accordingly in the event that a portion of the Institutional Offer Shares are allocated to a cornerstone investor.

All the Institutional Offer Shares are or shall be lodged with the PDTC and shall be issued in scripless form. Purchasers of the Institutional Shares may maintain the Institutional Offer Shares in scripless form or opt to have the stock certificates issued to them by requesting an upliftment of the relevant Institutional Offer Shares from the PDTC's electronic system after the Listing Date.

EXPERTS AND INDEPENDENT COUNSEL

IWSR Drinks Market Analysis Limited ("**IWSR**") prepared the independent market research and Divina Law acted as independent legal and tax counsel.

Each of the foregoing expert and independent counsel has neither shareholdings nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the Company's securities. None of the expert and independent counsel will receive any direct or indirect interest in any of the Company's securities thereof (including options, warrants or rights thereto) pursuant to or in connection with the Offer.

REGISTRATION OF FOREIGN INVESTMENTS

The BSP requires that investments in shares of stock funded by inward remittance of foreign currency be registered with the BSP if the foreign exchange needed to service capital repatriation or dividend remittance will be sourced from the Philippine banking system. Upon registration of the investment, proceeds of divestments, or dividends of registered investments are repatriable or remittable immediately and in full through the Philippine banking system, net of applicable tax, without need of BSP approval. The registration with the BSP of all foreign investments in the Offer Shares shall be the responsibility of the foreign investor. See "*Regulatory and Environmental Matters—Foreign Investment Laws and Restrictions—Registration of Foreign Investments and Foreign Exchange Regulations*."

LEGAL MATTERS AND INDEPENDENT AUDITORS

LEGAL MATTERS

Certain legal matters as to Philippine law relating to the Offer will be passed upon by Angara Abello Concepcion Regala & Cruz and Zambrano Gruba Caganda and Advincula, the Company's legal counsels, and Romulo Mabanta Buenaventura Sayoc & de los Angeles, legal counsel to the Joint Lead Underwriters.

Each of the foregoing legal counsel has neither shareholdings nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the Company's securities. None of the legal counsel will receive any direct or indirect interest in any of the Company's securities thereof (including options, warrants or rights thereto) pursuant to or in connection with the Offer.

INDEPENDENT AUDITORS

The financial statements of the Group as of December 31, 2018, 2019, and 2020 were audited by R.S. Bernaldo & Associates, R.G. Manabat & Co., independent auditors, as stated in their report attached to this Prospectus.

R.G. Manabat & Co. has acted as the Group's external auditor since 2019 covering the years ended December 31, 2019, and 2020. R.S. Bernaldo & Associates was the Group's external auditor in 2018. The Group has not had any material disagreements on accounting and financial disclosures with its current external auditor for the same periods or any subsequent interim period.

R.G. Manabat & Co., has neither shareholdings in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities of the Company. R.G. Manabat & Co. will not receive any direct or indirect interest in the Company or its securities (including options, warrants, or rights thereto) pursuant to or in connection with the Offer. The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

AUDIT AND AUDIT-RELATED FEES

The following table sets out the aggregate fees paid to R.G. Manabat & Co. for professional services rendered in respect of the audit of the Group's historical financial statements, excluding out-of-pocket expenses incidental to such services and excluding fees directly related to the Offer:

(in ₱)	2018	2019	2020
Company	62,000.00[38]	150,000.00	150,000.00
Montosco	193,200.00	193,200.00	193,200.00
Meritus	163,600.00	163,600.00	163,600.00
Premier	193,200.00	193,200.00	193,200.00
TOTAL	**612,000.00**	**700,000.00**	**700,000.00**

There is no arrangement that experts will receive a direct or indirect interest in the Issuer or was a promoter, Underwriters, voting trustee, director, officer, or employee of the Issuer.

In relation to the audit of the Group's annual financial statements, the Issuer's Manual on Corporate Governance, which was submitted to the SEC on May 29, 2017, provides that the audit committee shall, among other activities (i) ensure that the internal and external auditors act independently of each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions; and (ii) ensure that other non-audit work provided by the external auditors are not in conflict with their functions as external auditors.

TAX FEES

[38] Audited by R.S. Bernaldo & Associates

The Group has not engaged an external auditor for professional services covering tax accounting, compliance, advice, planning and any other form of tax services.

ALL OTHER FEES

In each of the last two (2) fiscal years, the Group has not engaged an external auditor for products and services other than the services reported above.

The audit committee endorses all engagements and fees of an external auditor for approval of the Company's Board of Directors.

MARKET PRICE OF THE COMPANY'S STOCK AND RELATED STOCKHOLDER MATTERS

Market Information

The Company's Common Shares are listed and traded on the PSE. Below are the quarterly high and low closing share prices for calendar years 2019 to 2020 and for the first two quarters of calendar year 2021:

Period	High	Low
Calendar 2021		
Second Quarter	3.30	2.44
First Quarter	8.98	2.51
Calendar 2020		
Fourth Quarter	6.03	3.12
Third Quarter	4.30	3.10
Second Quarter	5.00	4.00
First Quarter	5.46	4.50
Calendar 2019		
Fourth Quarter	6.15	5.00
Third Quarter	6.15	5.00
Second Quarter	5.90	5.01
First Quarter	6.74	5.50

On July 7, 2021, the closing price of the Company's common shares on the PSE was ₱2.95 per common share.

INDEX TO FINANCIAL STATEMENTS

THE ISSUER
The Keepers Holdings, Inc.
No. 900 Romualdez Street
Paco, Manila

JOINT ISSUE MANAGERS, JOINT LEAD UNDERWRITERS, AND JOINT BOOKRUNNERS

China Bank Capital Corporation
28/F BDO Equitable Tower
8751 Paseo de Roxas,
Makati City

PNB Capital and Investment Corporation
9th Floor, PNB Financial Center,
Pres. Diosdado Macapagal Blvd.,
Pasay City 1300

SB Capital Investment Corporation
18th Floor, Security Bank Centre
6776 Ayala Avenue
Makati City

LEGAL ADVISORS

To the Issuer

Angara Abello Concepcion Regala & Cruz
22nd Floor ACCRALAW Tower
2nd Avenue corner 30th Street, Crescent Park West
Bonifacio Global City
Taguig City 1634

Zambrano Gruba Caganda and Advincula
27th Floor, 88 Corporate Center Building, 139
Sedeno St, Salcedo Village,
Makati City 1227

To the Joint Issue Managers, Joint Lead Underwriters, and Joint Bookrunners

Romulo Mabanta Buenaventura Sayoc & de los Angeles
21/F Philamlife Tower
8767 Paseo de Roxas
Makati City 1226

STOCK AND TRANSFER AGENT

Banco de Oro Unibank, Inc. - Trust Banking Group
38/F BDO Corporate Center Ortigas
ADB Avenue, Ortigas Center,
Mandaluyong City

RECEIVING AGENT

China Banking Corporation - Trust and Asset Management Group
8/F China Bank Building,
8745 Paseo de Roxas corner Villar Street,
Makati City 1226

INDEPENDENT AUDITORS

KPMG R.G. Manabat & Co.
KPMG Center,
6787 Ayala Avenue
Makati City, 1200

DA VINCI CAPITAL HOLDINGS, INC.

FINANCIAL STATEMENTS
December 31, 2020 and 2019
(With Comparative Figures for 2018)

With Independent Auditors' Report

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS

The Stockholders and Board of Directors
Da Vinci Capital Holdings, Inc.
No. 900 Romualdez Street
Paco, Manila

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Da Vinci Capital Holdings, Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audits of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audits of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

Other Matter

The accompanying financial statements of the Company as at and for year ended December 31, 2018 were audited by other auditors who expressed an unmodified opinion on those financial statements on April 10, 2019.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 17-A and Annual Report for the year ended December 31, 2020 but does not include the financial statements and our auditors' report thereon. The SEC Form 17-A and Annual Report for the year ended December 31, 2020 are expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audits. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audits of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 17 to financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The engagement partner on the audits resulting in this independent auditors' report is Mr. Gregorio I. Sambrano, Jr.

R.G. MANABAT & CO.

Gregorio I. Sambrano, Jr.

GREGORIO I. SAMBRANO, JR.
Partner
CPA License No. 088825
SEC Accreditation No. 1548-AR-1, Group A, valid until December 17, 2021
Tax Identification No. 152-885-329
BIR Accreditation No. 08-001987-36-2018
  Issued September 20, 2018; valid until September 19, 2021
PTR No. MKT 8533918
  Issued January 4, 2021 at Makati City

April 16, 2021
Makati City, Metro Manila

DA VINCI CAPITAL HOLDINGS, INC.
STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	**2020**	2019
ASSETS			
Noncurrent Assets			
Other noncurrent assets	*5*	**P23,993,425**	P23,897,634
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable	*6, 12, 13*	**P1,439,000**	P1,439,000
Accrued expenses	*7, 12, 13*	**656,676**	562,576
Due to related parties	*8, 12, 13*	**7,852,438**	6,762,212
Total Liabilities	*14*	**9,948,114**	8,763,788
Equity			
Capital stock	*9*	**25,875,000**	25,875,000
Additional paid-in capital	*9*	**46,033,000**	46,033,000
Deficit		**(57,862,689)**	(56,774,154)
Total Equity	*14*	**14,045,311**	15,133,846
		P23,993,425	P23,897,634

See Notes to Financial Statements

DA VINCI CAPITAL HOLDINGS, INC.
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019
(With Comparative Figures for 2018)

	Note	**2020**	2019	2018
OPERATING EXPENSES				
PSE maintenance fee		**P573,500**	P731,250	P612,375
Retainer fee		**207,200**	130,800	130,800
Professional fee		**150,000**	150,000	71,300
Taxes and licenses		**500**	8,072	7,242
Penalty		**-**	-	102,000
Miscellaneous fee		**157,335**	27,899	24,054
LOSSES		**(P1,088,535)**	(P1,048,021)	(P947,771)
LOSS PER SHARE				
Basic loss per share	*11*	**(P0.0010)**	(P0.0009)	(P0.0008)

See Notes to Financial Statements.

DA VINCI CAPITAL HOLDINGS, INC.
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019
(With Comparative Figures for 2018)

	Capital Stock (Note 9)	**Additional Paid-in Capital** (Note 9)	**Deficit**	**Total**
Balances at December 31, 2017	P25,875,000	P46,033,000	(P54,778,362)	P17,129,638
Loss for the year	-	-	(947,771)	(947,771)
Balances at December 31, 2018	25,875,000	46,033,000	(55,726,133)	16,181,867
Loss for the year	-	-	(1,048,021)	(1,048,021)
Balances at December 31, 2019	25,875,000	46,033,000	(56,774,154)	15,133,846
Loss for the year	-	-	(1,088,535)	(1,088,535)
Balances at December 31, 2020	**P25,875,000**	**P46,033,000**	**(P57,862,689)**	**P14,045,311**

See Notes to Financial Statements.

DA VINCI CAPITAL HOLDINGS, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019

(With Comparative Figures for 2018)

	Note	**2020**	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Losses before income tax/operating cash flows before changes in working capital		**(P1,088,535)**	(P1,048,021)	(P947,771)
Increase in other noncurrent assets		**(95,791)**	(101,607)	(79,027)
Increase (decrease) in accrued expenses		**94,100**	(4,700)	159,100
Net cash used in operating activities		**(1,090,226)**	(1,154,328)	(867,698)
CASH FLOWS FROM A FINANCING ACTIVITY				
Advances received from related parties	*8, 15*	**1,090,226**	1,154,328	867,698
CASH AT THE END OF YEAR		**P -**	P -	P -

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS
(With Comparative Figures for 2018)

1. Reporting Entity

Da Vinci Capital Holdings, Inc, (the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on November 5, 1963, and its shares are listed in the Philippine Stock Exchange (PSE) on September 3, 1991. On April 26, 2013, the SEC approved the amendments to certain sections of the Company's articles of incorporation which include the extension of its corporate life for another 50 years from November 5, 2013 to November 5, 2063. The principal activities of the Company are to purchase, subscribe for or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, exchange or otherwise dispose of real and personal property of every kind and description, including shares of stocks, bonds, debentures, notes, evidences of indebtedness and other securities, contracts or obligations of any corporation or corporations, association or associations, domestic or foreign, engage in, but not limited to, the business of real estate, manufacturing, trading and agribusiness, and to pay, in whole or in part, in cash or by exchanging therefor, stocks, bonds and other evidences of indebtedness or securities of this or any other corporation, and while the owner or holder of any such real or personal property, stocks, bonds, debentures, notes, evidences of indebtedness or other securities, contracts or obligations, to receive, collect and dispose of the interest, dividends and income arising from such property and to possess and exercise in respect therefor all the rights, powers and privileges of ownership, including all voting powers on any stock so owned, without however engaging in dealership in securities or in stock brokerage business, to the extent permitted by law, to aid, either by loans or by guaranty of securities or in any other manner, any corporation, domestic, or foreign, any share of stock, or any bond, debenture, evidence of indebtedness or other security whereof are held by this corporation or in which it shall have interest, and to do any act designed to protect, preserve, improve or enhance the value of any property at any time held or controlled by this corporation or in which it at that time may be interested.

The Company is 85% owned by Invescap Incorporated ("Invescap"), its Parent Company that is incorporated in the Philippines. The remaining 14.48% and 0.52% are owned by other domestic corporations and by Filipino individuals, respectively.

The Company's registered office address is located at No. 900 Romualdez Street, Paco, Manila.

<u>Amendments to Articles of Incorporation</u>
The Board of Directors (BOD) and Stockholders, representing at least two-thirds (2/3) of the outstanding capital stock of the Company, approved the amendments to certain sections of the Company's Articles of Incorporation on October 26, 2020 and November 20, 2020, respectively, which include the following:

Change in the name of the Company
The name of the said corporation shall be "The Keepers Holdings, Inc."

Change in the Primary Purpose of the Company
To invest in, purchase, or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description, including shares of stock, bonds, debentures, notes, evidences of indebtedness, and other securities or obligations of any corporation or corporations, association or associations, domestic or foreign, for whatever lawful purpose or purposes the same may have been organized and to pay therefore in money or by exchanging shares of stock of this corporation or any other corporation, while the owner or holder of any such real or personal property, stocks, bonds, debentures, contracts, or obligations, to receive, collect and dispose of the interest, dividends, and income arising from such property; and to possess and exercise in respect thereof all the rights, powers and privileges of ownership, including all voting powers of any stock so owned; to carry on and manage the general business of any company.

Change in the Term of Existence of the Company
The term of existence of the Corporation changed from fifty years to perpetual existence.

Increase in Authorized Capital Stock of the Company
The increase of the Company's authorized capital stock from Three Hundred Twenty Seven Million Six Hundred Thousand Pesos (P327,600,000) divided into One Billion Two Hundred Million (1,200,000,000) common shares with par value of Two and Three Tenths Centavos (P0.023) per share, and Three Billion (3,000,000,000) preferred shares with par value of Ten Centavos (Php0.10) per share to Two Billion Pesos (P2,000,000,000) divided into Twenty Billion (20,000,000,000) common shares at a par value of Ten Centavos (P0.10) per share.

As at April 16, 2021, the application for the proposed increase in the authorized capital stock, and the other amendments to the Articles of Incorporation is still under review by the SEC.

2. Basis for the Preparation

Statement of Compliance
The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). PFRS which are issued by the Philippine Financial Reporting Standards Council (FRSC), consist of PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations based on the International Financial Reporting Interpretations Committee (IFRIC) interpretations.

Basis of Measurement
The financial statements have been prepared using the historical cost basis of accounting.

Functional and Presentation Currency
The financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Philippine Peso, which is the Company's functional currency. All amounts are rounded to the nearest Peso except when otherwise indicated.

Authorization for Issuance of the Financial Statements
The financial statements of the Company as at and for the years ended December 31, 2020 and 2019 were approved and authorized for issue by the Company's Board of Directors (BOD) on April 16, 2021.

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements, except for the changes in accounting policies as explained below.

Adoption of Amendments to Standards
The Company has adopted the following amendments to standards starting January 1, 2020 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these amendments to standards did not have any significant impact on the Company's financial statements. These are as follows:

- *Amendments to References to Conceptual Framework in PFRS Standards* sets out amendments to PFRS Standards, their accompany documents and PFRS practice statements to reflect the issuance of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework). The 2018 Conceptual Framework includes a new chapter on measurement, guidance on reporting financial performance, improved definitions of an asset and a liability, and guidance supporting these definitions, and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

  Some Standards, their accompanying documents and PFRS practice statements contain references to, or quotations from, the International Accounting Standards Committee (IASC)'s Framework for the Preparation and Presentation of Financial Statements adopted by the International Accounting Standards Board (IASB) in 2001 or the Conceptual Framework for Financial Reporting issued in 2010. The amendments update some of those references and quotations so that they refer to the 2018 Conceptual Framework, and makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

- PAS 1, *Presentation of Financial Statements,* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material (Amendments)* refine the definition of material. The amended definition of material states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify the definition of material and its application by:

  (a) raising the threshold at which information becomes material by replacing the term "could influence" with "could reasonably be expected to influence";

  (b) including the concept of "obscuring information" alongside the concept of "omitting" and "misstating" information in the definition;

  (c) clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework;

(d) clarifying the explanatory paragraphs accompanying the definition; and

(e) aligning the wording of the definition of material across PFRS Standards and other publications.

The amendments are expected to help entities make better materiality judgements without substantively changing existing requirements.

Other Noncurrent Assets

Excess Tax Credits

Excess tax credits pertain to overpayment of income taxes in prior years. Excess tax credits are initially recognized based on the amount withheld by the payee in accordance with the local tax rules and regulations. These are accumulated and are reduced when deducted against income tax payable. Excess tax credits that are expected to be realized within 12 months after the reporting period are classified as current asset, otherwise, these are classified as other noncurrent asset.

Input Taxes

Input tax represents the value-added tax (VAT) due or paid on purchases of goods and services subjected to VAT that the Company can claim against any future liability to the Bureau of Internal Revenue (BIR) for output VAT from sale of goods and services subjected to VAT. The input tax can also be recovered as tax credit against future income tax liability of the Company upon approval of the BIR. Input tax is stated at net realizable value. An allowance is provided for any portion of the input tax that cannot be claimed against output tax or recovered as tax credit against future income tax liability. Input tax that are expected to be realized within 12 months after the reporting period are classified as current asset, otherwise, these are classified as other noncurrent asset.

Financial Instruments

Date of Recognition

The Company recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument.

Initial Recognition of Financial Instruments

The financial assets or financial liabilities are recognized initially at fair value and subsequently carried at amortized cost, taking into account the impact of applying the effective interest rate method of amortization for any related premium, discount and any directly attributable transaction costs. These financial instruments are included in current assets or current liabilities if maturity is within twelve months from the reporting date. Otherwise, these are classified as noncurrent assets or liabilities.

As at December 31, 2020 and 2019, the Company's financial instruments consists of financial liabilities.

Financial Liabilities

Classification, Subsequent Measurement and Gains and Losses. Financial liabilities are classified as measured at amortized cost or financial liabilities at fair value through profit or loss (FVTPL). A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative, or it is designated as such on initial recognition.

As at December 31, 2020 and 2019, the financial liabilities of the Company are measured at amortized cost.

Financial Liabilities at Amortized Cost
This category pertains to financial liabilities that are not held for trading or designated as at FVTPL upon inception of the liability. These include liabilities arising from operations or borrowings. The financial liabilities are recognized initially at fair value and subsequently carried at amortized cost, taking into account the impact of applying the effective interest rate method of amortization for any related premium, discount and any directly attributable transaction costs. These financial liabilities are included in current liabilities if maturity is within twelve months from the reporting date. Otherwise, these are classified as noncurrent liabilities.

As at December 31, 2020 and 2019, the Company's financial liabilities measured at amortized cost include accounts payable, accrued expenses and due to related parties.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

<u>Capital Stock</u>
Ordinary or common shares are classified as equity. The proceeds from the issuance of ordinary or common shares are presented in equity as capital stock to the extent of the par value of the issued and outstanding shares and any excess of the proceeds over the par value of the shares issued, less any incremental costs directly attributable to the issuance, net of tax, is presented in equity as additional paid-in capital.

<u>Retained Earnings (Deficit)</u>
Retained earnings (deficit) represent the cumulative balance of periodic net income or loss, dividend contributions, correction of prior year errors, effect of changes in accounting policy and other capital adjustments, if any.

<u>Expense Recognition</u>
Expenses are recognized when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability that can be measured reliably has arisen. Expenses are recognized on the basis of a direct association between costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that future economic benefits do not qualify, or cease to qualify, for recognition as an asset.

Related Parties and Related Party Transactions
Related party relationships exist when the party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely to the legal form. Related parties may be individual or corporate entities.

Income Taxes
Current Income Tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used as basis to compute the amount are those that have been enacted or substantively enacted at the reporting date.

Deferred Income Tax
Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, and carryforward benefits of unused net operating loss carryover (NOLCO) to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences and the carryforward benefits of unused NOLCO can be utilized.

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

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

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

VAT
Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of VAT included.

The net amount of tax recoverable from the taxation authority is included as part of “Other noncurrent assets” in the statement of financial position.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of the provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss, net of reimbursement. If the effect of the time value of money is material, provisions are discounted using the current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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

Events After the Reporting Date
Events after the reporting date that provide additional information about the Company's position at the reporting date (adjusting events) are reflected in the financial statements. Events after the reporting date that are not adjusting events are disclosed in the notes to financial statements when material.

Amended Standards Not Yet Adopted
A number of amendments to standards are effective for annual periods beginning after January 1, 2020. However, the Company has not early adopted the following relevant amended standards in preparing these financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Company's financial statements.

The Company plans to adopt the following relevant amended standards on the respective effective dates, as applicable.

Effective January 1, 2021

- PFRS 9, *Financial Instruments,* PAS 39, *Financial Instruments: Recognition and Measurement,* PFRS 7, *Financial Instruments: Disclosures,* PFRS 4, *Insurance Contracts,* and PFRS 16, *Leases* - *Interest Rate Benchmark Reform - Phase 2 (Amendments)* ensure that financial statements best reflect the economic effects of interest rate benchmark reforms, the Phase 2 amendments were issued and focus on the accounting once a new benchmark rate is in place. The reliefs allow companies not to recognize significant modification gains or losses on financial instruments and mitigate the risk of discontinuations of existing hedging relationships because of changes required by reforms. The amendments address issues that might affect financial reporting during the reform in the following key areas:

  - Practical expedient for particular changes to contractual cash flows. As a practical expedient, a company will account for a change in the basis for determining the contractual cash flows that is required by the reform by updating the effective interest rate of the financial instrument. If there are other changes to the basis for determining the contractual cash flows, then a company first applies the practical expedient to the changes required by the reform and then applies other applicable requirements of PFRS 9 to other changes. A similar practical expedient applies to insurers applying PAS 39 and lessees for lease modifications required by a reform.

  - Relief from specific hedge accounting requirements. The amendments enable and require companies to continue hedge accounting in circumstances when changes to hedged items and hedging instruments arise as a result of changes required by the reform. A company is required to amend the formal designation of hedging relationships to reflect the changes required by the reform. Reliefs are also provided for amounts accumulated in the cash flow hedge reserve, the separately identifiable requirement, groups of items designated as hedged items and retrospective effectiveness assessment under PAS 39.

  - Disclosure requirements. To enable users of financial statements to understand the effect of reforms on a company's financial instruments and risk management strategy, additional disclosures are required on how transition to alternative benchmark rates are being managed, quantitative information about financial instruments indexed to rates yet to transition due to benchmark reform at the end of the reporting period, and the extent to which changes to the risk management strategy have occurred due to the risks identified in the transition.

  The amendments apply retrospectively, but restatement of comparative information is not required. Earlier application is permitted. The amendments are still subject to the approval by the FRSC.

Effective January 1, 2022

- PAS 37, *Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract (Amendments)* clarify that the cost of fulfilling a contract when assessing whether a contract is onerous includes all costs that relate directly to a contract - i.e. it comprises both incremental costs and an allocation of other direct costs.

  The amendments apply prospectively on or after January 1, 2022. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as appropriate. Earlier application is permitted.

- *Annual Improvements to PFRS Standards 2018-2020.* This cycle of improvements contains amendments to four standards, of which, the following is relevant to the Company:

  - PFRS 9, *Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendments)* clarify that for the purpose of performing the '10 per cent' test for derecognition of financial liabilities, the fees paid net of fees received included in the discounted cash flows include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted.

Effective January 1, 2023

- PAS 1, *Presentation of Financial Statements - Classification of Liabilities as Current or Non-current (Amendments)* promote consistency in application and clarify the requirements on determining whether a liability is current or non-current, the amendments:

  - removed the requirement for a right to defer settlement of a liability for at least twelve months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;

  - clarified that a right to defer settlement exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date; and

  - clarified that settlement of a liability includes transferring a company's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or non-current.

  The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

4. Management's Use of Judgments, Accounting Estimates and Assumptions

The preparation of the financial statements in accordance with PFRS requires management to exercise judgments, make accounting estimates and use assumptions that affect reported amounts of assets, liabilities, income and expenses and related disclosures. Future events may occur which will cause the assumptions used in arriving at the accounting estimates to change. The effects of any change in accounting estimates are reflected in the financial statements as they become reasonably determinable.

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

Accounting Estimates and Assumptions
The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below:

Recognition of Deferred Income Tax Assets
The Company reviews its deferred income tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized.

As at December 31, 2020 and 2019, the Company has carryforward benefits of unused NOLCO amounting to P2,851,527 and P2,737,852, respectively, for which no deferred income tax asset was recognized (see Note 10). Management assessed that it is not probable that future taxable profits will be available to allow all or part of its deferred income tax asset to be utilized prior to its expiration. Actual results may differ from these estimates.

5. Other Noncurrent Assets

The details of the Company's other noncurrent assets are shown below:

	2020	2019
Excess tax credits	**P23,234,026**	P23,234,026
Input VAT	**759,399**	663,608
	P23,993,425	P23,897,634

Excess tax credits pertain to prepaid taxes carried over from previous taxable years.

6. Accounts Payable

The Company's accounts payable pertains to PSE maintenance fee, retainers' fee and other expenses which are paid in advance by the former stockholders in behalf of the Company.

7. Accrued Expenses

As at December 31, 2020 and 2019, the Company's accrued expenses pertain to professional fees and other accruals which amounted to P656,676 and P562,576, respectively.

Accrued professional fees amounted to P150,000 for both years ended December 31, 2020 and 2019.

8. Related Party Transactions

Balances and transactions between the Company and its related parties are disclosed below.

Due to Related Parties
Balances of due to related parties as shown in the statements of financial position are summarized as follows:

Key Management Personnel
Transaction with key management personnel is detailed as follows:

	December 31, 2020		December 31, 2019	
	Transactions During the Year	**Outstanding Balance**	Transactions During the Year	Outstanding Balance
Stockholder's advances	**P1,090,226**	**P7,852,438**	P1,154,328	P6,762,212

Stockholder's advances represent amounts owed to related parties for working capital requirements of the Company.

Transactions with stockholders are non-interest-bearing, unsecured, payable on demand and will be settled in cash. No guarantees have been given.

Remuneration of Key Management Personnel
In both years, no remuneration was given to the Company's directors and other members of key management personnel.

9. Capital Stock

The capital stock of the Company is as follows:

	2020	2019
Ordinary shares	**P25,875,000**	P25,875,000
Additional paid-in capital	**46,033,000**	46,033,000
	P71,908,000	P71,908,000

Ordinary shares carry one vote per share and a right to dividends.

Additional paid-in capital pertains to amount paid on the issuance of shares in excess of par value.

Capital Stock
Below are the details of the ordinary shares:

	2020		2019	
	Shares	**Amount**	Shares	Amount
Authorized:				
Ordinary share (P0.023 par value per share)	**1,200,000,000**	**P27,600,000**	1,200,000,000	P27,600,000
Preferred shares (P0.10 par value per share	**3,000,000,000**	**P300,000,000**	3,000,000,000	P300,000,000
Subscribed and outstanding:				
Ordinary share (P0.023 par value per share)	**1,124,999,969**	**P25,875,000**	1,124,999,969	P25,875,000

As at December 31, 2020 and 2019, the Company has not yet issued any of its 3,000,000,000 preferred shares at P0.10 par value per share amounting to P300,000,000.

Movement in issued and outstanding capital stocks follow:

			Number of Shares
Date	**Activity**	**Issue Price**	**Common Shares**
September 3, 1991	Issuance of capital stocks as of listing date	P2.85	1,124,999,969
			1,124,999,969

Issued and outstanding common shares are held by 472 and 470 equity holders as at December 31, 2020 and 2019.

The Company's preferred shares have the following features:

a. Have the same voting rights as ordinary shares.
b. Have the same dividend rights as ordinary shares.
c. In the event of liquidation, dissolution, receivership, bankruptcy, or winding up of the affairs of the Company, voluntary or involuntary, except in the case of merger or consolidation, the holders of the preferred shares shall be entitled to be paid in full, at par, or ratably, insofar as the assets of the Company will permit, for each share of preferred shares held together with the accumulated and unpaid dividends thereon, in Philippine currency, to the date of distribution, before any distribution shall be made to the holders of ordinary shares; the remaining assets of the Company shall be apportioned to the holders of the ordinary shares.

10. Income Taxes

The Company has no taxable income in 2020 and 2019 hence, no provision for income tax was recognized.

The reconciliation of the benefit from income tax computed at the statutory income tax rate to the actual provision for provision for income tax shown in profit or loss is as follows:

	2020	2019	2018
Losses before income tax	**(P1,088,535)**	(P1,048,021)	(P947,771)
Statutory income tax rate at 30%	**(P326,561)**	(P314,406)	(P284,331)
Adjustment in income tax resulting from the tax effects of the following:			
Unrecognized deferred income tax asset	**326,561**	314,406	214,491
Nondeductible expenses	**-**	-	69,840
	P -	P -	P -

As at December 31, 2020 and 2019, the Company has carryforward benefits of unused NOLCO amounting to P2,851,527 and P2,737,852, respectively, for which no deferred income tax asset was recognized. Management believes that it is not probable that future taxable profits will be available to allow all or part of its deferred income tax asset to be utilized prior to its expiration.

Details of the Company's NOLCO prior to taxable year 2020 are as follows:

Year Incurred	Amount	Applied Previous Year	Applied Current Year	Expired	Ending Balance	Expiry Date
2017	P974,860	P -	P -	P974,860	P -	2020
2018	714,971	-	-	-	714,971	2021
2019	1,048,021	-	-	-	1,048,021	2022
	P2,737,852	**P -**	**P -**	**P974,860**	**P1,762,992**	

Pursuant to Section 4(bbbb) of Republic Act (RA) 11494, *Bayanihan to Recover As One Act* and as implemented under Revenue Regulations (RR) No. 25-2020, unless otherwise disqualified from claiming the deduction, the business or enterprise which incurred net operating loss for taxable years 2020 and 2021 shall be allowed to carry over the same as a deduction from its gross income for the next five (5) consecutive taxable years immediately following the year of such loss. The net operating loss for said taxable years may be carried over as a deduction even after the expiration of RA No. 11494 provided the same are claimed within the next five (5) consecutive taxable years immediately following the year of such loss.

Details of the Company's NOLCO for the taxable year 2020 are as follows:

Year Incurred	Amount	Applied Previous Year	Applied Current Year	Expired	Ending Balance	Expiry Date
2020	**P1,088,535**	**P -**	**P -**	**P -**	**P1,088,535**	**2025**

11. Loss Per Share

The Company's basic loss per share is P0.0010, P0.0009 and P0.0008 as at December 31, 2020, 2019 and 2018, respectively.

The loss and weighted average number of ordinary shares used in the calculation of basic loss per share are as follows:

	2020	2019	2018
Loss used in the calculation of total basic loss per share	**P1,088,535**	P1,048,021	P947,771
Weighted average number of ordinary shares for the purposes of basic loss per share	**1,124,999,969**	1,124,999,969	1,124,999,969

The weighted average number of ordinary shares in 2020, 2019 and 2018 used for the purposes of basic loss per share were computed as follows:

	Number of Ordinary Shares	Proportion to Period	Weighted Average
Outstanding shares at the beginning and end of year	1,124,999,969	12/12	1,124,999,969

The Company did not have any potential dilutive instruments as at December 31, 2020, 2019 and 2018.

12. Fair Value Measurements

Fair Value of Financial Liabilities

The carrying amounts and estimated fair values of the Company's financial liabilities as at December 31, 2020 and 2019 are presented below:

	2020		2019	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Liabilities				
Accounts payable	**P1,439,000**	**P1,439,000**	P1,439,000	P1,439,000
Accrued expenses	**656,676**	**656,676**	562,576	562,576
Due to related parties	**7,852,438**	**7,852,438**	6,762,212	6,762,212
	P9,948,114	**P9,948,114**	P8,763,788	P8,763,788

The carrying amounts of financial liabilities approximate their fair values due to either the demand feature or relatively short-term duration of these payables.

13. Financial Risk Management Objectives, Policies and Procedures

The Company is exposed to liquidity risk through its financial liabilities. The risks and respective risk management policies employed by the Company to manage this risk are discussed below:

Liquidity Risk Management
Ultimate responsibility for liquidity risk management rests with the BOD, who have established an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. Since there is no operation and no business opportunity at this time, the Company's stockholders have advanced and are willing to advance monies to satisfy the cash requirements of the Company.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted amounts or on the estimated timing of cash flows as at December 31:

	Within 1 Year	
	2020	2019
Accounts payable	**P1,439,000**	P1,439,000
Accrued expenses	**656,676**	562,576
Due to related parties	**7,852,438**	6,762,212
	P9,948,114	P8,763,788

14. Capital Management Objectives, Policies and Procedures

The Company manages its capital to ensure that the Company will be able to continue as going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged from prior year.

The capital structure of the Company consists of total liabilities and equity of the Company.

The Company's BODs review the capital structure of the Company on an annual basis. As part of this review, the BODs consider the cost of capital and the risks associated with each class of capital.

The debt to equity ratio at the end of reporting periods is as follows:

	2020	2019
Debt	**P9,948,114**	P8,763,788
Equity	**14,045,311**	15,133,846
Debt to equity ratio	**0.71:1**	0.58:1

15. Reconciliation of Liabilities from Financing Activity

	2020	2019
Balance, January 1	**P6,762,212**	P5,607,884
Advances received from related parties	**1,090,226**	1,154,328
Balance, December 31	**P7,852,438**	P6,762,212

16. Subsequent Events

Share Swap Transactions

On a special meeting of the Company's BOD on February 19, 2021, the BOD approved the issuance of common shares of the Company, which will be created and issued out of an increase in its authorized capital stock, in exchange for 100% of the outstanding shares of Montosco Inc. ("Montosco"), Meritus Prime Distributions, Inc. ("Meritus") and Premier Wine and Spirits, Inc. ("Premier").

On a special meeting of the Company's BOD on March 15, 2021, the BOD ratified the management's approval of the valuation of three (3) liquor companies of Cosco Capital, Inc. ("Cosco") at P22,500,000,000 to be paid in stocks amounting to 11,250,000,000 common shares at P2.00 per share in exchange for 100% of Cosco's outstanding shares of Montosco, Meritus and Premier, as follows:

- 9,488,444,240 common shares of the Company will be swapped with 7,499,994 common shares of Cosco in Montosco;

- 907,885,074 common shares of the Company will be swapped with 7,499,994 common shares of Cosco in Meritus; and,

- 853,670,686 common shares of the Company will be swapped with 1,499,993 common shares of Cosco in Premier.

On a special meeting of the Company's BOD dated March 29, 2021, the BOD approved the acceptance of proposal of Cosco to subscribe and issue 11,250,000,000 common shares at P2.00 per share and enter into a Deed of Exchange of Shares with Cosco, wherein, in exchange and as a consideration of such issuance, Cosco shall assign 100% of its share in Montosco, Meritus, and Premier.

The Share Swap Transaction will take effect upon approval of the Company's stockholders and the SEC. Upon completion of the Share Swap Transaction, the Company will legally and beneficially own 100% of the outstanding shares of each of Montosco, Meritus and Premier. As a corollary, Cosco will own a controlling equity interest in the Company.

Additional Listing of the Shares and Follow-on Public Offering

In compliance with Section 3 of the Philippine Stock Exchange ("PSE") Rules on Backdoor Listing, and Article V, Part A of the PSE Listing and Disclosure Rules on the Rule on Additional Listing of Shares, the Company must apply for listing with the PSE of the additional shares of stock to be issued in connection with the increase of the capital stock and the Share Swap Transaction to comply with the PSE listing rules. The additional listing of shares without the conduct of a rights or public offering shall be submitted for approval of the stockholders.

Considering that the proposed increase in the authorized capital stock and the Share Swap Transaction will affect the minimum public float of the Company, it intends to conduct a Follow-on Public Offering of its shares as soon as possible after the completion of the Share Swap Transaction to comply with the minimum public ownership requirement under the SEC and the PSE rules.

On a special meeting of the Company's BOD dated March 29, 2021, the BOD authorized the Company to file a request with the SEC for exemptive relief in relation to the mandatory tender offer ("MTO") requirement which may be imposed on Cosco since there is no effective change in control and beneficial ownership in the Corporation after the share swap transaction with Cosco Capital, Inc. and the subscription of Cosco Capital, Inc. is from the increase in authorized capital stock of the Corporation, and thus, not covered by the MTO requirement.

The BOD also authorized the Company to file a request with the Philippine Stock Exchange ("PSE") and the SEC for the grant of a minimum public ownership ("MPO") exemption period, to commence from subscription by Cosco up to the completion of the follow-on offering in order to comply with the MPO of at least 20% public float upon and after listing and to file a request with the Bureau of Internal Revenue ("BIR") for confirmation that Revenue Regulations No. 16-2012 will not apply during the MPO exemption period.

<u>Enactment of CREATE Act</u>
On March 26, 2021, the President of the Philippines has approved the Republic Act (RA) No. 11534, or the "Corporate Recovery and Tax Incentives for Enterprises Act" (CREATE), with nine (9) provisions vetoed by the President. Below are the salient features of the Act that are relevant to the Company.

- Corporate income tax rate is reduced from 30% to 20% for domestic corporations with net taxable income not exceeding P5 million and with total assets not exceeding P100 million. All other domestic corporations and resident foreign corporations will be subject to 25% income tax. Said reductions are effective July 1, 2020.

- Minimum corporate income tax (MCIT) rate is reduced from 2% to 1% effective July 1, 2020 to June 30, 2023.

- Percentage tax reduced from 3% to 1 % effective July 1, 2020 to June 30, 2023.

- The imposition of improperly accumulated earnings tax has been repealed.

- Definition of reorganization for purposes of applying the tax-free exchange provision under Section 40(C)(2) is expanded. Prior BIR ruling or confirmation shall not be required for purposes of availing the tax exemption of the exchange.

On April 8, 2021, the Bureau of Internal Revenue issued the following implementing revenue regulations that are effective immediately upon publication:

- BIR RR No. 2-2021, amending certain provisions of Revenue Regulations No. 2-98, As Amended, to implement the amendments introduced by RA No. 11534 to the National Revenue Code of 1997, as Amended, relative to the final tax on certain passive income.

- BIR RR No. 3-2021, Rules and Regulations implementing Section 3 of RA No. 11534 amending Section 20 of the National Internal Revenue Code of 1997, As Amended.

- BIR RR No. 4-2021, implementing the Provisions on Value-Added Tax (VAT) and Percentage Tax under RA No. 11534 which further amended the National Revenue Code of 1997, as Amended, as implemented by Revenue Regulations No. 16-2005 (Consolidated Value-Added Tax Regulations of 2005), As Amended.

- BIR RR No. 5-2021, implementing the new income tax rates on the regular income of corporations on certain passive incomes, including additional allowable deductions from gross income of persons engaged in business or practice of profession pursuant to RA No. 11534 which further amended the National Revenue Code (NIRC) of 1997.

The enactment of the CREATE Act is a non-adjusting subsequent event thus, the current and deferred income taxes as at December 31, 2020 are measured using the applicable income tax rates as at December 31, 2020.

The corporate income tax of the Company will be lowered from 30% to 20% for small and medium corporations on which the Company would qualify, effective July 1, 2020. The Company has no taxable income in 2020 and 2019, thus, the reduced rates including the other changes brought about by the Act has no significant impact on the Company's financial statements as at December 31, 2020.

17. Supplementary Information Required by the BIR under Revenue Regulations No. 15-2010

In addition to the disclosures mandated under PFRS, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to financial statements, certain supplementary information for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRS. The following are the tax information required for the taxable year ended December 31, 2020:

A. VAT

The Company has no transactions subject to Output VAT.

Input VAT	
Balance at beginning of year	**P663,608**
Current year's domestic purchases:	
a. Goods for resale/manufacture or further processing	**-**
b. Goods other than for resale or manufacture	**-**
c. Services lodged under other accounts	**95,791**
Claims for tax credit/refund and other adjustments	**-**
Balance at end of year	**P759,399**

B. All Other Taxes (Local and National)

Other taxes paid during the year recognized under "Taxes and licenses" Account under Operating Expenses	
License and permit fees	**P500**

C. Tax Cases and Assessments

As at December 31, 2020, the Company has no pending tax cases, nor has it received tax assessment notices from the BIR.

Information on landed cost of imports, customs duties, tariff fees paid or accrued, excise tax, documentary stamp tax, and withholding taxes are not applicable since the Company did not enter into transactions which will result to payment or accrual of such taxes.

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

						2	4	0	1	5

COMPANY NAME

DA VINCI CAPITAL
HOLDINGS, INC.

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

No. 900 Romualdez Street
Paco, Manila

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	SEC	

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
hotline@mariwasa.com	(02) 522-8801 to 04	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
470	Any Day of May	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Atty. Candy H. Dacanay - Datuon	candy.dacanay@gmail.com	522-8801 to 04	N/A

CONTACT PERSON's ADDRESS

No. 900 Romualdez Street, Paco, Manila

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.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

**REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING
WITH THE SECURITIES AND EXCHANGE COMMISSION**

The Stockholders and Board of Directors
Da Vinci Capital Holdings, Inc.
No. 900 Romualdez Street
Paco, Manila

We have audited in accordance with Philippine Standards on Auditing, the financial statements of **Da Vinci Capital Holdings, Inc.** (the "Company") as at and for the years ended December 31, 2020 and 2019 and have issued our report thereon dated April 16, 2021.

Our audits were made for the purpose of forming an opinion on the basic financial statements of the Company taken as a whole. The Supplementary Schedule of Financial Soundness Indicators, including their definitions, formulas and calculations, is the responsibility of the Company's management. These financial soundness indicators are not measure of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies.

KPMG

This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission and is not a required part of the financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Company's financial statements as at and for the years ended December 31, 2020 and 2019 and no material exceptions were noted (see Annex A).

R.G. MANABAT & CO.

Gregorio I. Sambrano, Jr.

GREGORIO I. SAMBRANO, JR.
Partner
CPA License No. 088825
SEC Accreditation No. 1548-AR-1, Group A, valid until December 17, 2021
Tax Identification No. 152-885-329
BIR Accreditation No. 08-001987-36-2018
Issued September 20, 2018; valid until September 19, 2021
PTR No. MKT 8533918
Issued January 4, 2021 at Makati City

April 16, 2021
Makati City, Metro Manila

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The KPMG Center, 9/F
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Telephone +63 (2) 8885 7000
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REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING
WITH THE SECURITIES AND EXCHANGE COMMISSION

The Stockholders and Board of Directors
Da Vinci Capital Holdings, Inc.
No. 900 Romualdez Street
Paco, Manila

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of **Da Vinci Capital Holdings, Inc.** (the "Company") as at and for the years ended December 31, 2020 and 2019, on which we have rendered our report dated April 16, 2021.

Our audits were made for the purpose of forming an opinion on the basic financial statements of the Company taken as a whole. The supplementary information is the responsibility of the Company's management. Such additional components include:

- Supplementary Schedules of Annex 68-J
- Map of Conglomerate
- Reconciliation of Retained Earnings Available for Dividend declaration of the Company

This supplementary information is presented for purposes of complying with the Revised Securities Regulation Code Rule 68 and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

Gregorio I. Sambrano, Jr.

GREGORIO I. SAMBRANO, JR.
Partner
CPA License No. 088825
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April 16, 2021
Makati City, Metro Manila

DA VINCI CAPITAL HOLDINGS INC.
AS AT DECEMBER 31, 2020

Ratio	Formula	Years ended December 31	
		2020	2019
Current ratio	Total Current Assets divided by Total Current Liabilities Total current assets P - Divide by: Total current liabilities 9,948,114 -	**-**	-
Acid-test ratio	Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities Total current assets P - Less: Inventories - Other current assets - Quick assets Divide by: Total current liabilities 9,948,114 Acid-test ratio -	**-**	-
Solvency ratio	Solvency ratio (Profit plus depreciation and amortization over total liabilities) Net income P - Add: Depreciation and amortization - Total - Divide by: Total liabilities 9,948,114 Solvency ratio -	**-**	-
Debt-to-equity ratio	Debt-to equity ratio (Total liabilities over total equity) Total liabilities P9,948,114 Divide by: Total equity 14,045,311 0.71	**0.71**	0.58
Asset-to-equity ratio	Asset-to-equity ratio (Total assets over total equity) Total assets P23,993,425 Divide by: Total equity 14,045,311 1.71	**1.71**	1.58

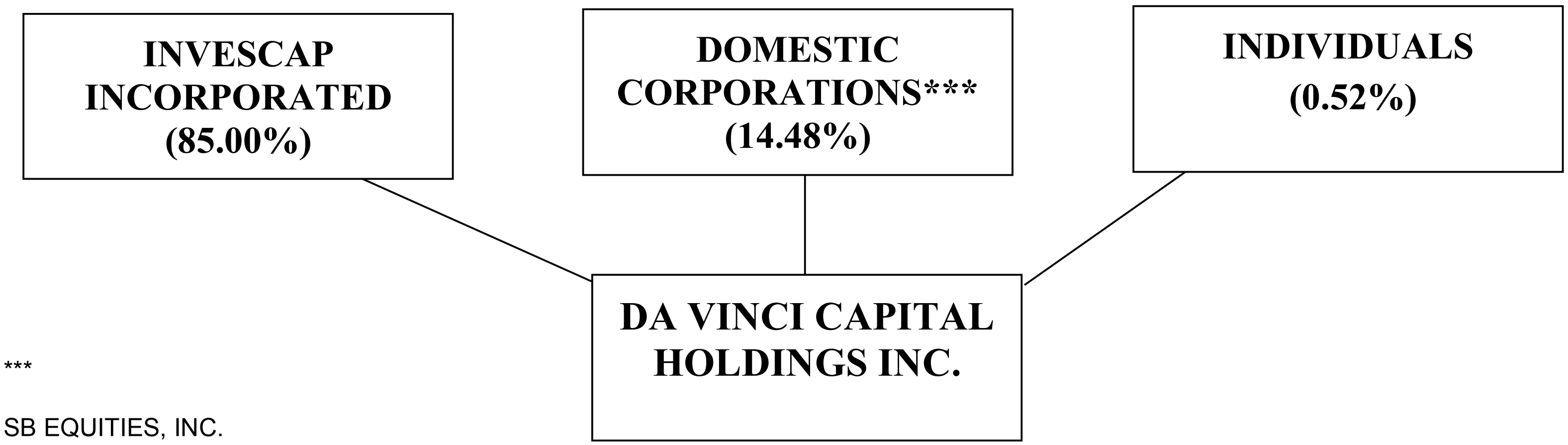
Ratio	Formula	Years ended December 31	
		2020	2019
Interest rate coverage ratio	Interest rate coverage ratio (Profit before interest and taxes over interest expense) Profit before interest and taxes P - Divide by interest expense - -	**-**	-
Return on equity	Return on Equity (Net Income by Total Equity) Net income P - Divide by: Total equity 14,045,311 -	**-**	-
Return on assets	Return on Assets (Net Income by Total Assets) Net income P - Divide by: Total assets 23,993,425 -	**-**	-
Net profit margin	Net profit margin (Profit over net sales) Net income P - Divide by: Net sales - -	**-**	-

Annex A

Da Vinci Capital Holdings, Inc.

Map of Group of Companies Within which the Company Belongs

As at December 31, 2020



***

SB EQUITIES, INC.
TOWER SECURITIES, INC.
COL FINANCIAL GROUP, INC.
TGN REAL TY CORP.
GOLDEN TOWER SECURITIES & HOLDINGS, INC.
BDO SECURITIES CORPORATION
KINGS POWER SECURITIES
ABACUS SECURITIES CORPORATION
ASTRA SECURITIES CORPORATION
EVERGREEN STOCK BROKERAGE & SEC, INC.
A & A SECURITIES, INC.
ANSALDO GODINEZ & CO., INC.
TESERO, INC.
FIRST METRO SECURITIES BROKERAGE
BPI SECURITIES CORPORATION
SECURITIES SPECIALIST, INC.
HDI SECURITIES, INC.
PHILSTOCK FINANCIAL INC.
EASTERN SECURITIES DEVELOPMENT CORPORATION

Annex A

DA VINCI CAPITAL HOLDINGS, INC.
SCHEDULE A. FINANCIAL ASSETS

Name of Issuing entity and association of each issue (i)	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet (ii)	Valued based on market quotation at balance sheet date (iii)	Income received and accrued

NOT APPLICABLE

Annex A

DA VINCI CAPITAL HOLDINGS, INC.

SCHEDULE B. AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN AFFILIATES)

Name and Designation of debtor (i)	Balance at beginning of period	Additions	Amounts collected (ii)	Amounts written off (iii)	Current	Not Current	Balance at end of period

NOT APPLICABLE

DA VINCI CAPITAL HOLDINGS, INC.

SCHEDULE C. AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected (i)	Amounts written off (ii)	Current	Not Current	Balance at end of period

NOT APPLICABLE

DA VINCI CAPITAL HOLDINGS, INC.

SCHEDULE D. LONG TERM DEBT

Title of Issue and type of obligation (i)	Lender	Outstanding Balance	Amount shown under caption "Current portion of long-term debt" in related balance sheet (ii)	Amount shown under caption "Long-Term Debt" in related balance sheet (iii)	Interest Rates	Number of Periodic Installments	Final Maturity

NOT APPLICABLE

DA VINCI CAPITAL HOLDINGS, INC.

SCHEDULE E. INDEBTEDNESS TO RELATED PARTIES (LONG TERM LOANS FROM RELATED PARTIES)

Name of Related Parties (i)	Balance at beginning of period	Balance at end of period (ii)

NOT APPLICABLE

DA VINCI CAPITAL HOLDINGS, INC.
SCHEDULE F. GUARANTEES OF SECURITIES OF OTHER ISSUERS

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding (i)	Amount owned by person for which statement is filed	Nature of guarantee (ii)

NOT APPLICABLE

DA VINCI CAPITAL HOLDINGS, INC.
SCHEDULE G. CAPITAL STOCK

Title of Issue	Number of Shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of treasury common shares	Number of shares held by affiliates	Directors, officers and employees	Others
Preferred Shares	3,000,000,000	-	-	-	-	-
Common Shares	1,200,000,000	1,124,999,969	-	956,203,336	1,501	-

DA VINCI CAPITAL HOLDINGS, INC.
No. 900 Romualdez Street, Paco, Manila
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
For the Year Ended December 31, 2020

Deficit, December 31, 2019		**(P56,774,154)**
Adjustments in previous year's reconciliation		**-**
Deficit, as adjusted, December 31, 2019		**(P56,774,154)**
Net Loss based on the face of AFS	(P1,088,535)	
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture	-	
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalent)	-	
Unrealized actuarial gain	-	
Fair value adjustment (M2M gains)	-	
Fair value adjustment of Investment Property resulting to gain	-	
Adjustment due to deviation from PFRS/GAAP gain	-	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-	
Sub-total	(1,088,535)	
Add: Non-actual losses		
Deferred income tax benefit for the year	-	
Depreciation on revaluation increment (after tax)	-	
Unrealized foreign exchange loss - net (except those attributable to Cash and Cash Equivalent)	-	
Adjustment due to deviation from PFRS/GAAP - loss	-	
Loss on fair value adjustment of investment property (after tax)	-	
Sub-total	-	
Net loss actually incurred during the period		**(1,088,535)**
Add (Less):		
Dividend declarations during the period	-	
Appropriations of Retained Earnings during the period	-	
Reversals of appropriations	-	
Treasury shares	-	
Deficit, as adjusted, December 31, 2020		**(P57,862,689)**

DA VINCI CAPITAL HOLDINGS, INC.

900 Romualdez St., Brgy. 664-A, Paco, Manila

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS[1]

The Management of **Da Vinci Capital Holdings, Inc.** (the "Company") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended **December 31, 2020, 2019 and 2018**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free form material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

R.G. Manabat & Co., the independent auditor appointed by the stockholders for the years ended December 31, 2020 and 2019 and **R.S. Bernaldo & Associates**, the independent auditor appointed by the stockholders for the year ended December 31, 2018, have audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in their reports to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audits.

Signature ____________________
Lucio L. Co
Chairman of the Board

Signature ____________________
Jose Paulino L. Santamarina
President

Signature ____________________
Ma. Editha D. Alcantara
Treasurer

Signed this 20th day of August 2021

SUBSCRIBED AND SWORN to before me this AUG 23 2021 affiants exhibiting to me their respective identifications, as follows:

Name	Type of ID	ID No.	Place of Issue
Lucio L. Co	TIN ID	108-975-971	BIR
Jose Paulino L. Santamarina	TIN ID	225-968-021	BIR
Ma. Editha D. Alcantara	SSS ID	33-1178861-2	SSS

[1] The Company submitted an original "Statement of Management's Responsibility for Financial Statements" dated April 16, 2021

Doc No: 30
Page No: 1
Book No: 2
Series of 2021

ROXANNE G. DOMINGO-MAUR
Notary Public for the City of Manila
Commission No. 2021-001 until Dec. 31, 2022
Roll No. 69155
IBP Lifetime Member No. 018547
PTR No. 9869287 / 01-19-2021 / Mla.
MCLE Compliance No. VI-0008924 / 04-14-22
No. 900 Romualdez St., Paco, Manila

THE KEEPERS HOLDINGS, INC.
(Formerly DA VINCI CAPITAL HOLDINGS, INC.),
AND SUBSIDIARIES

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021 and December 31, 2020

With Independent Auditors' Report

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS ON
REVIEW OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The Stockholders and Board of Directors
The Keepers Holdings, Inc.
(formerly "Da Vinci Capital Holdings, Inc.")
No. 900 Romualdez Street
Paco, Manila

We have reviewed the accompanying June 30, 2021 interim consolidated financial statements of The Keepers Holdings, Inc. (formerly "Da Vinci Capital Holdings, Inc.") and its subsidiaries (the "Group") which comprises:

- The consolidated statement of financial position as at June 30, 2021;
- The interim consolidated statements of comprehensive income for the three-month and six-month periods ended June 30, 2021 and 2020;
- The interim consolidated statements of changes in equity for the six-month periods ended June 30, 2021 and 2020;
- The interim consolidated statements of cash flows for the six-month periods ended June 30, 2021 and 2020; and
- Notes to interim consolidated financial statements

Management is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with Philippine Financial Reporting Standards (PFRS), including the requirements of Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting.* Our responsibility is to express a conclusion on these interim consolidated financial statements based on our review.

KPMG

Scope of Review

We conducted our review in accordance with the Philippine Standard on Review Engagements 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity".* A review of interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Philippine Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not present fairly, in all material respects, the financial position, financial performance and cash flows of the Group in accordance with PFRS including the requirements of PAS 34.

Other Matter

We audited the amended financial statements of The Keepers Holdings, Inc. (formerly "Da Vinci Capital Holdings, Inc.") as at and for the year ended December 31, 2020 and expressed an unmodified opinion thereon dated September 14, 2021.

R.G. MANABAT & CO.

Gregorio I. Sambrano, Jr.

GREGORIO I. SAMBRANO, JR.
Partner
CPA License No. 088825
SEC Accreditation No. 1548-AR-1, Group A, valid until December 17, 2021
Tax Identification No. 152-885-329
BIR Accreditation No. 08-001987-036-2021
Issued June 29, 2021; valid until June 28, 2024
PTR No. MKT 8533918
Issued January 4, 2021 at Makati City

September 14, 2021
Makati City, Metro Manila

THE KEEPERS HOLDINGS, INC.
(Formerly DA VINCI CAPITAL HOLDINGS, INC.) AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in Thousands)

	Note	**June 30, 2021 (Unaudited)**	December 31, 2020 (Audited, as restated - Note 5)
ASSETS			
Current Assets			
Cash and cash equivalents	*6, 25*	**P1,722,209**	P2,534,103
Trade and other receivables - net	*7, 25*	**1,044,115**	1,574,625
Inventories	*8*	**3,702,283**	3,659,336
Prepaid expenses and other current assets	*9*	**1,749,072**	639,010
Total Current Assets		**8,217,679**	8,407,074
Noncurrent Assets			
Right-of-use assets - net	*20*	**198,226**	185,853
Property and equipment - net	*10*	**27,084**	32,213
Deferred income tax assets - net	*22*	**4,223**	4,762
Investment in an associate - net	*11*	**99,055**	93,361
Other noncurrent assets	*12*	**40,781**	40,497
Total Noncurrent Assets		**369,369**	356,686
		P8,587,048	P8,763,760
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	*13, 25*	**P836,761**	P1,325,766
Due to related parties	*15, 25*	**185,978**	200,553
Loans payable	*14, 25*	**-**	42,000
Dividends payable	*16 ,25*	**100,000**	300,000
Income tax payable		**92,476**	185,438
Lease liabilities - current	*20, 25*	**53,688**	52,553
Provisions	*23*	**11,975**	11,975
Total Current Liabilities		**1,280,878**	2,118,285
Noncurrent Liabilities			
Lease liabilities - net of current portion	*20, 25*	**152,625**	149,407
Retirement benefits liability	*21*	**16,409**	15,330
Total Noncurrent Liabilities		**169,034**	164,737
Total Liabilities		**1,449,912**	2,283,022

Forward

	Note	June 30, 2021 (Unaudited)	December 31, 2020 (Audited, as restated - Note 5)
Equity	*16*		
Capital stock	*5*	**P1,150,875**	P1,150,875
Additional paid-in capital	*5*	**21,374,233**	21,421,033
Retained earnings:			
Unappropriated		**4,506,770**	3,803,957
Appropriated	*16*	**950,000**	950,000
Equity adjustments from common control transactions	*5*	**(20,848,500)**	(20,848,500)
Accumulated remeasurements on retirement benefits	*21*	**5,076**	4,691
Other reserves		**(1,318)**	(1,318)
Total Equity		**7,137,136**	6,480,738
		P8,587,048	P8,763,760

See Notes to Interim Consolidated Financial Statements.

THE KEEPERS HOLDINGS, INC.
(Formerly DA VINCI CAPITAL HOLDINGS, INC.) AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in Thousands, Except Per Share Data)

		Three-month Period Ended		**Six-month Period Ended**	
	Note	**June 30, 2021 (Unaudited)**	June 30, 2020 (Unaudited, as restated - Note 5)	**June 30, 2021 (Unaudited)**	June 30, 2020 (Unaudited, as restated - Note 5)
NET SALES		**P2,539,812**	P1,359,014	**P4,299,008**	P3,189,385
COST OF GOODS SOLD	*17*	**1,854,569**	978,498	**3,163,752**	2,372,932
GROSS PROFIT		**685,243**	380,516	**1,135,256**	816,453
OPERATING EXPENSES	*18*	**145,125**	116,571	**301,666**	255,070
INCOME FROM OPERATIONS		**540,118**	263,945	**833,590**	561,383
SHARE IN NET INCOME (LOSS) OF AN ASSOCIATE	*11*	**13,523**	(5,940)	**5,694**	(5,070)
OTHER CHARGES - Net	*19*	**(2,266)**	(3,054)	**(579)**	(10,128)
INCOME BEFORE INCOME TAX		**551,375**	254,951	**838,705**	546,185
PROVISION FOR INCOME TAX	*22*	**100,370**	64,818	**135,892**	143,498
NET INCOME		**451,005**	190,133	**702,813**	402,687
OTHER COMPREHENSIVE LOSS					
Item that will never be reclassified to profit or loss in subsequent periods					
Share in other comprehensive loss of an associate	*11*	**-**	(1,318)	**-**	(1,318)
TOTAL COMPREHENSIVE INCOME		**P451,005**	P188,815	**P702,813**	P401,369
BASIC AND DILUTED EARNINGS PER SHARE	*24*	**P0.04**	P0.02	**P0.06**	P0.03

See Notes to Interim Consolidated Financial Statements.

THE KEEPERS HOLDINGS, INC.
(Formerly DA VINCI CAPITAL HOLDINGS, INC.) AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(in Thousands)

	Note	Six-month Period Ended **June 30, 2021 (Unaudited)**	June 30, 2020 (Unaudited, as restated - Note 5)
CAPITAL STOCK			
Balance at beginning of period, as previously reported	*5, 16*	**P25,875**	P25,875
Share swap transaction	*5*	**1,125,000**	1,125,000
Balance at beginning and end of the period, as restated		**1,150,875**	1,150,875
ADDITIONAL PAID-IN CAPITAL			
Balance at beginning of period, as previously reported	*5*	**46,033**	46,033
Share swap transaction	*5*	**21,375,000**	21,375,000
Balance at beginning of period, as restated		**21,421,033**	21,421,033
Share issuance costs	*16*	**(46,800)**	-
Balance at end of period	*16*	**21,374,233**	21,421,033
ACCUMULATED REMEASUREMENTS ON RETIREMENT BENEFITS	*21*		
Balance at beginning of period, As previously reported		**-**	-
Share swap transaction	*5*	**4,691**	5,380
Balance at beginning of period, As restated	*5*	**4,691**	5,380
Impact of tax adjustment in retirement benefits during the period		**385**	-
Balance at end of period		**5,076**	5,380
RETAINED EARNINGS (DEFICIT)			
Unappropriated:			
Balance at beginning of period, As previously reported		**(57,863)**	(56,774)
Share swap transaction	*5*	**3,861,820**	2,880,658
Balance at beginning of period, As restated	*5*	**3,803,957**	2,823,884
Net income for the period, as restated		**702,813**	402,687
	5, 16	**4,506,770**	3,226,571

Forward

	Note	Six-month Period Ended June 30, 2021 (Unaudited)	June 30, 2020 (Unaudited, as restated - Note 5)
Appropriated:			
Balance at beginning and end of six-month period, As previously reported		**P -**	P -
Share swap transaction	*5*	**950,000**	950,000
Balance at beginning and end of six-month period, As restated		**950,000**	950,000
		5,456,770	4,176,571
EQUITY ADJUSTMENTS FROM COMMON CONTROL TRANSACTIONS			
Balance at beginning and end of period, as previously reported	*5*	**-**	-
Share swap transaction	*5*	**(20,848,500)**	(20,848,500)
Balance at beginning and end of the six-month period, as restated	*5, 16*	**(20,848,500)**	(20,848,500)
OTHER RESERVES			
Balance at beginning of period, as previously reported		**-**	-
Share swap transaction	*5*	**(1,318)**	-
Balance at beginning of period, as restated		**(1,318)**	-
Share in other comprehensive loss of an associate, as restated	*5*	**-**	(1,318)
Balance at end of the six-month period		**(1,318)**	(1,318)
		P7,137,136	P5,904,041

See Notes to Interim Consolidated Financial Statements.

THE KEEPERS HOLDINGS, INC.
(Formerly DA VINCI CAPITAL HOLDINGS, INC.) AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(in Thousands)

		Six-month Period Ended	
	Note	**June 30, 2021 (Unaudited)**	June 30, 2020 (Unaudited, as restated - Note 5)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**P838,705**	P546,185
Adjustments for:			
Depreciation and amortization	*10, 18, 20*	**36,753**	27,206
Interest income	*6,19*	**(10,537)**	(5,410)
Share in net loss (income) of an associate	*11*	**(5,694)**	5,070
Interest expense	*0, 14, 19, 20*	**5,562**	19,225
Retirement benefits costs	*21*	**1,079**	825
Gain on disposal of property and equipment		**(393)**	-
Unrealized foreign exchange gains - net		**(23)**	(2)
Operating income before working capital changes		**865,452**	593,099
Decrease (increase) in:			
Trade and other receivables		**530,510**	1,526,686
Inventories		**(42,947)**	534,788
Prepaid expenses and other current assets		**(1,110,063)**	279,982
Decrease in trade and other payables		**(488,981)**	(591,107)
Cash generated from (used in) operations		**(246,029)**	2,343,448
Income taxes paid		**(227,931)**	(218,018)
Interest received	*6, 19*	**10,537**	5,410
Net cash from (used in) operating activities		**(463,423)**	2,130,840
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment	*10*	**(1,603)**	(13,045)
Proceeds from disposal of property and equipment		**393**	-
Additions to other noncurrent assets		**(283)**	(91)
Net cash used in investing activities		**(1,493)**	(13,136)

Forward

		Six-month Period Ended	
	Note	**June 30, 2021 (Unaudited)**	June 30, 2020 (Unaudited, as restated - Note 5)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Dividends	*16*	**(P200,000)**	P -
Share issuance costs		**(46,800)**	-
Loans payable	*14*	**(42,000)**	(351,000)
Lease liabilities - principal portion	*20*	**(38,041)**	(22,144)
Due to related parties		**(20,002)**	-
Interest		**(5,562)**	(19,978)
Advances from a stockholder		**-**	(659,794)
Advances received from related parties	*15*	**5,427**	669
Proceeds from availment of loans payable	*14*	**-**	97,000
Net cash used in financing activities	*27*	**(346,978)**	(955,247)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(811,894)**	1,162,457
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		**2,534,103**	442,073
CASH AND CASH EQUIVALENTS AT END OF PERIOD	*6*	**P1,722,209**	P1,604,530

See Notes to Interim Consolidated Financial Statements.

THE KEEPERS HOLDINGS, INC.
(Formerly DA VINCI CAPITAL HOLDINGS, INC.) AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in Thousands, Except Par Value, Per Share Data and Number of Shares)

1. Reporting Entity

The Keepers Holdings, Inc. (formerly Da Vinci Capital Holdings, Inc.) (the "Parent Company" or "TKHI") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on November 5, 1963, and its shares are listed in the Philippine Stock Exchange (PSE) on September 3, 1991. On April 26, 2013, the SEC approved the amendments to certain sections of the Parent Company's Articles of Incorporation which include the extension of its corporate life for another 50 years from November 5, 2013 to November 5, 2063.

The principal activities of the Parent Company are to invest in, purchase, or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, exchange or otherwise dispose of real and personal property of every kind and description, including shares of stocks, bonds, debentures, notes, evidences of indebtedness and other securities or obligations of any corporation or corporations, association or associations, domestic or foreign, for whatever lawful purpose or purposes the same may have been organized and to pay therefore in money or by exchanging shares of stocks of the Parent Company or any other corporation, while the owner or holder of any such real or personal property, stocks, bonds, debentures, contracts or obligations, to receive, collect and dispose of the interest, dividends and income arising from such property; and to possess and exercise in respect thereof all the rights, powers and privileges of ownership, including all voting powers of any stock so owned; to carry on and manage the general business of any company.

The Board of Directors (BOD) and Stockholders, representing at least two-thirds (2/3) of the outstanding capital stock of TKHI, approved the amendments to certain sections of TKHI's Articles of Incorporation on October 26, 2020 and November 20, 2020, respectively, which include the following:

i. Change in the name of the Parent Company to "The Keepers Holdings, Inc.";
ii. Change in the primary and secondary purpose of the Parent Company;
iii. Change of corporate term of the Parent Company to perpetual existence;
iv. Change in the par value of common shares to P0.10 per share and the reclassification of authorized preferred shares to common shares; and
v. Increase in authorized capital stock to P2,000,000 or 20,000,000,000 common shares.

On February 19, 2021, the BOD approved the issuance of common shares of TKHI, which will be created and issued out of an increase in its authorized capital stock, in exchange for Cosco Capital, Inc.'s (Cosco) investments in Montosco, Inc. (MI), Meritus Prime Distributions, Inc. (MPDI) and Premier Wine and Spirits, Inc. (PWSI) (collectively referred to as "Subsidiaries" or "Liquor Entities"), under a Share Swap Arrangement as discussed in Note 5 to the interim consolidated financial statements.

MI, MPDI and PWSI are incorporated and registered with the Philippine SEC on August 13, 2008, February 17, 2010 and June 19, 1996, respectively. The subsidiaries engage primarily in buying, selling, importing, manufacturing, repackaging, preparing, bottling, and distribution on wholesale of all kinds of wines, spirits, liquors, beers and other alcoholic and non-alcoholic beverages and drinks.

The share swap transaction between TKHI and Cosco will result into the strategic spin-off of the three (3) liquor subsidiaries of Cosco. Cosco has acquired a controlling interest to TKHI, a separately public listed company, as a result of the injection of these companies to TKHI.

The stockholders of TKHI approved the foregoing corporate actions in its annual stockholders meeting on May 28, 2021. On June 18, 2021, TKHI and Cosco signed a Deed of Exchange whereby Cosco Capital, Inc. shall transfer 100% of its shares in MI, MPDI and PWSI in exchange of 11,250,000,000 common shares at P2.00 per share (see Note 5).

On June 30, 2021, the SEC approved the increase in the Company's authorized capital stock by virtue of the issuance to the Company of the Certificate of Approval of Increase of Capital Stock and Certificate of Filing of Amended Articles of Incorporation. The SEC also approved the other amendments to the Articles of Incorporation on the same date. As a result of the approval of the increase in the Company's authorized capital stock, the issuance of the new shares to Cosco in exchange of 100% of the outstanding shares of MI, MPDI and PWSI (the "Share Swap Transaction") was completed. Consequently, the Parent Company became the legal and beneficial owner of the 100% outstanding shares each of MI, MPDI and PWSI, while Cosco obtained controlling interest in the Parent Company with an equity ownership of almost 98%. The acquisition of MI, MPDI and PWSI under a share swap transaction is considered to be a business combination of entities under common control as they are all under the common control of Mr. Lucio Co. before and after the acquisition.

Prior to June 30, 2021, TKHI was 85% owned by Invescap Incorporated ("Invescap"), a company that is incorporated in the Philippines. Cosco and Invescap are also companies controlled by Mr. Lucio Co before and after the acquisition.

With the approval of the increase in the Parent Company's authorized capital stock, the SEC consequently accepted and approved the transfer value of the shares of MI, MPDI and PWSI amounting to P22,500,000, the investment value of the Company in MI, MPDI and PWSI.

As the issuance of new shares to Cosco resulted in the Company's public ownership level falling below the minimum twenty (20%) requirement under the SEC Memorandum Circular No. 13 Series of 2017 on the rules and regulations on minimum public ownership on initial public offering, the PSE suspended the trading of the Company's shares commencing July 8, 2021.

On September 8, 2021, the BIR issued the Electronic Certificate Authorizing Registration covering the Share Swap Transaction which confirms that the said transaction is exempt from capital gains tax.

Additional Listing of the Shares and Follow-on Public Offering
In compliance with Section 3 of the PSE Rules on Backdoor Listing, and Article V, Part A of the PSE Listing and Disclosure Rules on the Rule on Additional Listing of Shares, on August 19, 2021, the Parent Company applied for listing with the PSE of the additional shares of stock issued in connection with the increase of the capital stock and the Share Swap Transaction to comply with the PSE listing rules. The additional listing of shares without the conduct of a rights or public offering was submitted for approval of the stockholders on May 28, 2021.

Following the increase in the capital stock of the Parent Company and the Share Swap Transaction, the Parent Company's public ownership was reduced to 0.34%. Following the Offer, the Parent Company expects public ownership to increase to 20.94% in compliance with the minimum public float requirements of the PSE and the SEC (the "minimum public ownership (MPO) Rule").

On April 29, 2021, the Parent Company filed a request with the PSE for the grant of MPO Exemption Period, to commence from subscription by Cosco up to the completion of this Offer in order to comply with the minimum public ownership requirement of at least 20% public float upon and after listing. In its letter dated May 26, 2021, the PSE informed the Company that it can only provide a relaxation of the MPO Rule to the end that the trading of the Company's shares will continue notwithstanding the public float being lower than the minimum public ownership required during the MPO Exemption Period if the following conditions concur: (i) the prior approval of the SEC on the grant of the exemption from the MPO Rule shall be first obtained by the PSE; and (ii) the Company secures a ruling/opinion from the Bureau of Internal Revenue ("BIR") for confirmation that Revenue Regulations No. 16-2012 will not apply during the MPO Exemption Period. As at September 14, 2021, the Company is still coordinating with the PSE and the BIR to comply with the foregoing conditions.

However, if subsequently the Company's public ownership level decreases to below the MPO Rule minimum, then trading in the Company's shares may be suspended. Listed companies that become non-compliant with the minimum public ownership rules may be suspended from trading for a period of not more than six months and will automatically be delisted if they remain non-compliant after the lapse of the suspension period.

On July 14, 2021 the Company filed a Registration Statement ("RS") with the SEC in accordance with the provisions of the Securities Regulation Code of the Philippines (Republic Act No. 8799, the "SRC") for the registration of the Offer Shares. On July 19, 2021, the Company filed its application for the listing and trading of offer shares with the PSE. As at September 14, 2021, the RS and the application for listing are still under review by the SEC and PSE, respectively.

On August 19, 2021, the Company filed the application for listing with the PSE for additional shares of stock issued in connection with the increase of the capital stock and the Share Swap Transaction to comply with the PSE listing rules. The additional listing of shares without the conduct of a rights or public offering was submitted for approval of the stockholders on May 28, 2021

Under BIR Revenue Regulations No. 16-2012, the sale, barter, transfer, and/or assignment of shares of listed companies that fail to meet the MPO Rule will be subject to capital gains tax and documentary stamp tax, unless temporary relief is granted and the trading suspension is not lifted. In line with the said ruling, any sale of the Offer Shares will be subject to capital gains tax and documentary stamp tax unless covered by a granted MPO exemption period, including the aforementioned confirmation by the BIR.

After the effectivity of the share swap transaction and follow-on offering, the Parent Company will be 77.54% owned by Cosco, a company incorporated in the Philippines. The remaining 20.94% and 1.52% will be owned by the public and Invescap, respectively. As at June 30, 2021, Cosco is the immediate and ultimate parent of TKHI and Subsidiaries (collectively referred to as the "Group").

The Group's respective registered office address and principal place of business are presented below:

	Registered Office and Principal Place of Business
The Keepers Holdings, Inc.	No. 900 Romualdez Street, Paco, Manila
Montosco, Inc.	1501 Federal Tower, Dasmariñas Street, Binondo, Manila
Meritus Prime Distribution, Inc.	704 Federal Tower, Dasmariñas Street, Binondo, Manila
Premier Wine and Spirits, Inc.	Gate 1, Tabacalera Compound, 900 D. Romualdez Street, Paco, Manila

2. Basis of Preparation

Statement of Compliance

The interim consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board. PFRS which are issued by the Philippine Financial Reporting Standards Council, consist of PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations based on the International Financial Reporting Interpretations Committee (IFRIC) interpretations.

Basis of Measurement

The interim consolidated financial statements have been prepared on a historical cost basis of accounting except for retirement benefits liability which is measured at the present value of the defined benefits obligation.

Basis of Consolidation

The interim consolidated financial statements include the accounts of the Parent Company, the Group's interest in an associate accounted for under the equity method of accounting, and the following subsidiaries which are all incorporated in the Philippines:

	Effective Percentage of Ownership	
	2021	2020*
Liquor Distribution		
Montosco, Inc.	**100%**	100%
Meritus Prime Distributions, Inc.	**100%**	100%
Premier Wine and Spirits, Inc.	**100%**	100%

**The accounting for the share swap arrangement was applied retrospectively (see Note 5)*

The comparative financial information as at December 31, 2020 and for the six-month period ended June 30, 2020 pertain to the combined financial information of the Parent Company and its subsidiaries. The Parent Company was only required to present consolidated financial statements as at and for the six-month period ended June 30, 2021, when the Parent Company and Cosco Capital, Inc. entered into a share swap transaction resulting to the Parent Company's acquisition of its subsidiaries. The comparative financial information were presented as if the entities had always been combined in accordance with the retrospective approach for presentation taken by the Group in applying the pooling of interest method for the business combination involving entities under common control.

Subsidiaries
A subsidiary is an entity controlled by the Group. The Group controls an entity if, and only if, the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that such control ceases.

The financial statements of the liquor entities are prepared for the same financial reporting year as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances.

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

<u>Functional and Presentation Currency</u>
The interim consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates. The financial statements are presented in Philippine peso, which is also the Parent Company's functional currency. All amounts are rounded to the nearest thousands, except par value, per share data, number of shares and when otherwise indicated.

<u>Authorization for Issuance of the Interim Consolidated Financial Statements</u>
The accompanying interim consolidated financial statements of the Group as at June 30, 2021 and December 31, 2020 and for the six-month periods ended June 30, 2021 and 2020 were approved and authorized for issue by the Group's BOD on September 14, 2021.

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these interim consolidated financial statements, except for the changes in accounting policies as explained below.

<u>Adoption of Amendments to Standards</u>
The Group has adopted the following amendments to standards starting January 1, 2021 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these amendments to standards did not have any significant impact on the Group's interim consolidated financial statements. These are as follows:

- PFRS 16, *Leases - COVID-19-Related Rent Concessions (Amendments)* introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The practical expedient apply if: the revised consideration is substantially the same or less than the original consideration; the reduction in lease payments relates to payments due on or before June 30, 2021; and, no other substantive changes have been made to the terms of the lease.

Lessees applying the practical expedient are required to disclose that fact, whether they have applied the practical expedient to all eligible rent concessions and, if not, the nature of the contracts to which they have applied the practical expedient; and the amount recognized in profit or loss for the reporting period arising from application of the practical expedient. No practical expedient is provided for lessors.

A lessee applies the amendments retrospectively, recognizing the cumulative effect of the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate. The adoption of this amendment to standard did not have any significant impact on the Group's interim consolidated financial statements as the Group did not receive any rent concession.

- *COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to PFRS 16 Leases)*. The amendment extends the practical expedient introduced in the 2020 amendment which simplified how a lessee accounts for rent concessions that are a direct consequence of COVID-19, permitting lessees to apply the practical expedient to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022.

  A lessee applies the amendments retrospectively, recognizing the cumulative effect of the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate.

  The adoption is mandatory for lessees that chose to apply the practical expedient introduced by the 2020 amendments and may result in reversal of lease modifications that was ineligible for the practical expedient under the 2020 amendments, but becomes eligible as a result of the extension.

  A lessee applies the amendments retrospectively, recognizing the cumulative effect of the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate. The adoption of this amendment to standard did not have any significant impact on the Group's interim consolidated financial statements as the Group did not receive any rent concession.

Consolidation

The interim consolidated financial statements incorporate the financial amounts of the Parent Company and its subsidiaries. Subsidiaries are entities over which the Parent Company has control. The Parent Company controls and entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date that control commences until the date that control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances. All intra-group transactions, balances, income and expenses are eliminated upon consolidation. Unrealized losses on intragroup transactions are eliminated, unless the transaction provides evidence of an impairment of the assets transferred.

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

Statements of Cash Flows
The Group has chosen to prepare the interim consolidated statements of cash flows using the indirect method, which presents cash flows from operating activities as the income from operations adjusted for non-cash transactions, deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows. Interest paid on loans is presented as a financing activity. The Group has chosen to present dividends paid to its stockholders as a financing activity cash flow. In the cash flow statements, the Group has classified the principal portion of lease payments, as well as the interest portion, within financing activities. Variable lease payments not included in the measurement of the lease liability are classified as cash flows from operating activities.

Common Control Business Combinations
Business combinations involving entities under common control are business combinations in which all entities are controlled by the same party both before and after the business combination. The Group accounts for such business combinations using the pooling of interest method.

In applying the pooling of interest method, the Group follows Philippine Interpretations Committee Question and Answer No. 2021-01, *PFRS 3.2 - Application of the Pooling of Interests Method for Business Combinations of Entities under Common Control in Consolidated Financial Statements,* which provides the following guidance:

- The assets and liabilities of the acquired company for the reporting period in which the common control business combinations occur, are included in the Group's interim consolidated financial statements at their carrying amounts. No adjustments are made to reflect the fair values, or recognize any new assets or liabilities at the date of the combination that otherwise would have been done under the acquisition method. The only adjustments that are made are those adjustments to harmonize accounting policies between the combining entities;

- No 'new' goodwill is recognized as a result of the business combination. Any difference between the consideration paid or transferred and the equity 'acquired' is presented as "Equity adjustments from common control transactions" account in the interim consolidated statement of financial position;

- The interim consolidated statements of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination took place; and

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

Cash and Cash Equivalents
Cash includes cash on hand and in banks, which is subject to insignificant risk of changes in value and is used by the Group in managing its short-term commitments. Cash equivalents are short-term placements for varying periods of up to three months from its original maturity depending on the immediate cash requirements of the Group. Cash in banks and cash equivalents earn interest at the respective prevailing bank rates.

Financial Instruments

Date of Recognition

The Group recognizes a financial asset or a financial liability in the interim consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial Recognition of Financial Instruments

Financial instruments are recognized initially at fair value. The initial measurement of financial instruments, except for those financial assets and financial liabilities classified or designated at fair value through profit or loss (FVTPL), includes transaction costs. Trade receivables without a significant financing component is initially measured at the transaction price.

Classification and Measurement of Financial Instruments

On initial recognition, the Group classifies its financial assets in the following categories: measured at amortized cost, financial assets at FVTPL and financial assets at fair value through other comprehensive income (FVOCI). The classification depends on the business model for managing the financial assets and the contractual terms of its cash flows.

The Group classifies its financial liabilities as either financial liabilities at amortized cost or financial liabilities at FVTPL. The Group classifies all financial liabilities at amortized cost, except for: (a) financial liabilities designated by the Group at initial recognition as at FVTPL, when doing so results in more relevant information; (b) financial liabilities that arise when the transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies; (c) contingent consideration recognized by the Group in a business combination which shall subsequently be measured at fair value with changes recognized in profit or loss; and (d) financial guarantee contracts and commitments to provide a loan at a below market interest rate which are initially measured at fair value and subsequently at higher of amortized amount and amount of loss allowance.

Business Model Assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes: (a) the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets; (b) how the performance of the portfolio is evaluated and reported to the Group's management; (c) the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; (d) how managers of the business are compensated – e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and (f) the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Solely Payments of Principal and Interest Assessment
Principal is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers contingent events that would change the amount or timing of cash flows, terms that may adjust the contractual coupon rate, including variable-rate features, prepayment and extension features, and terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

The Group has no financial assets classified as financial assets at FVTPL and FVOCI as at June 30, 2021 and December 31, 2020.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial Assets at Amortized Cost
A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Included in this category are the Group's cash in banks, cash equivalents, trade and other receivables and refundable deposits.

Financial Liabilities at Amortized Cost
This category pertains to financial liabilities that are not held for trading or designated as at FVTPL upon inception of the liability. These include liabilities arising from operations or borrowings. The financial liabilities are recognized initially at fair value and subsequently carried at amortized cost, taking into account the impact of applying the effective interest rate method of amortization for any related premium, discount and any directly attributable transaction costs. These financial liabilities are included in current liabilities if maturity is within twelve months from reporting date

Otherwise, these are classified as noncurrent liabilities.

This category includes the Group's trade and other payables (excluding statutory obligations), due to related parties, loans payable, dividends payable and lease liabilities as at June 30, 2021 and December 31, 2020.

<u>Impairment of Financial Assets</u>
The Group measures loss allowances at an amount equal to lifetime expected credit losses (ECLs), except for debt securities that are determined to have low credit risk at the reporting date and other debt securities and bank balances for which credit risk has not increased significantly since initial recognition, which are measured at 12-month ECLs.

Loss allowances for trade and other receivables is always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due. The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held) or the financial asset is more than 90 days past due on any material credit obligation to the Group.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. The 12-month ECLs are a portion of lifetime ECLs that represents the ECLs resulting from default events on the financial instrument that are possible within 12 months after the reporting date or a shorter period if the expected life of the instrument is less than 12 months.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are probability weighted-estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the significant financial difficulty of the borrower or issuer, a breach of contract such as default, the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise, when it is probable that the borrower will enter bankruptcy or other financial reorganization, or the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Financial assets are written off when there is no reasonable expectation of recovery. The Group categorizes financial assets recorded at amortized cost for write off when a debtor fails to make payments or when it is probable that the receivable will not be collected. Where amortized cost financial assets have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized in profit or loss.

Derecognition of Financial Assets and Financial Liabilities

Financial Assets

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

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

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

Offsetting Financial Instruments

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

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Group.

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

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

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

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

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

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

As at June 30, 2021 and December 31, 2020, no financial asset or financial liability was carried at fair value. The Group has no other assets or liabilities with recurring and non-recurring fair value measurements.

'Day 1' Profit
Where the transaction price in a non-active market is different from the fair value of other observable current market transactions of the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a 'Day 1' profit) in profit or loss. In cases where no observable data are used, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' profit amount.

<u>Inventories</u>
Inventories, which consist of spirits, wines, specialty beverages, are valued at the lower of cost and net realizable value (NRV). Cost is comprised of purchase price, expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their present location and condition. Cost is determined using the first-in, first-out method.

NRV represents the estimated selling price less costs to be incurred in marketing, selling and distribution. In determining the NRV, the Group considers any adjustment necessary to write-down inventories to NRV for slow-moving and near expiry products based on physical inspection and management evaluation.

Prepaid Expenses and Other Current Assets

Prepaid Expenses

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

Prepaid expenses are classified in the statement of financial position as current asset when the cost of goods or services related to the prepayment are expected to be incurred within one (1) year from the reporting date. Otherwise, prepayments are classified as noncurrent assets.

Advances to Suppliers

Advances to suppliers are measured at the amount of initial down payment for purchases of inventories and are applied against future progress billings. These are classified as current assets in the interim consolidated statement of financial position.

Value-added Tax (VAT)

Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of "Prepaid expenses and other current assets" account or "Trade and other payables" account in the interim consolidated statement of financial position.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization and any impairment in value. The initial cost of items of property and equipment consists of its purchase price, including import duties and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to profit or loss in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of the item of property and equipment.

Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the assets as follows:

	Number of Years
Transportation and delivery equipment	3 - 5
Leasehold improvements	3 - 5 or lease term, whichever is shorter
Office equipment	2 - 3
Furniture and fixtures	2 - 3
Computer software license	2
Machinery and equipment	3

Depreciation and amortization of an item of property and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation or amortization ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

Any change in the estimated useful lives and methods of depreciation and amortization are adjusted prospectively from the time the change was determined necessary.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is recognized in profit or loss. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts and any resulting gain or loss arising from retirement or disposal of property and equipment (calculated as the difference between the net proceeds and the carrying amount of the item) is recognized in the statements of profit or loss.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. The capitalization of borrowing costs: (i) commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred; (ii) is suspended during the extended periods in which active development, improvement and construction of the assets are interrupted; and (iii) ceases when substantially all the activities necessary to prepare the assets are completed. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds.

Other borrowing costs are recognized as expense in the period in which they are incurred.

Investment in an Associate

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is defined as the power to participate in the financial and operating policy decisions of the entity but not control or joint control over those policies. An associate is accounted for using the equity method. Investment in an associate is initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the financial statements include the Group’s share of the profit or loss and OCI of the associate, until the date on which significant influence ceases. Unrealized gains arising from transactions with associate are eliminated to the extent of the Group’s interest in the associate. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

The Group discontinues applying the equity method when its investment in the investee company is reduced to zero. Accordingly, additional losses are not recognized unless the Group has guaranteed certain obligations of the investee company. When the investee company subsequently reports net income, the Group will resume applying the equity method but only after its share in net income equals the share in net losses not recognized during the period when the equity method was suspended.

The accounting policies of the associate conform to those used by the Group for like transactions and events in similar circumstances.

Impairment of Noncurrent Nonfinancial Assets

The Group assesses at the end of each reporting period whether there is an indication that its noncurrent nonfinancial assets which include right-of-use assets, property and equipment and investment in an associate may be impaired. If any such indication exists and where the carrying amount exceeds the estimated recoverable amount, the assets or the cash generating unit (CGU) are written down to their recoverable amounts. The recoverable amount of the noncurrent nonfinancial assets is the greater of fair value less cost to sell and value-in-use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction. 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 an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

Impairment losses, if any, are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation and amortization charge are adjusted in future periods to allocate the asset's revised carrying amount on a systematic basis over its remaining useful life.

Other Noncurrent Assets

Excess Tax Credits

Excess tax credits pertain to overpayment of income taxes in prior years. Excess tax credits are initially recognized based on the amount withheld by the payee in accordance with the local tax rules and regulations. These are accumulated and are reduced when deducted against income tax payable. Excess tax credits that are expected to be realized within 12 months after the reporting period are classified as current asset, otherwise, these are classified as other noncurrent asset.

Refundable Deposits

Refundable deposits are cash paid for the lease agreements covering the office spaces and warehouse which are expected to be refunded upon the termination of the lease. These are carried at net realizable value and classified as current for leases which will expire within 12 months from the reporting period otherwise, these will be classified as noncurrent.

Capital Stock
Common shares are classified as equity. The proceeds from the issuance of common shares are presented in equity as capital stock to the extent of the par value of the issued and outstanding shares and any excess of the proceeds over the par value of the shares issued, less any incremental costs directly attributable to the issuance, net of tax, is presented in equity as additional paid-in capital. Incremental costs incurred that are directly related to a probable future equity transaction is presented as “Costs of anticipated equity transaction” under “Prepaid expenses and other current assets account” in the statement of financial position. Transaction costs that related jointly to more than one transaction are allocated to those transactions using a basis of allocation that is rational and consistent with similar transactions.

Retained Earnings
Retained earnings represent the cumulative balance of periodic net income or loss, dividend contributions, correction of prior year errors, effect of changes in accounting policy and other capital adjustments.

Appropriated retained earnings are accumulated earnings set aside by the BOD for a specific purpose. Unappropriated retained earnings are the residual amount of retained earnings after appropriation.

Equity Adjustment from Common Control Transactions
Equity adjustment from common control transactions is the difference between the acquisition cost of an entity under common control and the Parent Company’s proportionate share in the net assets of the entity acquired as a result of a business combination accounted for using the pooling-of-interest method. Equity reserve is derecognized when the subsidiary is deconsolidated, which is the date on which the control ceases.

Dividends on Common Shares
Cash dividends on common shares are recognized as liability and deducted from equity when approved by the BOD of the Group. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

Revenue Recognition
Revenue from contracts with customers is recognized upon transfer of goods to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. The Group concluded that it is acting as principal for the revenue arrangement below.

The following specific recognition criteria must also be met before revenue is recognized:

Sale of Spirits, Wines and Specialty Beverages
Revenue from sale of spirits, wines and specialty beverages is recognized at the point in time when control of the asset is transferred to the customer, generally upon delivery. Revenue is recognized net of variable considerations, i.e. discounts, rebates, listing fees/display allowances and certain payments to customers after the initial sale of goods as reduction to revenue, unless it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Invoices are generated at the time of delivery and are usually due within 30 to 60 days.

Receivable is recognized by the Group when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of the time is required before payment is due.

Interest Income
Interest income is recognized in profit or loss as it accrues, taking into account the effective yield on the asset.

Other Income
Other income is recognized as earned.

Cost and Expense Recognition
Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are generally recognized when the services are used or the expenses are incurred.

Cost of Goods Sold
Cost of goods sold is recognized when goods are shipped to the buyer. Expenses are recognized upon utilization of services or at the date they are incurred.

Operating Expenses
Operating expenses are costs incurred to sell or distribute the goods and to administer the business. It includes documentation processing and delivery, among others. Operating expenses are expensed as incurred.

Other Comprehensive Income (Loss)
Other comprehensive income (loss) comprises items of income and expense (including items previously presented under the interim consolidated statement of changes in equity) that are not recognized in profit or loss for the year in accordance with PFRS.

Employee Benefits
Short-term Employee Benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of the past service provided by the employee and the obligation can be estimated reliably.

Retirement Benefits Liability and Costs
The Group has an unfunded, noncontributory defined benefits retirement plan covering substantially all permanent, regular and full-time employees. The Group's obligation in respect of the defined benefits is calculated by estimating the amount of the future benefits that employees have earned in the current and prior period and discounting that amount.

The calculation of defined benefits obligations is performed on a periodic basis by a qualified actuary using the projected unit credit method.

Remeasurements of the retirement benefits liability, which comprise of actuarial gains and losses, are recognized immediately in other comprehensive income. The Group determines the interest expense on the retirement benefits liability for the period by applying the discount rate used to measure the retirement benefits liability at the beginning of the annual period to the then retirement benefits liability, taking into account any changes in the retirement benefits liability during the period as a result of benefit payments, if any. Interest expense and other expenses related to defined benefits plans are recognized in profit or loss.

When the benefits of the plan are changed or when the plan is curtailed, the resulting change in benefit that relates to past service or gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains or losses on the settlement of defined benefits plans when the settlement occurs.

Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- the Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and,

- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:

    - the Group has the right to operate the asset; or
    - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

Group as Lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently amortized using the straight-line method from the commencement date to the end of the lease term unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case, the right-of-use asset will be amortized over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment loss, if any, and adjusted for certain remeasurements of the lease liability. The right-of-use asset is presented as a separate line item in the interim consolidated statement of financial position.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following: (a) fixed payments, including in-substance payments; (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; (c) amounts expected to be payable under a residual value guarantee; and, (d) the exercise price under a purchase option the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate; if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or, if the Group changes its assessment of whether it will exercise a purchase, extension, or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has presented interest expense on the lease liability separately from the amortization charge for the right-of-use asset. The interest expense on lease liability is presented under "Other charges - net" in profit or loss.

<u>Income Taxes</u>
Provision for income tax is composed of current income tax and deferred income tax. Provision for income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income, in which case, it is recognized directly in equity or in other comprehensive income.

Current Income Tax
Current income tax assets and current income tax liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used as basis to compute the amount are those that have been enacted or substantively enacted at the reporting date.

Uncertainties related to taxes that are not income taxes are recognized and measured in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* unless they are dealt with specifically in another standard.

Deferred Income Tax
Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences and carryforward benefits of unused net operating loss carryover (NOLCO) to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences and the carryforward benefits of unused NOLCO can be utilized.

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

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

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

Related Party Transactions and Relationships
Related party relationships exist when the party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely to the legal form. Related parties may be individual or corporate entities.

Segment Reporting
An operating segment is a component of an entity 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 same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Group determines and presents operating segments based on the information that is internally provided to the Chairman and President, collectively as the Group's chief operating decision maker. The Group assessed that its liquor business as a whole represents a single segment.

Basic and Diluted Earnings Per Share (EPS)
Basic EPS is computed by dividing the net income for the period by the weighted average number of common shares outstanding during the period, with retroactive adjustment for any stock dividends declared.

Diluted EPS is computed in the same manner, adjusted for the effect of all potential dilutive debt or equity instruments.

Foreign Currency Denominated Transactions and Translation

Transactions in foreign currencies are recorded using the functional currency exchange rate at the date of transaction. Outstanding monetary assets and monetary liabilities denominated in foreign currencies are translated using the closing exchange rate at the reporting date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of the provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss, net of reimbursement. If the effect of the time value of money is material, provisions are discounted using the current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingencies

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

Events After the Reporting Date

Events after the reporting date that provide additional information about the Group's financial position at the reporting date (adjusting events) are reflected in the interim consolidated financial statements. Events after the reporting date that are not adjusting events are disclosed in the notes to interim consolidated financial statements when material.

Standards Issued but Not Yet Adopted

A number of amendments to standards are effective for annual periods beginning after January 1, 2021. However, the Group has not applied the following amended standards in preparing these interim consolidated financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Group's interim consolidated financial statements.

The Group plans to adopt the following amended standards on the respective effective dates, as applicable.

Effective January 1, 2022

- PAS 16*, Property, Plant and Equipment - Proceeds before Intended Use (Amendments)* prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before that asset is available for use. The proceeds before intended use should be recognized in profit or loss, together with the costs of producing those items which are identified and measured in accordance with PAS 2, *Inventories*.

  The amendments also clarify that testing whether an item of property, plant and equipment is functioning properly means assessing its technical and physical performance rather than assessing its financial performance.

  For the sale of items that are not part of a company's ordinary activities, the amendments require the company to disclose separately the sales proceeds and related production cost recognized in profit or loss and specify the line items in which such proceeds and costs are included in the statement of comprehensive income. This disclosure is not required if such proceeds and cost are presented separately in the statement of comprehensive income.

  The amendments apply retrospectively, but only to items of property, plant, and equipment made available for use on or after the beginning of the earliest period presented, recognizing the cumulative effect in the opening retained earnings (or other component of equity, as appropriate) of that earliest period presented. Earlier application is permitted.

- PAS 37, *Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract (Amendments)* clarify that the cost of fulfilling a contract when assessing whether a contract is onerous includes all costs that relate directly to a contract - i.e. it comprise both incremental costs and an allocation of other direct costs.

  The amendments apply prospectively. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as appropriate. Earlier application is permitted.

- *Annual Improvements to PFRS Standards 2018-2020.* This cycle of improvements contains amendments to four standards. The following are the amendments that are relevant to the Group:

  - PFRS 9*, Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendment)* clarifies that for the purpose of performing the '10 per cent' test for derecognition of financial liabilities, the fees paid net of fees received included in the discounted cash flows include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

  - PFRS 16, *Leases - Lease Incentives (Amendment to Illustrative Examples)* deletes from the Illustrative Example 13 the reimbursement relating to leasehold improvements to remove the potential for confusion because the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in PFRS 16.

Earlier application is permitted.

- *Reference to the Conceptual Framework (Amendment to PFRS 3 Business Combinations).* The amendments:

  - updated PFRS 3 so that it now refers to the 2018 Conceptual Framework;

  - added a requirement that, for transactions and other events within the scope of PAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, 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

  - added an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

  The amendments are effective for business combinations occurring in reporting periods starting on or after January 1, 2022. Earlier application is permitted.

Effective January 1, 2023

- PAS 1, *Presentation of Financial Statements - Classification of Liabilities as Current or Non-current (Amendments)* promote consistency in application and clarify the requirements on determining whether a liability is current or non-current, the amendments:

  - removed the requirement for a right to defer settlement of a liability for at least twelve months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;

  - clarified that a right to defer settlement exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date; and

  - clarified that settlement of a liability includes transferring a company's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or non-current.

  Earlier application is permitted.

- *Definition of Accounting Estimates (Amendments to PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors).* To clarify the distinction between changes in accounting policies and changes in accounting estimates, the amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an accounting estimate is developed to achieve the objective set out by an accounting policy. Developing an accounting estimate includes both selecting a measurement technique and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remain unchanged. The amendments also provide examples on the application of the new definition.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the amendments are applied.

- *Disclosure of Accounting Policies (Amendments to PAS 1 Presentation of Financial Statements and PFRS Practice Statement 2 Making Materiality Judgements).* The amendments are intended to help companies provide useful accounting policy disclosures. The key amendments to PAS 1 include:

  - requiring companies to disclose their material accounting policies rather than their significant accounting policies;

  - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and

  - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

  The amendments to PFRS Practice Statement 2 includes guidance and additional examples on the application of materiality to accounting policy disclosures.

  The amendments are effective from January 1, 2023. Earlier application is permitted.

4. Management's Use of Judgments, Accounting Estimates and Assumptions

The preparation of the interim consolidated financial statements requires management to exercise judgments, make accounting estimates and use assumptions that affect reported amounts of assets, liabilities, income and expenses and related disclosures. Future events may occur which will cause the assumptions used in arriving at the accounting estimates to change. The effects of any change in accounting estimates are reflected in the interim consolidated financial statements as they become reasonably determinable.

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

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

Determination of the Group*'s Functional Currency*
The Group considers factors, including but not limited to, the currency that mainly influences sales prices of its goods and the currency in which receipts from operating activities are usually retained. Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency has been determined to be the Philippine peso. It is the currency that mainly influences the Group's operations.

Identifying a Lease
The Group uses its judgment in assessing that a contract is, or contains, a lease when the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group has the right to control the asset if it has the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group reassesses whether a contract is, or contains, a lease only if the terms and conditions of the contract are changed.

As a Lessee. The Group has entered into various contracts for the lease of warehouse space. The Group has determined that it has the right to control the use of the identified assets over their respective lease terms (see Note 20).

Determining the Term and Discount Rate of Lease Arrangements
Where the Group is the lessee, management is required to make judgments about the lease term and the appropriate discount rate to calculate the present value of the lease payments.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases entered into by the Group as lessee, management uses the incremental borrowing rate, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group uses an approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group and makes adjustments specific to the lease. The weighted average rate applied ranges from 4.11% to 4.69%.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if it is reasonably certain that the lease will be extended (or not terminated) and, as such, included within lease liabilities.

For leases of office space and warehouse, the following factors are usually the most relevant:

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

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).

- Otherwise, the Group considers other factors, including historical lease durations, the costs and business disruption required to replace the leased asset, enforceability of the option, and business and other developments.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and is within the lessee's control, for example, when significant investment in the warehouse and office space is made which has a useful life beyond the current lease term.

Recognition of Revenue
The Group uses its judgment in determining the timing of the transfer of control on the goods that it delivered. The Group determined that the control is transferred for sale of goods when the Group has transferred physical possession of the goods and obtained the right to payment for the goods which is upon the customer's acceptance of the goods at the customer's warehouse.

<u>Accounting Estimates and Assumptions</u>
The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below:

Allowance for ECLs on Trade and Other Receivables and Refundable Deposits
The Group uses the ECL model in estimating the level of allowance which includes forecasts of future events and conditions. A credit loss is measured as the present value of all cash shortfalls (the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). The model represents a probability-weighted estimate of the difference over the remaining life of the trade and other receivables. The maturity of the Group's trade and other receivables is less than one year so the lifetime ECLs and the 12-month ECLs are similar. In addition, management assessed that the credit risk for its trade and other receivables as at the reporting date is low, therefore the Group did not have to assess whether a significant increase in credit risk has occurred.

ECLs of refundable deposits has been measured on a 12-month expected credit loss basis. In determining the ECL of refundable deposits, the Group considers the counterparties' financial condition and their capacity to return the amounts due. The Group assessed that the credit risk for the outstanding refundable deposits is low as majority of these are transacted with a counterparty that has a good credit-standing.

An increase in the allowance for ECLs would increase the recorded operating expenses and decrease current assets.

The combined carrying amounts of trade and other receivables and refundable deposits amounted to P1,060,350 and P1,591,129 as at June 30, 2021 and December 31, 2020, respectively (see Notes 7, 12 and 25).

Determination of NRV of Inventories
The Group's estimates of the NRV of inventories are based on the most reliable evidence available at the time the estimates are made, of the amount that the inventories are expected to be realized. These estimates consider the inventory obsolescence, physical deterioration, fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. A new assessment is made at NRV in each subsequent period. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is a clear evidence of an increase in NRV because of changes in economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised NRV.

The carrying amounts of inventories as at June 30, 2021 and December 31, 2020, amounted to, P3,702,283 and P3,659,336, respectively (see Note 8). No allowance to reduce inventory to NRV was recognized for the six-month periods ended June 30, 2021 and 2020.

Estimation of Useful Lives of Property and Equipment
The Group estimates the useful lives of property and equipment based on the period over which these assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future financial performance could be materially affected by changes in these estimates brought about by changes in the factors mentioned. Any reduction in the estimated useful lives of the property and equipment would increase depreciation and amortization expense and decrease noncurrent assets.

The estimated useful lives of property and equipment is discussed in Note 3 to interim consolidated financial statements. There is no change in the estimated useful lives of property and equipment for the six-month periods ended June 30, 2021 and 2020.

The carrying amounts of property and equipment as at June 30, 2021 and December 31, 2020 amounted to P27,084 and P32,213, respectively (see Note 10).

Impairment of Noncurrent Nonfinancial Assets
The Group assesses at the end of each reporting period whether there is any indication that its noncurrent nonfinancial assets which pertain to right-of-use assets, property and equipment and investment in an associate are impaired. If any such indication exists, the Group estimates the recoverable amount of these assets. Determining the fair value of these noncurrent nonfinancial assets which requires the determination of the 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 interim consolidated financial statements. Future events could cause management to conclude that these assets are impaired. Any resulting impairment loss could have a material adverse impact on the Group’s interim consolidated financial position and interim consolidated financial performance. The preparation of the estimated future cash flows involves significant judgment and estimations. While management believes that the assumptions made are appropriate and reasonable, significant changes in management assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges under PFRS.

For the six-month periods ended June 30, 2021 and 2020, no impairment loss was recognized on the Group's property and equipment, right-of-use assets and investment in an associate.

The combined carrying values of property and equipment, right-of-use assets and investment in an associate amounted to P324,365 and P311,427 as at June 30, 2021 and December 31, 2020, respectively (see Notes 10, 11, and 20).

Estimation of Retirement Benefits Liability and Costs
The cost of defined benefits retirement plans, as well as the present value of the retirement benefits obligation, is determined using actuarial valuations. The actuarial valuations involve making various assumptions. These include the determination of the discount rates, and future salary increases, among others. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefits obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting period.

The Group has retirement benefits liability amounting to P16,409 and P15,330 as at June 30, 2021 and December 31, 2020, respectively (see Note 21).

Recognition of Deferred Income Tax Assets
The Group reviews its deferred income tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. The Group also reviews the expected timing and tax rates upon reversal of temporary differences and adjusts the impact on deferred income tax accordingly. The Group's assessment on the recognition of deferred income tax assets is based on the forecasted taxable income of the subsequent reporting periods. This forecast is based on the Group's past results and future expectations on revenues and expenses. While the Group believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Group's assessment of the realizability of deferred income tax assets and may lead to future addition to the provision for deferred income tax.

The Group has recognized deferred income tax assets amounting to P4,223 and P4,762 as at June 30, 2021 and December 31, 2020, respectively (see Note 22).

For the six-month periods ended June 30, 2021 and 2020, MI elected to avail of the optional standard deduction (OSD) which is equivalent to 40% of total gross income. MI intends to continue its availment of the optional standard deduction in the subsequent years.

As at June 30, 2021 and December 31, 2021, the Group has not recognized deferred income tax assets arising from temporary differences amounting to a total of P17,526 and P24,693, respectively (see Note 22).

Provisions and Contingencies
The Group, in the ordinary course of business, sets up appropriate provisions for certain contractual and regulatory obligations, if any, in accordance with its policies on provisions and contingencies. In recognizing and measuring provisions, management takes risk and uncertainties into account.

The Group has provision for probable losses amounting to P11,975 as at June 30, 2021 and December 31, 2020. No provision for probable losses was recognized by the Group for the six-month periods ended June 30, 2021 and 2020 (see Note 23).

5. Business Combinations under Common Control

As discussed in Note 1, the acquisition of MI, MPDI and PWSI is considered to be a business combination of entities under common control as they are all controlled by Mr. Lucio Co before and after the acquisition.

The Group recognized assets acquired and liabilities assumed at their carrying amounts in the individual interim financial statements of MI, MPDI and PWSI. No new goodwill was recognized in the consolidated financial statements. The difference between the consideration paid or transferred and the net assets acquired is recognized under "Equity adjustments from common control transactions" account in the interim consolidated statement of changes in equity.

The comparative financial information as at December 31, 2020 and for the six-month period ended June 30, 2020 were restated as if the entities had been combined for the periods that the entities were under common control.

The restated amounts in the consolidated statement of financial position as at December 31, 2020 as a result of the retrospective accounting of the business combination under common control were as follows:

	Statement of Financial Position of TKHI, As Reported	Adjustments from the Retrospective Application of Pooling of Interests Method for Business Combinations of Entities under Common Control				Consolidated Statement of Financial Position, As Restated
		Statement of Financial Position of MI	Statement of Financial Position of MPDI	Statement of Financial Position of PWSI	Adjustments	
ASSETS						
Current Assets						
Cash and cash equivalents	P -	P2,177,069	P48,672	P308,362	P -	P2,534,103
Trade and other receivables	-	1,016,343	247,081	311,201	-	1,574,625
Inventories	-	1,931,696	1,053,905	673,735	-	3,659,336
Prepaid expenses and other current assets	-	541,689	67,473	29,848	-	639,010
Total Current Assets	-	5,666,797	1,417,131	1,323,146	-	8,407,074
Noncurrent Assets						
Right-of-use assets - net	-	100,135	-	85,718	-	185,853
Property and equipment - net	-	19,065	495	12,653	-	32,213
Deferred income tax assets - net	-	-	208	4,554	-	4,762
Investment in an associate - net	-	-	-	93,361	-	93,361
Other noncurrent assets	23,993	9,808	903	5,793	-	40,497
Total Noncurrent Assets	23,993	129,008	1,606	202,079	-	356,686
	P23,993	P5,795,805	P1,418,737	P1,525,225	P -	P8,763,760

Forward

	Statement of Financial Position of TKHI, As Reported	Adjustments from the Retrospective Application of Pooling of Interests Method for Business Combinations of Entities under Common Control				Consolidated Statement of Financial Position, As Restated
		Statement of Financial Position of MI	Statement of Financial Position of MPDI	Statement of Financial Position of PWSI	Adjustments	
LIABILITIES AND EQUITY						
Current Liabilities						
Trade and other payables	P2,095	P1,063,297	P147,473	P112,901	P -	P1,325,766
Due to related parties	7,853	-	-	192,700	-	200,553
Loans payable	-	-	42,000	-	-	42,000
Dividends payable	-	200,000	-	100,000	-	300,000
Income tax payable	-	152,686	17,354	15,398	-	185,438
Lease liabilities - current	-	23,521	-	29,032	-	52,553
Provisions	-	-	-	11,975	-	11,975
Total Current Liabilities	9,948	1,439,504	206,827	462,006	-	2,118,285
Noncurrent Liabilities						
Lease liabilities - net of current portion	-	80,724	-	68,683	-	149,407
Retirement benefits liability	-	3,072	694	11,564	-	15,330
Total Noncurrent Liabilities	-	83,796	694	80,247	-	164,737
Total Liabilities	9,948	1,523,300	207,521	542,253	-	2,283,022
Equity						
Capital stock	25,875	750,000	750,000	150,000	(525,000)	1,150,875
Additional paid-in capital	46,033	-	-	1,500	21,373,500	21,421,033
Retained earnings (deficit)	(57,863)	3,523,204	460,252	827,046	-	4,752,639
Equity adjustments from common control transactions	-	-	-	-	(20,848,500)	(20,848,500)
Accumulated remeasurements on retirement benefits	-	(699)	964	4,426	-	4,691
Total Equity	14,045	4,272,505	1,211,216	982,972	-	6,480,738
	P23,993	P5,795,805	P1,418,737	P1,525,225	P -	P8,763,760

The restated amounts in the interim consolidated statement of comprehensive income for the six-month period ended June 30, 2020 as a result of the retrospective accounting of the business combination under common control were as follows:

	Statement of Comprehensive Income of TKHI, As Reported	Adjustments from the Retrospective Application of Pooling of Interests Method for Business Combinations of Entities under Common Control			Consolidated Statement of Comprehensive Income, As Restated
		Statement of Comprehensive Income of MI	Statement of Comprehensive Income of MPDI	Statement of Comprehensive Income of PWSI	
Net sales	P -	P2,351,111	P347,458	P490,816	P3,189,385
Cost of goods sold	-	1,731,856	271,576	369,500	2,372,932
Gross profit	-	619,255	75,882	121,316	816,453
Operating expenses	653	171,272	26,110	57,035	255,070
Income (loss) from operations	(653)	447,983	49,772	64,281	561,383
Share in net loss of an associate	-	-	-	(5,070)	(5,070)
Other income (charges) - net	-	2,503	(6,400)	(6,231)	(10,128)
Income (loss) before income tax	(653)	450,486	43,372	52,980	546,185
Provision for income tax	-	112,912	12,995	17,591	143,498
Net income (loss)	(653)	337,574	30,377	35,389	402,687
OTHER COMPREHENSIVE LOSS					
Share in other comprehensive loss of an associate	-	-	-	(1,318)	(1,318)
TOTAL COMPREHENSIVE INCOME (LOSS)	(P653)	P337,574	P30,377	P34,071	P401,369

The restated amounts in the interim consolidated statement of comprehensive income for the three-month period ended June 30, 2020 as a result of the retrospective accounting of the business combination under common control were as follows:

	Statement of Comprehensive Income of TKHI, As Reported	Adjustments from the Retrospective Application of Pooling of Interests Method for Business Combinations of Entities under Common Control			Consolidated Statement of Comprehensive Income, As Restated
		Statement of Comprehensive Income of MI	Statement of Comprehensive Income of MPDI	Statement of Comprehensive Income of PWSI	
Net sales	P -	P1,082,904	P108,979	P167,131	P1,359,014
Cost of goods sold	-	768,895	86,387	123,216	978,498
Gross profit	-	314,009	22,592	43,915	380,516
Operating expenses	33	81,392	9,317	25,829	116,571
Income (loss) from operations	(33)	232,617	13,275	18,086	263,945
Share in net loss of an associate	-	-	-	(5,940)	(5,940)
Other income (charges) - net	-	2,314	(2,152)	(3,216)	(3,054)
Income (loss) before income tax	(33)	234,931	11,123	8,930	254,951
Provision for income tax	-	57,124	3,330	4,364	64,818
Net income (loss)	(33)	177,807	7,793	4,566	190,133
OTHER COMPREHENSIVE LOSS					
Share in other comprehensive loss of an associate	-	-	-	(1,318)	(1,318)
TOTAL COMPREHENSIVE INCOME (LOSS)	(P33)	P177,807	P7,793	P3,248	P188,815

The restated amounts in the interim consolidated statement of cash flows for the six-month period ended June 30, 2020 as a result of the retrospective accounting of the business combination under common control were as follows:

	Statement of Cash Flows of TKHI, As Reported	Adjustments from the Retrospective Application of Pooling of Interests Method for Business Combinations of Entities under Common Control			Consolidated Statement of Cash Flows, As Restated
		Statement of Cash Flows of MI	Statement of Cash Flows of MPDI	Statement of Cash Flows of PWSI	
CASH FLOWS FROM OPERATING ACTIVITIES					
Income (loss) before income tax	(P653)	P450,486	P43,372	P52,980	P546,185
Adjustments for:					
Depreciation and amortization	-	20,030	1,715	5,461	27,206
Interest expense	-	9,477	3,575	6,173	19,225
Interest income	-	(3,947)	(97)	(1,366)	(5,410)
Share in net loss of an associate	-	-	-	5,070	5,070
Retirement benefits costs	-	171	97	557	825
Unrealized foreign exchange gain	-	-	(2)	-	(2)
Operating income (loss) before working capital changes	(653)	476,217	48,660	68,875	593,099
Decrease (increase) in:					
Trade and other receivables	-	1,162,717	189,706	174,263	1,526,686
Inventories	-	851,116	(85,179)	(231,149)	534,788
Prepaid expenses and other current assets	-	220,392	(53,089)	112,679	279,982
Increase (decrease) in trade and other payables	55	(530,501)	(10,483)	(50,178)	(591,107)
Cash generated from (used in) operations	(598)	2,179,941	89,615	74,490	2,343,448
Income taxes paid	-	(192,480)	(21,711)	(3,827)	(218,018)
Interest received	-	3,947	97	1,366	5,410
Net cash from (used in) operating activities	(598)	1,991,408	68,001	72,029	2,130,840
CASH FLOWS FROM INVESTING ACTIVITIES					
Additions to property and equipment	-	(9,262)	-	(3,783)	(13,045)
Additions to other noncurrent assets	(71)	-	(20)	-	(91)
Cash used in investing activities	(71)	(9,262)	(20)	(3,783)	(13,136)

Forward

	Statement of Cash Flows of TKHI, As Reported	Adjustments from the Retrospective Application of Pooling of Interests Method for Business Combinations of Entities under Common Control			Consolidated Statement of Cash Flows, As Restated
		Statement of Cash Flows of MI	Statement of Cash Flows of MPDI	Statement of Cash Flows of PWSI	
CASH FLOWS FROM FINANCING ACTIVITIES					
Advances received from related parties	P669	P -	P -	P -	P669
Proceeds from availment of loans payable	-	-	97,000	-	97,000
Payments of:					
Lease liabilities	-	(16,286)	(1,664)	(4,194)	(22,144)
Loans payable	-	(120,000)	(181,000)	(50,000)	(351,000)
Interest	-	(9,476)	(4,329)	(6,173)	(19,978)
Advances from a stockholder	-	(659,500)	-	(294)	(659,794)
Net cash from (used in) financing activities	669	(805,262)	(89,993)	(60,661)	(955,247)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	1,176,884	(22,012)	7,585	1,162,457
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	-	167,845	44,277	229,951	442,073
CASH AND CASH EQUIVALENTS AT END OF PERIOD	P -	P1,344,729	P22,265	P237,536	P1,604,530

Adjustments from the retrospective application of business combination under common control follow:

a. *Share Swap Transaction*

Represents the issuance of 11,250,000,000 common shares of TKHI with a par value of P0.10 at P2.00 per share in exchange for Cosco's investments in MI, MPDI and PWSI, under a Share Swap Transaction as follows:

- 9,488,444,240 common shares of TKHI were swapped with 7,500,000 common shares of Cosco in MI;
- 907,885,074 common shares of TKHI were swapped with 7,500,000 common shares of Cosco in MPDI; and,
- 853,670,686 common shares of TKHI were swapped with 1,500,000 common shares of Cosco in PWSI.

The details of the share swap transaction follows:

	% of Ownership	Amount
Transfer value as approved by SEC (Note 1):		
MI	100%	P18,976,888
MPDI	100%	1,815,771
PWSI	100%	1,707,341
		22,500,000
Par value of the shares issued by TKHI		1,125,000
Additional paid-in capital		P21,375,000

Related transaction costs from the share swap transaction paid and incurred for the six-month period ended 2021 amounting to P46,800 is deducted against additional paid-in capital as at June 30, 2021. Transaction costs is composed of fees for the increase in authorized capital stock and documentary stamp tax.

b. *Elimination of Investments in MI, MPDI and PWSI*

Details of the elimination follows:

	MI	MPDI	PWSI	Total
Capital stock	P750,000	P750,000	P150,000	P1,650,000
Additional paid-in capital	-	-	1,500	1,500
Equity adjustments from common control transactions	18,226,888	1,065,771	1,555,841	20,848,500
Transfer value	(18,976,888)	(1,815,771)	(1,707,341)	(22,500,000)
	P -	P -	P -	P -

c. *Equity Adjustments from Common Control Transactions*

This account represents the excess of transfer value over the net assets of MI, MPDI and PWSI. Details are as follows:

	MI	MPDI	PWSI	Total
Transfer value	(P18,976,888)	(P1,815,771)	(P1,707,341)	(P22,500,000)
Net assets acquired	750,000	750,000	151,500	1,651,500
	(P18,226,888)	(P1,065,771)	(P1,555,841)	(P20,848,500)

d. *Elimination of Intercompany Transactions*

There were no transactions and balances to be eliminated as at December 31, 2020 and for the six-month period ended June 30, 2020.

6. Cash and Cash Equivalents

This account consists of:

	Note	**June 30, 2021 (Unaudited)**	December 31, 2020 (Audited, as restated - Note 5)
Cash on hand		**P1,900**	P1,516
Cash in banks	*25*	**377,615**	636,115
Cash equivalents	*25*	**1,342,694**	1,896,472
		P1,722,209	P2,534,103

Cash in banks earns interest at the respective bank deposit rates. Interest income earned from cash in banks which are recognized in profit or loss amounted to P512 and P1,022 for the six-month periods ended June 30, 2021 and 2020, respectively, and P275 and P283 for the three-month periods ended June 30, 2021 and 2020, respectively (see Note 19).

Cash equivalents pertain to short-term placements. Interest income earned from cash equivalents which are recognized in profit or loss amounted to P10,025 and P4,388 for the six-month periods ended June 30, 2021 and 2020, respectively, and P5,052 and P3,476 for the three-month periods ended June 30, 2021 and 2020, respectively (see Note 19).

7. Trade and Other Receivables

This account consists of:

	Note	June 30, 2021 (Unaudited)	December 31, 2020 (Audited, as restated - Note 5)
Trade:			
Third parties		**P732,220**	P880,444
Related parties	15	**297,867**	675,136
Less allowance for ECLs		**(2,621)**	(2,621)
		1,027,466	1,552,959
Nontrade:			
Third parties		**13,829**	18,717
Related parties	15	**1,832**	1,347
Others		**988**	1,602
	25	**P1,044,115**	P1,574,625

Trade receivables are non-interest-bearing and are generally on a 30-to-60-day credit terms.

Non-trade receivables pertain to receivables from suppliers for the reimbursements of expenses incurred by the Group for brand promotions. These are non-interest-bearing and are generally on a 30-day credit terms.

Movements in the allowance for ECLs on third party trade receivables are as follows:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited, as restated - Note 5)
Balance at beginning of the period	**P2,621**	P4,125
Write-off	**-**	(1,504)
Balance at end of the period	**P2,621**	P2,621

8. Inventories

This account consists of:

	Note	June 30, 2021 (Unaudited)	December 31, 2020 (Audited, as restated - Note 5)
At cost:			
Spirits		**P3,519,021**	P3,428,067
Wines		**142,156**	154,094
Specialty beverages		**41,106**	77,175
	17	**P3,702,283**	P3,659,336

Cost of inventories charged to "Cost of goods sold" amounted to P1,854,569 and P978,498 for the three-month periods ended June 30, 2021 and 2020, respectively, and P3,163,752 and P2,372,932 for the six-month periods ended June 30, 2021 and 2020, respectively (see Note 17).

9. Prepaid Expenses and Other Current Assets

This account consists of:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited, as restated - Note 5)
Prepaid duties and taxes	**P1,641,547**	P561,297
Advances to suppliers	**68,170**	39,316
Input VAT	**15,176**	31,603
Costs of anticipated equity transaction	**10,101**	-
Prepaid import charges	**1,041**	320
Other prepaid expenses	**13,037**	6,474
	P1,749,072	P639,010

Prepaid duties and taxes include advance payment for excise taxes, customs duties and seals for purchased goods not yet received.

Advances to suppliers pertain to partial down payment made by the Group to suppliers which will be applied against future billings.

Costs of anticipated equity transaction pertains to costs directly related to issuance of shares for the planned follow-on offering. Such costs will be deducted to equity upon issuance of shares.

10. Property and Equipment

The movements and balances in this account are as follows:

	Transportation and Delivery Equipment	Leasehold Improvements	Office Equipment	Furniture and Fixtures	Computer Software License	Machinery and Equipment	Total
Cost							
January 1, 2020*	P42,775	P18,941	P12,563	P6,795	P1,021	P2,904	P84,999
Additions*	2,999	20,132	1,190	101	1,200	83	25,705
Disposal*	(630)	-	-	-	-	-	(630)
December 31, 2020*	45,144	39,073	13,753	6,896	2,221	2,987	110,074
Additions**	986	50	567	-	-	-	1,603
Disposals**	(2,068)	-	-	-	-	-	(2,068)
June 30, 2021**	**44,062**	**39,123**	**14,320**	**6,896**	**2,221**	**2,987**	**109,609**
Accumulated Depreciation and Amortization							
January 1, 2020*	32,790	14,314	11,562	6,780	236	2,439	68,121
Depreciation and amortization*	3,672	4,862	841	31	586	378	10,370
Disposals*	(630)	-	-	-	-	-	(630)
December 31, 2020*	35,832	19,176	12,403	6,811	822	2,817	77,861
Depreciation and amortization**	2,118	3,473	545	29	494	73	6,732
Disposals**	(2,068)	-	-	-	-	-	(2,068)
June 30, 2021**	**35,882**	**22,649**	**12,948**	**6,840**	**1,316**	**2,890**	**82,525**
Net Book Value							
December 31, 2020*	P9,312	P19,897	P1,350	P85	P1,399	P170	P32,213
June 30, 2021**	**P8,180**	**P16,474**	**P1,372**	**P56**	**P905**	**P97**	**P27,084**

**Audited, as restated (see Note 5)*
*** Unaudited*

Depreciation and amortization expense for the six-month periods ended June 30, 2021 and 2020 was charged as part of "Operating Expenses" in profit or loss (see Note 18).

Additions, disposal and depreciation and amortization expense of property and equipment are as follows:

		For the Three-month Periods Ended June 30		For the Six-month Periods Ended June 30	
	Note	**2021**	2020	**2021**	2020
Additions to property and equipment		**P605**	P8,243	**P1,603**	P13,045
Disposals to property and equipment		**2,068**	630	**2,068**	630
Depreciation and amortization	*18*	**P2,588**	P1,835	**P6,732**	P3,737

The cost of fully depreciated property and equipment still in use amounted to P51,489 and P58,224 as at June 30, 2021 and December 31, 2020, respectively.

11. Investment in an Associate

PWSI entered into a Shareholders' Agreement and a Share Purchase Agreement with Pernod Ricard Asia S.A.S and Allied Netherlands B.V. for the purchase of the shares of stocks of Pernod Ricards Philippines, Inc. (Pernod) for EURO 2.10 million (equivalent to P126,957) in February 2019.

Pernod wholesales and distributes distilled spirits. Pernod offers neutral spirits and ethyl alcohol used in blended wines and distilled liquors. Pernod serves customers throughout the world. Its principal address is at 4-C Palm Coast Avenue One E-com Center Building, Pasay City, 1300. As at June 30, 2021 and December 31, 2020, PWSI owns 30% of Pernod shares.

The financial year end date of Pernod is June 30. This is the reporting date established on the articles of incorporation of the associate. This is also the reporting date adopted by its parent company, Pernod Ricard Asia S.A.S. and its ultimate parent company, Pernod Ricard S.A.

The following table summarizes the financial information of Pernod and shows the reconciliation of PWSI's share in net assets of such investee to the carrying amounts of its investment as at June 30, 2021 and December 31, 2020:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Balance at beginning of period	**P93,361**	P118,194
Share in net income (loss)	**5,694**	(24,833)
Balance at end of period	**P99,055**	P93,361

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Percentage ownership interest	**30%**	30%
Current assets	**P645,058**	P592,719
Noncurrent assets	**152,752**	186,311
Current liabilities	**482,607**	480,426
Noncurrent liabilities	**29,922**	32,305
Net assets	**285,281**	266,299
PWSI's share of net assets	**85,584**	79,890
Goodwill	**13,471**	13,471
Carrying amount of investment in an associate	**P99,055**	P93,361

The following table shows the PWSI's share in net income (loss) of investee for the six-month periods ended June 30, 2021 and 2020 and three-month periods ended June 30, 2021 and 2020:

	For the Three-month Periods Ended June 30 (Unaudited)		**For the Six-month Periods Ended June 30 (Unaudited)**	
	2021	2020	**2021**	2020
Revenue	**P98,049**	P34,234	**P216,169**	P282,093
Net income (loss)/total comprehensive income (loss) for the period	**P45,078**	(P19,800)	**P18,981**	(P16,902)
The Group's share in net income (loss) at 30%	**P13,523**	(P5,940)	**P5,694**	(P5,070)
Other comprehensive loss for the period	**P -**	(P4,393)	**P -**	(P4,393)
The Group's share in other comprehensive loss at 30%	**P -**	(P1,318)	**P -**	(P1,318)

12. Other Noncurrent Assets

This account consists of:

	Note	June 30, 2021 (Unaudited)	December 31, 2020 (Audited, as restated - Note 5)
Excess tax credits		**P24,231**	P23,234
Refundable deposits	*20, 25*	**16,235**	16,504
Others		**315**	759
		P40,781	P40,497

Excess tax credits pertain to prepaid taxes carried over from previous taxable years.

13. Trade and Other Payables

This account consists of:

	Note	June 30, 2021 (Unaudited)	December 31, 2020 (Audited, as restated - Note 5)
Trade payables - third parties		**P678,294**	P1,032,672
Non-trade payables:			
Third parties		**59,913**	147,633
Related parties	*15*	**2,874**	5,183
Statutory obligations		**58,869**	91,650
Accrued expenses		**36,811**	48,628
	25	**P836,761**	P1,325,766

Trade payables are unsecured, non-interest-bearing and are generally on a 30-to-60-day payment terms.

Non-trade payables are amounts owed to non-trade suppliers such as manpower agencies, freight companies and other non-trade payment transactions. These are non-interest-bearing and are generally on a 30-day payment terms.

Accrued expenses consist of accruals for utilities, advertisement and other operating expense.

14. Loans Payable

The movements and balances in loans payable are as follows:

	Note	June 30, 2021 (Unaudited)	December 31, 2020 (Audited, as restated - Note 5)
Balances at beginning of period		**P42,000**	P729,000
Payments made		**(42,000)**	(784,000)
Availment of loan		**-**	97,000
Balances at end of period	*27*	**P -**	P42,000

PWSI

PWSI has unsecured, peso-denominated loans obtained from a local bank with maturity of 90 days with annual interest rate of 3.21% as at December 31, 2020. These are intended to finance the inventory build-up and additional working capital requirements of PWSI. The loans are not subject to compliance with any loan covenant.

PWSI fully settled its loan payable amounting to P313,000 on December 15, 2020.

MPDI
In 2019, MPDI entered into various unsecured, short-term loans with a maturity of less than one year from Asia United Bank totaling to P279,000 with fixed annual interest of 4.75% to 6.00%. MPDI made principal payments amounting to P64,000 in 2019. The remaining outstanding balance amounting to P215,000 was subsequently paid in 2020, P145,000 of which were paid during the six-month period ended June 30, 2020.

In 2019, MPDI entered into various unsecured, short-term loan agreements with Metropolitan Bank and Trust Company (MBTC) totaling P115,000 with fixed annual interest rates of 4.50% to 5.50%. MPDI made principal payments amounting to P34,000 in 2019. The remaining outstanding balance totaling to P81,000 were subsequently paid in 2020, P36,000 of which were paid during the six-month period ended June 30, 2020.

In 2020, MPDI availed of the same type of loans amounting to P97,000 with fixed annual interest rates of 3.5% to 5.00%. MPDI paid P55,000 for this loan in September 2020 and November 2020 and P42,000 during the six-month period ended June 30, 2021.

MI
On November 20, 2019, MI obtained an unsecured, six-month loan from Metropolitan Bank and Trust Company amounting to P120,000 with a fixed interest rate of 4.50%. This was subsequently paid in 2020.

The proceeds from the availments of notes were used to finance the Group's working capital requirements.

Interest expense recognized in profit or loss amounted to P430 and P3,868 for the three-month periods ended June 30, 2021 and 2020, respectively, and P931 and P16,003 for the six-month periods ended June 30, 2021 and 2020, respectively (see Note 19). Interest payable arising from these loans amounting to nil and P2,564 as at June 30, 2021 and December 31, 2020, respectively, are recorded as part of non-trade payables under "Trade and Other Payables" account.

15. Related Party Transactions

Transactions for the six-month periods ended June 30, 2021 and 2020 and for the three-month periods ended June 30, 2021 and 2020 and account balances with related parties as at June 30, 2021 and December 31, 2020 are as follows:

Category/ Transaction	Ref	Six-month Period Ended	Amount of the Transaction	Three-month Period Ended	Amount of the Transaction	Outstanding Balance	Outstanding Balance: Receivable	Outstanding Balance: Payable	Outstanding Balance: Due to Related Parties	Terms	Conditions
Ultimate Parent Company											
Dividends	*16*	**June 30, 2021**	**P -**	**June 30, 2021**	**P -**	**June 30, 2021**	**P -**	**P100,000**	P -	Due and demandable	Unsecured
	16	June 30, 2020	-	June 30, 2020	-	December 31, 2020	-	300,000	-		
Management fee	*a*	**June 30, 2021**	**-**	**June 30, 2021**	**-**	**June 30, 2021**	**-**	**-**	**106,700**	Due and demandable;	Unsecured
	a	June 30, 2020	-	June 30, 2020	-	December 31, 2020	-	-	106,700	non-interest-bearing	
Entities under Common Control											
Sales of good	*7,b*	**June 30, 2021**	**1,098,319**	**June 30, 2021**	**512,985**	**June 30, 2021**	**297,867**	**-**	**-**	30 days credit term;	Unsecured;
	7, b	June 30, 2020	752,150	June 30, 2020	127,769	December 31, 2020	675,136	-	-	non-interest bearing	no impairment
Lease expense	*20, c*	**June 30, 2021**	**34,652**	**June 30, 2021**	**17,391**	**June 30, 2021**	**-**	**206,313**	**-**	Payable on a monthly	Unsecured
	20, c	June 30, 2020	26,691	June 30, 2020	19,488	December 31, 2020	-	201,960	-	basis	
Advances	*d*	**June 30, 2021**	**-**	**June 30, 2021**	**-**	**June 30, 2021**	**-**	**-**	**66,000**	Payable on demand;	Unsecured
	d	June 30, 2020	-	June 30, 2020	-	December 31, 2020	-	-	86,000	interest-bearing	
Interest expense	*d*	**June 30, 2021**	**-**	**June 30, 2021**	**-**	**June 30, 2021**	**-**	**2,508**	**-**	Payable on demand	Unsecured
	d	June 30, 2020	-	June 30, 2020	-	December 31, 2020	-	2,508	-		
Reimbursement of expenses	*e*	**June 30, 2021**	**4,601**	**June 30, 2021**	**1,951**	**June 30, 2021**	**1,832**	**366**	**-**	Payable on demand;	Unsecured;
	e	June 30, 2020	4,478	June 30, 2020	2,615	December 31, 2020	1,347	2,675	-	non-interest-bearing	no impairment
Stockholder											
Advances	*f*	**June 30, 2021**	**109,262**	**June 30, 2021**	**-**	**June 30, 2021**	**-**	**-**	**13,278**	Refer to Note f	Refer to
	f	June 30, 2020	669	June 30, 2020	-	December 31, 2020	-	-	7,853		Note f
Interest expense	*f*	**June 30, 2021**	**-**	**June 30, 2021**	**-**	**June 30, 2021**	**-**	**-**	**-**	Refer to note f	Refer to
	f	June 30, 2020	4,626	June 30, 2020	-	December 31, 2020	-	-	-		Note f
						June 30, 2021	**P299,699**	**P309,187**	**P185,978**		
						December 31, 2020	P676,483	P507,143	P200,553		

a. This pertains to amount due to the Ultimate Parent Company for corporate services rendered to PWSI in 2017 and 2016. No similar services were rendered subsequently.

b. The Group distributes wines and liquors to entities under common control.

c. The Group entered into lease agreements with entities under common control for its office spaces and warehouses. Lease expenses include amortization expense on right-of-use assets and interest expense on lease liabilities (see Note 20).

d. These are cash advances to PWSI from an entity under common control for additional working capital requirements. These advances earn interest rate of 2.0% for the six-month period ended and three-month period ended June 30, 2021 and 4.5% for the six-month period ended and three-month period ended June 30, 2020, with maturities of two (2) years.

e. This represents cash advances to and from related parties as at June 30, 2021 and December 31, 2020 in the form of reimbursement of expenses and working capital advances.

f. In 2018, MI received unsecured cash advances from a stockholder in a form of promissory notes amounting to P659,500. These advances earn fixed annual interest rate of 4.00% with maturities of one (1) year. The advances were intended for the MI's working capital requirements to finance inventory purchases.

   On November 5, 2019, both parties renewed the promissory note for the same amount and interest rate with a new maturity date of November 21, 2021. In June 2020, both parties terminated the promissory note and MI paid in full the outstanding loan principal and related interest.

   On January 27, 2021, the TKHI received cash amounting to P104,525 from Invescap representing an advance made by Invescap for an anticipated transaction of TKHI. These advances were returned to Invescap in May 2021 following the cancellation of the anticipated transaction.

   No interest expense recognized in profit or loss relating to advances from a stockholder for the Six-Month period ended June 30, 2021 and 2020.

Amounts owed by and owed to related parties are to be settled in cash.

TKHI has no operations since 2013 and has no employees from said date. All its administrative activities are being handled by the employees of a stockholder.

As at June 30, 2021, the Company is still in the process of formalizing its policy framework in relation to its approval requirement and limits on the amount and extent of related party transactions.

Related Party Transactions and Balances Eliminated During Consolidation

On June 28, 2021, payment of registration fees amounting to P45,454 for the increase in authorized capital stock of TKHI was paid in advance by MI to Cosco. These advances were fully settled in July 13, 2021. There were no other transactions and balances to be eliminated.

Key Management Personnel
The compensation of the key management personnel of the Group which consists of short-term employee benefits amounted to P7,889 and P7,139 for the six-month periods ended June 30, 2021 and 2020, respectively, and P6,915 and P2,750 for the three-month periods ended June 30, 2021 and 2020, respectively.

16. Equity

Capital Stock
As at June 30, 2021 and December 31, 2020, the Parent Company's capital stock, at P0.10 par value per share consists of the following number of shares:

	June 30, 2021		December 31, 2020	
	Shares	**Amount**	Shares	Amount
Authorized P0.10 par value	**20,000,000,000**	**P2,000,000**	20,000,000,000	P2,000,000
Issued and Outstanding, as previously reported - P0.023 par value	**1,124,999,969**	**P25,875**	1,124,999,969	P25,875
Share swap transaction - P0.10 par value	**11,250,000,000**	**1,125,000**	11,250,000,000	1,125,000
Effect of changes in par value	**(866,249,656)**	**-**	(866,249,656)	-
Issued and Outstanding, as restated - P0.10 par value	**11,508,750,313**	**P1,150,875**	11,508,750,313	P1,150,875

Common shares carry one vote per share and a right to dividends.

Presented below is the tracking of the Parent Company's registration:

Date	Activity	Issue Price	Number of Shares Common Shares
September 3, 1991	Issuance of capital stocks as of listing date	P2.85	1,124,999,969
June 30, 2021*	Effect of reduction in par value	-	(866,249,656)
Total outstanding shares as at June 30, 2021			258,750,313

**The accounting for the share swap arrangement was applied retrospectively (see Note 5)*

As at June 30, 2021, the Parent Company has a total of 474 common stockholders owning listed shares. As disclosed in Note 1, the amended Articles of Incorporation of the Parent Company increasing its authorized capital stock was approved by the Stockholders and the BOD on May 28, 2021 and April 29, 2021, respectively. Such corporate action was approved by the SEC on June 30, 2021. The adjustments in the number of issued and outstanding shares of the Company will be reflected on the PSE's systems effective on September 13, 2021.

On July 14, 2021 the Parent Company filed a Registration Statement ("RS") with the SEC in accordance with the provisions of the Securities Regulation Code of the Philippines (Republic Act No. 8799, the "SRC") for the registration of the Offer Shares. On July 19, 2021, the Parent Company filed its application for the listing and trading of offer shares with the PSE. As at September 14, 2021, the RS and the application for listing are still under review by the SEC and PSE, respectively.

On August 19, 2021, the Parent Company filed the application for listing with the PSE for additional shares of stock issued in connection with the increase of the capital stock and the Share Swap Transaction to comply with the PSE listing rules. The additional listing of shares without the conduct of a rights or public offering was submitted for approval of the stockholders on May 28, 2021.

Additional Paid-in Capital
Presented below is the Parent Company's additional paid-in capital:

	Note	**June 30, 2021 (Unaudited)**	December 31, 2020 (Audited, as restated - Note 5)
Balance at beginning of period, as previously reported		**P46,033**	P46,033
Share swap transaction	*5*	**21,375,000**	21,375,000
Balance at beginning of period, as restated		**21,421,033**	21,421,033
Share issuance costs		**(46,800)**	-
Balances at end of period		**P21,374,233**	P21,421,033

Related transaction costs from the share swap transaction paid and incurred for the six-month period ended 2021 amounting to P46,800 is deducted against additional paid-in capital as at June 30, 2021. Transaction costs is composed of fees for the increase in authorized capital stock and documentary stamp tax.

Retained Earnings
Declaration of Dividends
MI
On December 18, 2020, MI's BOD approved the declaration of cash dividends of P26.66 per share or an aggregate amount of P200,000, payable to stockholders of record as of the same date. These dividends were paid on April 6, 2021.

PWSI
On December 11, 2015, PWSI's BOD approved the declaration of cash dividends amounting to P100,000, payable to stockholders of record as at the same date. The management is planning to settle in 2021 the dividends payable as at December 31, 2020.

There was no declaration of cash dividends for the six-month periods ended June 30, 2021 and 2020.

Appropriated Retained Earnings
On December 13, 2018, the BOD of MI approved the appropriation of P950,000 from MI's unappropriated retained earnings to finance the acquisition of land, and construction and establishment of new warehouse and related facilities. The construction is expected to be completed in December 2021.

17. Cost of Goods Sold

This account consists of:

	Note	For the Three-month Periods Ended June 30 (Unaudited) 2021	2020	For the Six-month Periods Ended June 30 (Unaudited) 2021	2020
Inventories at beginning of period	*8*	**P3,590,721**	P4,589,570	**P3,659,336**	P4,744,683
Net purchases		**1,966,131**	598,823	**3,206,699**	1,838,144
Total goods available for sale		**5,556,852**	5,188,393	**6,866,035**	6,582,827
Inventories at end of period	*8*	**(3,702,283)**	(4,209,895)	**(3,702,283)**	(4,209,895)
		P1,854,569	P978,498	**P3,163,752**	P2,372,932

18. Operating Expenses

This account consists of:

	Note	For the Three-month Periods Ended June 30 (Unaudited) 2021	2020	For the Six-month Periods Ended June 30 (Unaudited) 2021	2020
Distribution costs		**P36,012**	P37,794	**P95,747**	P79,565
Advertisement		**52,101**	28,626	**70,293**	53,005
Salaries and other employee benefits		**22,917**	14,145	**47,371**	39,546
Depreciation and amortization	*10, 20*	**18,365**	18,558	**36,753**	27,206
Outside services		**7,178**	9,144	**17,982**	19,466
Taxes and licenses		**1,289**	305	**13,566**	16,296
Insurance		**2,037**	862	**5,670**	5,991
Utilities and communication		**(1,733)**	431	**2,265**	1,430
Transportation and travel		**1,124**	882	**2,079**	2,545
Representation and entertainment		**198**	295	**305**	759
Miscellaneous		**5,637**	5,529	**9,635**	9,261
		P145,125	P116,571	**P301,666**	P255,070

19. Other Charges

This account consists of:

	Note	For the Three-month Periods Ended June 30 (Unaudited) 2021	2020	For the Six-month Periods Ended June 30 (Unaudited) 2021	2020
Interest income	*6*	**P5,327**	P3,759	**P10,537**	P5,410
Foreign exchange gain (loss) - net		**(5,058)**	1,377	**(5,762)**	3,829
Interest expense	*14, 15, 20*	**(2,811)**	(8,125)	**(5,562)**	(19,225)
Bank charges		**(117)**	(65)	**(184)**	(142)
Others		**393**	-	**392**	-
		(P2,266)	(P3,054)	**(P579)**	(P10,128)

20. Lease Agreements

The Group entered into lease agreements with entities under common control for its office space and warehouses. These leases have terms ranging from two (2) years to five (5) years, renewable under terms and condition agreed upon by both parties.

The lease payments provide for, among others, security deposits amounting to P16,235 and P16,504 as at June 30, 2021 and December 31, 2020, respectively, which are shown under "Other noncurrent assets" account in the interim consolidated statements of financial position (see Note 12).

The movements and balances of the right-of-use assets and lease liabilities as at June 30, 2021 and for the period ended June 30, 2021 and as at and for the year ended December 31, 2020 are as follows:

i. Right-of-Use Assets

	Note	**June 30, 2021 (Unaudited)**	December 31, 2020 (Audited, as restated - Note 5)
Balance at beginning of period		**P185,853**	P34,046
Additions		**42,394**	205,289
Amortization charge for the period	*18*	**(30,021)**	(53,482)
Balance at end of year		**P198,226**	P185,853

ii. Lease Liabilities

	Note	**June 30, 2021 (Unaudited)**	December 31, 2020 (Audited, as restated - Note 5)
Balance at beginning of period		**P201,960**	P37,167
Additions		**42,394**	205,289
Interest charge for the period	*19*	**4,631**	7,357
Payments made		**(42,672)**	(47,853)
Balance at end of period	*27*	**P206,313**	P201,960

As at June 30, 2021 and December 31, 2020, the Group's lease liabilities are classified in the interim consolidated statements of financial position as follows:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited, as restated - Note 5)
Current	**P53,688**	P52,553
Noncurrent	**152,625**	149,407
	P206,313	P201,960

Maturity analyses of the undiscounted lease liabilities as at June 30, 2021 and December 31, 2020 are as follows:

	Undiscounted Lease Payments	**Interest**	**Present Value of Lease Liabilities**
Not later than one year	**P61,724**	**P8,036**	**P53,688**
Later than one year but not later than five years	**161,932**	**9,307**	**152,625**
Balance at June 30, 2021	**P223,656**	**P17,343**	**P206,313**

	Undiscounted Lease Payments	Interest	Present Value of Lease Liabilities
Not later than one year	P59,762	P7,209	P52,553
Later than one year but not later than five years	160,396	10,989	149,407
Balance at December 31, 2021	P220,158	P18,198	P201,960

iii. Amounts recognized in profit or loss for the six-month and three-month periods ended June 30, 2021 and 2020:

		For the Three-month Periods Ended June 30 (Unaudited)		**For the Six-month Periods Ended June 30 (Unaudited)**	
	Note	**2021**	2020	**2020**	2020
Amortization expense	*18*	**P15,010**	P16,732	**P30,021**	P23,469
Interest on lease liabilities	*19*	**2,381**	2,765	**4,631**	3,222
		P17,391	P19,488	**P34,652**	P26,691

iv. Amounts recognized in the statements of cash flows for the six-month periods ended June 30, 2021 and 2020:

	June 30, 2021 (Unaudited)	June 30, 2020 (Unaudited)
Total cash outflow for leases	**P42,672**	P25,366

21. Retirement Benefits Liability

The Group has an unfunded, noncontributory, defined benefits retirement plan covering all of its regular, full-time employees. Under the plan, the employees are entitled to retirement benefits equivalent to an amount computed based on Republic Act No. 7641, Retirement Pay Law, equivalent to one-half month's salary for every year of service, with six months or more of service considered as one year.

The succeeding table summarizes the components of the retirement benefits cost under a defined benefits retirement plan recognized in profit or loss and the amount of retirement benefits liability recognized in the statements of financial position. Annual cost is determined using the projected unit credit method. The Group's latest actuarial valuation date is December 31, 2020.

The table below shows the present value of the defined benefits retirement obligation or the retirement benefits liability and its components as at June 30, 2021 and December 31, 2020:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited, as restated - Note 5)
Balance at beginning of year	**P15,330**	P12,304
Recognized in Profit or Loss		
Current service cost	**774**	1,547
Interest cost	**305**	638
	1,079	2,185
Recognized in Other Comprehensive Income (Loss)		
Actuarial loss (gain) arising from:		
Change in demographic assumptions	**-**	1,115
Change in financial assumptions	**-**	319
Experience adjustments	**-**	(593)
	-	841
Balance at end of year	**P16,409**	P15,330

The retirement benefits cost is recognized as part of "Salaries and other employee benefits" account under operating expenses in profit or loss.

The Group accrued retirement benefits costs as follows:

	For the Three-month Periods Ended June 30 (Unaudited)		For the Six-month Periods Ended June 30 (Unaudited)	
	2021	2020	**2021**	2020
Current service costs	**P387**	P234	**P774**	P506
Interest costs	**190**	219	**305**	319
	P577	P453	**P1,079**	P825

There are no unusual or significant risks to which the retirement benefits liability exposes the Group. However, it should be noted that in the event a benefit claim arises under the retirement benefits liability, the benefit shall immediately be due and payable from the Group.

As at June 30, 2021 and December 31, 2020, accumulated remeasurements on retirement benefits amounted to P5,076 and P4,691, respectively, as presented in the interim consolidated statements of financial position.

The principal actuarial assumptions (in percentages) used to determine retirement benefits are as follows:

	June 30 2021 (Unaudited)	June 30 2020 (Unaudited)
Discount rate	**3.95%**	3.95%
Future salary increases	**5.00% to 8.00%**	5.00% to 8.00%

The valuation results are based on the employee data as of the valuation date. The discount rate assumption is based on the Bankers Association of the Philippines (BAP) PHP Bloomberg BV AL Reference Rates (BVAL) benchmark reference curve for the government securities market (previously the PDEx (PDST-R2) market yields on benchmark government bonds) as of the valuation date and considering the average years of remaining working life of the employees as the estimated term of the benefit obligation.

Assumptions for mortality and disability rates are based on published statistics and mortality and disability tables.

The weighted average duration of defined benefits obligation is 9.56 years as at June 30, 2021 and December 31, 2020.

As at June 30, 2021 and December 31, 2020, the reasonably possible changes to one of the relevant actuarial assumptions, while holding all other assumptions constant, would have affected the defined benefits liability by the amounts below:

	June 30, 2021		December 31, 2020	
	Defined Benefits Liability		Defined Benefits Liability	
	1 Percent Increase	**1 Percent Decrease**	1 Percent Increase	1 Percent Decrease
Discount rate	**(P804)**	**P435**	(P1,143)	P1,220
Salary increase rate	**1,253**	**(1,020)**	1,280	(1,082)

Although the analysis does not take into account the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

Funding Arrangements
Since the Group does not have a formal retirement plan, benefit claims under the retirement benefits liabilities are paid directly by the Group when they become due.

Asset-liability Matching (ALM)
The Group does not have a formal retirement plan and therefore has no plan assets to match against the liabilities under the defined benefits obligation.

Maturity analyses of retirement benefits liability based on a ten (10) year projection of the expected future benefit payments is as follows:

	Carrying Amount	**Contractual Cash Flows**	**Within 1 Year**	**Within 1 - 5 Years**	**More than 5 Years**
2021	**P16,409**	**P13,529**	**P764**	**P8,902**	**P3,863**

22. Income Taxes

Enactment of Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act
On March 26, 2021, the President of the Philippines has approved the Republic Act (RA) No. 11534, or the “Corporate Recovery and Tax Incentives for Enterprises Act” (CREATE), with nine (9) provisions vetoed by the President. Below are the salient features of the Act that are relevant to the Company:

a) Corporate income tax rate is reduced from 30% to 20% for domestic corporations with net taxable income not exceeding P5 million and with total assets not exceeding P100 million. All other domestic corporations and resident foreign corporations will be subject to 25% income tax. Said reductions are effective July 1, 2020.

b) Minimum corporate income tax (MCIT) rate is reduced from 2% to 1% effective July 1, 2020 to June 30, 2023.

c) The imposition of improperly accumulated earnings tax has been repealed.

On April 8, 2021, the Bureau of Internal Revenue issued the following implementing revenue regulations that are effective immediately upon publication:

- BIR RR No. 2-2021, amending certain provisions of Revenue Regulations No. 2-98, As Amended, to implement the amendments introduced by RA No. 11534 to the National Revenue Code of 1997, as Amended, relative to the final tax on certain passive income.

- BIR RR No. 3-2021, Rules and Regulations implementing Section 3 of RA No. 11534 amending Section 20 of the National Internal Revenue Code of 1997, As Amended.

- BIR RR No. 4-2021, implementing the Provisions on Value-Added Tax (VAT) and Percentage Tax under RA No. 11534 which further amended the National Revenue Code of 1997, as Amended, as implemented by Revenue Regulations No. 16-2005 (Consolidated Value-Added Tax Regulations of 2005), As Amended.

- BIR RR No. 5-2021, implementing the new income tax rates on the regular income of corporations on certain passive incomes, including additional allowable deductions from gross income of persons engaged in business or practice of profession pursuant to RA No. 11534 which further amended the National Revenue Code (NIRC) of 1997.

The corporate income tax of the Group was lowered from 30% to 25% for large corporations, on which the Group would qualify, effective July 1, 2020.

The provision for income tax consists of:

	For the Three-month Periods Ended June 30 (Unaudited)		For the Six-month Periods Ended June 30 (Unaudited)	
	2021	2020	**2021**	2020
Current	**P100,618**	P65,022	**P134,968**	P143,932
Deferred	**(248)**	(204)	**924**	(434)
	P100,370	P64,818	**P135,892**	P143,498

The Group's provision for current income tax represents regular corporate income tax (RCIT) in all periods presented.

MI elected to avail of the optional standard deduction (OSD) which is equivalent to 40% of total gross income for the six-month period ended June 30, 2021 and 2020 and three-month periods ended June 30, 2021 and 2020.

The reconciliation of the provision for income tax computed at the statutory income tax rate and the provision for income tax shown in profit or loss for the periods ended June 30 are as follows:

	For the Three-month Periods Ended June 30 (Unaudited)		For the Six-month Periods Ended June 30 (Unaudited)	
	2021	2020	**2021**	2020
Income before income tax	**P551,375**	P254,951	**P838,705**	P546,185
Provision for income tax at the statutory income tax rate*	**P138,010**	P76,485	**P209,894**	P163,855
Additions to (reductions from) income taxes resulting to the tax effects of:				
Availment of optional standard deduction	**(33,877)**	(16,269)	**(35,723)**	(25,006)
Impact of CREATE Act	**-**	-	**(31,514)**	-
Change in unrecognized deferred income tax asset	**904**	2,189	**(2,808)**	2,137
Interest income subjected to final tax	**(1,331)**	(1,127)	**(2,632)**	(1,623)
Share in net income of an associate	**(3,381)**	1,782	**(1,424)**	1,521
Non-deductible expenses	**45**	1,758	**99**	2,614
Provision for income tax	**P100,370**	P64,818	**P135,892**	P143,498

**Statutory income tax rate for the six-month periods ended June 30, 2021 and 2020 is 25% and 30%, respectively*

The components of the Group's net deferred income tax assets as at June 30, 2021 and December 31, 2020 are as follows:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited, as restated - Note 5)
Retirement benefits liability	**P3,405**	P3,678
PFRS 16, *Leases* adjustment	**542**	323
Allowance for expected credit losses on trade receivables	**278**	786
Unrealized foreign exchange gains - net	**(2)**	(25)
	P4,223	P4,762

TKHI

As at June 30, 2021 and December 31, 2020, TKHI has carryforward benefits of unused NOLCO amounting to P7,251 and P2,852, respectively, for which no deferred income tax asset was recognized. Management believes that it is not probable that future taxable profits will be available to allow all or part of its deferred income tax asset to be utilized prior to its expiration.

Details of the TKHI's NOLCO for the taxable year 2020 are as follows:

Period Incurred	Amount	Applied Previous Year	Applied Current Year	Expired	Ending Balance	Expiry Date
2017	P975	P -	P -	P975	P -	2020
2018	715	-	-	-	715	2021
2019	1,048	-	-	-	1,048	2022
2020	1,089	-	-	-	1,089	2025*
2021	4,399	-	-	-	4,399	2026*
	P8,226	**P -**	**P -**	**P975**	**P7,251**	

**Pursuant to Section 4 of Republic Act (RA) 11494, Bayanihan to Recover As One Act and as implemented under Revenue Regulations (RR) No. 25-2020, unless otherwise disqualified from claiming the deduction, the business or enterprise which incurred net operating loss for taxable years 2020 and 2021 shall be allowed to carry over the same as a deduction from its gross income for the next five (5) consecutive taxable years immediately following the year of such loss. The net operating loss for said taxable years may be carried over as a deduction even after the expiration of RA No. 11494 provided the same are claimed within the next five (5) consecutive taxable years immediately following the year of such loss.*

MI

The following table shows the amounts of temporary differences for which no deferred income tax asset was recognized because MI believes that it is not probable that the tax benefits of these temporary differences will be availed of as MI intends to continue its availment of the optional standard deduction in the subsequent years:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited, as restated - Note 5)
PFRS16, *Leases* adjustment	**P5,867**	P4,110
Retirement benefits liability	**4,419**	3,887
Unrealized foreign exchange loss (gain) - net	**(11)**	16,696
	P10,275	P24,693

The movements of net deferred income tax assets are accounted for as follows:

	June 30, 2021 (Unaudited)	June 30 2020 (Unaudited)
Amount charged to profit or loss	**(P924)**	P434
Amount charged to OCI relating to remeasurement on retirement benefits	**385**	-
Net increase (decrease) in deferred income tax assets	**(P539)**	P434

23. Provision

The Group sets-up a provision for any probable liabilities that may arise as a result of conducting its business. The disclosures of additional details beyond the present disclosures may prejudice the Group's position with respect to these matters. Thus, as allowed by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* only a general description is provided.

The movements and balances of provisions as at and for the years ended June 30, 2021 and December 31, 2020 are as follows:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited, as restated - Note 5)
Balances at beginning of year	**P11,975**	P13,901
Provision used during the year	**-**	(1,926)
Balances at end of year	**P11,975**	P11,975

No provision for probable losses was recognized by the Group for the six-month periods ended June 30, 2021 and 2020 and three-month periods ended June 30, 2021 and 2020.

24. Earnings Per Share

Basic/diluted EPS of the Group is computed as follows:

	For the Three-month Periods Ended June 30 (Unaudited)		**For the Six-month Periods Ended June 30 (Unaudited)**	
(In thousands, except per share data)	**2021**	2020	**2021**	2020
Net income (a)	**P451,005**	P190,133	**P702,813**	P402,687
Weighted average number of common shares outstanding for the period* (b)	**11,508,750**	11,508,750	**11,508,750**	11,508,750
Basic EPS (a/b)	**P0.04**	P0.02	**P0.06**	P0.03

**after share swap transaction and change in par value of common shares (Note 5)*

Weighted average number of common shares in 2021 used for the purposes of basic earnings per share were computed as follows:

	Number of Common Shares	**Proportion to Period**	**Weighted Average**
Outstanding shares at the beginning and end of period	**11,508,750,313**	**6/6**	**11,508,750,313**

The Group has no potential dilutive instruments as at June 30, 2021 and 2020, hence, diluted EPS is the same as the basic EPS.

25. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

The Group's BOD has overall responsibility for the establishment and oversight of the Group's risk management framework. The BOD has delegated to the management the responsibility of developing and monitoring the Group's risk management policies.

The Group’s risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group’s activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The BOD oversees how management monitors compliance with the Group’s risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

The Group has exposure to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

This note presents information about the Group’s exposure to each of the above risks, the Group’s objectives, policies and processes for measuring and managing risks, and the Group’s management of capital.

The Group’s overall risk management program seeks to minimize potential adverse effects on the financial performance of the Group. There were no changes in the exposures to each of the above risks and to the Group’s objectives, policies and processes for measuring and managing the risk from the previous period. The policies for managing specific risks are summarized below:

Credit Risk
Credit risk represents the risk of loss the Group would incur if credit customers and counterparties fail to perform their contractual obligations. The Group’s credit risk arises from the Group’s use of its financial assets. Credit risk management involves entering into financial transactions only with counterparties with acceptable credit rating.

The carrying amount of financial assets represents the maximum credit exposure to credit risk as at December 31 as follows:

	Note	**June 30, 2021**	December 31, 2020
Cash in banks	*6*	**P377,615**	P636,115
Cash equivalents	*6*	**1,342,694**	1,896,472
Trade and other receivables	*7*	**1,044,115**	1,574,625
Refundable deposits	*12*	**16,235**	16,504
		P2,780,659	P4,123,716

The Group’s policy is to enter into transactions with a diversity of credit worthy parties to mitigate any significant concentration of credit risk. There is no significant concentration of credit risk within the Group.

As at June 30, 2021 and December 31, 2020, the Group does not expect any counterparty, other than trade customers, to fail in meeting its obligations, thus, related risk is deemed to be insignificant. On the other hand, the Group believes that no impairment loss is necessary in respect of other financial assets since they are neither past due nor impaired.

Credit Quality
In monitoring and controlling credit extended to counterparty, the Group adopts a comprehensive credit rating system based on financial and non-financial assessments of its customers. Financial factors being considered comprised of the financial standing of the customer while the non-financial aspects include but are not limited to the assessment of the customer's nature of business, management profile, industry background, payment habit and both present and potential business dealings with the Group.

The Group assessed the credit quality of the following financial assets as follows:

a. Cash in banks and cash equivalents were assessed as high grade since these are deposited in reputable banks with a good credit standing, which have a low profitability of insolvency and can be withdrawn anytime. The credit quality of these financial assets is considered to be high grade.

b. Trade and other receivables were assessed as standard grade since these include receivables that are collected on their due dates even without an effort from the Group to follow them up.

c. Refundable deposits were assessed as high grade since these security deposits are refundable at the end of the lease term which is expected from a reputable service provider.

ECL Assessment
The Group allocates each exposure to a credit risk on data that are determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial assets, management accounts and cash flow projections and available press information about customers) and applying expected credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default.

In measuring the expected credit losses, the trade and other receivables have been assessed on a collective basis as they pose shared credit risk characteristics. They have been grouped based on the days past due.

The following table provides information about the exposure to credit risk for trade and other receivables as at June 30, 2021 and December 31, 2020:

	June 30, 2021		
	Gross Carrying Amount	**Impairment Loss Allowance**	**Credit-impaired**
Current (not past due)	**P813,675**	**P -**	**No**
1 - 30 days past due	**128,098**	**-**	**No**
31 - 120 days past due	**104,963**	**2,621**	**Yes**
Balance at June 30, 2021	**P1,046,736**	**P2,621**	

	December 31, 2020		
	Gross Carrying Amount	Impairment Loss Allowance	Credit-impaired
Current (not past due)	P1,304,237	P -	No
1 - 30 days past due	228,156	-	No
31 - 120 days past due	44,853	2,621	Yes
Balance at December 31, 2020	P1,577,246	P2,621	

The Group applies the simplified approach in providing for expected credit losses prescribed by PFRS 9, which permits the use of the lifetime expected loss provision and applies a provision matrix.

The maturity of the Group's receivables is less than one year so the lifetime expected credit losses and the 12-month expected credit losses are similar.

Exposures within each credit risk grade are assessed based on delinquency and actual credit loss experience. The Group considered both historical loss rate and forward-looking assumption. The Group assessed that the impact of forward-looking assumption is immaterial.

The maturity of the Group's receivables is less than one year so the lifetime expected credit losses and the 12-month expected credit losses are similar.

The additional allowance for impairment in respect of trade and other receivables of the Group as a result of the expected credit loss assessment amounted to P2,621 as at June 30, 2021 and December 31, 2020.

Exposures within each credit risk grade are assessed based on delinquency and actual credit loss experience. The Group considered both historical loss rate and forward-looking assumptions. The Group assessed that the impact of forward-looking assumption is immaterial.

Cash in banks and cash equivalents are considered of good quality as these pertain to deposits in reputable banks. Impairment on cash has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash has low credit risk based on the external credit ratings of the counter parties.

The credit risk for security deposit is assessed to have not increased significantly since initial recognition as the counterparties have strong financial position and there are no past due amounts. The Group uses similar approach for assessment of ECLs for security deposit to those used for cash in banks. The Group has assessed that the impact of providing ECL for security deposit is immaterial, thus did not recognize loss allowance.

<u>Liquidity Risk</u>

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by maintaining a balance between continuity of funding and flexibility in operations. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements, as well as capital expenditures and loan payments. Management closely monitors the Group's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal requirements.

The following are the contractual maturities of financial liabilities as at June 30, 2021 and December 31, 2020:

	June 30, 2021			
	Carrying Amount	**Contractual Cash Flows**	**1 Year or Less**	**More than 1 Year**
Financial Liabilities				
Trade and other payables*	**P775,018**	**P775,018**	**P775,018**	**P -**
Due to related parties**	**188,852**	**188,852**	**188,852**	**-**
Dividends payable	**100,000**	**100,000**	**100,000**	**-**
Lease liabilities	**206,313**	**223,656**	**61,724**	**161,932**
Total	**P1,270,183**	**P1,287,526**	**P1,125,594**	**P161,932**

**Excluding statutory obligations and accrued interest payable amounting to P58,869 and P2,874 respectively.*
***Including accrued interest payable from advances from entity under common control amounting to P2,874.*

	December 31, 2020			
	Carrying Amount	Contractual Cash Flows	1 Year or Less	More than 1 Year
Financial Liabilities				
Trade and other payables*	P1,231,552	P1,231,552	P1,231,552	P -
Due to related parties**	203,061	203,061	203,061	-
Dividends payable	300,000	300,000	300,000	-
Lease liabilities	201,960	220,158	59,762	160,396
Loans payable***	42,056	42,127	42,127	-
Total	P1,978,629	P1,996,898	P1,836,502	P160,396

**Excluding statutory obligations and accrued interest payable amounting to P91,650 and P2,564, respectively.*
***Including accrued interest payable from advances from entity under common control amounting to P2,508.*
**** Including accrued interest payable amounting to P56.*

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other market prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Group is subject to various risks, including foreign currency risk and interest rate risk.

Interest Rate Risk

Interest rate risks is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates.

Accordingly, management believes that the Group does not have significant interest rate risk.

Foreign Currency Exchange Risk

Foreign currency exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to foreign currency risk relates primarily to the Group's foreign currency-denominated monetary assets and monetary liabilities.

The currencies in which these transactions are primarily denominated are in United States dollar (USD), Singaporean dollar (SGD), Euro (EUR), Australian Dollar (AUD) and British Pound Sterling (GBP).

The following table shows the Group's foreign currency-denominated monetary assets and monetary liabilities and their Philippine peso (PHP) equivalents as at June 30, 2021 and December 31, 2020:

	June 30, 2021					
	USD	**SGD**	**EUR**	**AUD**	**GBP**	**PHP Equivalent**
Foreign currency - denominated monetary assets:						
Cash	**1,526**	**-**	**-**	**-**	**-**	**73,431**
Foreign currency - denominated monetary liabilities:						
Trade payables	**140**	**7**	**10,334**	**73**	**11**	**610,101**
Net foreign currency - denominated monetary asset (liabilities)	**1,386**	**(7)**	**(10,334)**	**(73)**	**(11)**	**(536,670)**

	December 31, 2020				
	USD	SGD	EUR	AUD	PHP Equivalent
Foreign currency - denominated monetary assets:					
Cash	98	-	-	-	4,731
Trade receivables	28	-	125	40	10,141
	126	-	125	40	14,872
Foreign currency - denominated monetary liabilities:					
Trade payables	262	16	14,017	118	839,160
Net foreign currency - denominated monetary asset (liabilities)	(136)	(16)	(13,892)	(78)	(824,288)

In translating the foreign currency-denominated monetary assets and monetary liabilities into Philippine peso amounts, the significant exchange rates applied are as follows:

	June 30, 2021	December 31, 2020
USD	**48.12**	48.04
SGD	**36.11**	35.74
EUR	**58.03**	58.69
AUD	**36.80**	36.40
GBP	**67.56**	63.66

The following table demonstrates sensitivity of cash flows due to changes in foreign exchange rates with all variables held constant.

	June 30, 2021	
	Percentage Decrease in Foreign Exchange Rates	**Increase (Decrease) in Income before Income Tax**
USD	**0.17%**	**(P113)**
SGD	**1%**	**(3)**
EUR	**(1%)**	**5,997**
AUD	**1%**	**(27)**
GBP	**6%**	**(45)**

	December 31, 2020	
	Percentage Decrease in Foreign Exchange Rates	Increase (Decrease) in Income before Income Tax
USD	(5.32%)	P348
SGD	(4.67%)	27
EUR	4.15%	(33,836)
AUD	3.23%	(92)

Changes in foreign exchange rates are based on the average of the banks' forecasted closing exchange rates during the first quarter of the following calendar year. A movement in the opposite direction would increase/decrease income before income tax by the same amount, on the basis that all other variables remains constant.

Capital Risk Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its businesses and maximize shareholder value.

The Group manages its capital structure and makes adjustments, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may pay-off existing debts, return capital to stockholders or issue new shares.

The Group defines capital as paid-in capital stock and retained earnings.

There were no changes in the Group's approach to capital management during the year.

The Chief Financial Officer has the overall responsibility for monitoring of capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Group's external environment and the risks underlying the Group's business operations and industry.

The Group's BODs review the capital structure of the Group on an annual basis. As part of this review, the BODs consider the cost of capital and the risks associated with each class of capital.

The debt to equity ratio at the end of reporting periods is as follows:

	June 30, 2021	December 31, 2020
Debt	**P1,449,912**	P2,283,022
Equity	**7,137,136**	6,480,738
Debt to equity ratio	**0.20:1**	0.35:1

The Group is not subject to externally imposed capital requirements.

26. Fair Values of Financial Instruments

Cash in Banks, Cash Equivalents, Trade and Other Receivables, Trade and Other Payables, Due to Related Parties and Dividends Payable
The carrying amounts of the Group's cash in banks, cash equivalents, trade and other receivables, trade and other payables (excluding statutory obligations) and dividends payable approximate their fair values due to the short-term maturities of these financial instruments.

Refundable Deposits
The carrying amount of refundable deposits approximates its fair values as the impact of discounting is not significant.

Loans Payable
The estimated fair values of loans payable are based on the present value of expected future cash flows using the applicable market rates for similar types of loans at reporting date.

Lease Liabilities
The fair value of lease liabilities was estimated as the present value of all future cash flows discounted using the incremental borrowing rate. The carrying amounts approximate their fair values because the difference between the interest rates of these instruments and the prevailing market rates for similar instruments is not considered significant.

As at June 30, 2021 and December 31, 2020, the Group has no financial instruments carried at fair value. Thus, disclosure on inputs using a three-level fair value hierarchy is not necessary.

	June 30, 2021	
	Carrying Amount	**Fair Value**
Financial Assets at Amortized Cost		
Cash in banks	**P377,615**	**P377,615**
Cash equivalents	**1,342,694**	**1,342,694**
Trade and other receivables - net	**1,044,115**	**1,044,115**
Refundable deposits	**16,235**	**16,549**
	P2,780,659	**P2,780,973**
Other Financial Liabilities		
Trade and other payables	**P775,018**	**P775,018**
Due to related parties	**188,852**	**188,852**
Dividends payable	**100,000**	**100,000**
Lease liabilities	**206,313**	**223,656**
	P1,270,183	**P1,287,526**

	December 31, 2020	
	Carrying Amount	Fair Value
Financial Assets at Amortized Cost		
Cash in banks	P636,115	P636,115
Cash equivalents	1,896,472	1,896,472
Trade and other receivables - net	1,574,625	1,574,625
Refundable deposits	16,504	16,486
	P4,123,716	P4,123,698
Other Financial Liabilities		
Trade and other payables	P1,231,552	P1,231,552
Due to related parties	203,061	203,061
Dividends payable	300,000	300,000
Lease liabilities	201,960	220,158
Loans payable	42,056	42,056
	P1,978,629	P1,996,827

27. Reconciliation Between the Opening and Closing Balances for Liabilities Arising from Financing Activities

Reconciliation of movements of liabilities to cash flows arising from financing activities are as follows:

	June 30, 2021						
	Loan Payable	Accrued Interests	Additional paid-in capital	Dividends Payable	Lease Liabilities	Due to Related Parties	Total
Balances at beginning of the six-month period	**P42,000**	**P2,564**	**P21,421,033**	**P300,000**	**P201,960**	**P200,553**	**P22,168,110**
Changes from Financing Cash Flows							
Payments of:							
Dividends payable	-	-	-	(200,000)	-	-	(200,000)
Share issuance cost	-	-	(46,800)	-	-	-	(46,800)
Loans payable	(42,000)	-	-	-	-	-	(42,000)
Lease liabilities - principal portion	-	-	-	-	(38,041)	-	(38,041)
Due to related parties	-	-	-	-	-	(20,002)	(20,002)
Interest	-	(931)	-	-	(4,631)	-	(5,562)
Advances received from related parties and from a stockholder	-	-	-	-	-	5,427	5,427
Total Changes from Financing Cash Flows	**(42,000)**	**(931)**	**(46,800)**	**(200,000)**	**(42,672)**	**(14,575)**	**(346,978)**
Liability-related Other Changes				-			
Additions from new lease agreements entered during the year	-	-	-	-	42,394	-	42,394
Interest expense	-	931	-	-	4,631	-	5,562
Total liability-related other changes	-	931	-	-	47,025	-	47,956
Balances at end of six-month period	**P -**	**P2,564**	**P21,374,233**	**P100,000**	**P206,313**	**P185,978**	**P21,869,088**

	June 30, 2020						
	Loan Payable	Accrued Interests	Advances from a Stockholder	Dividends Payable	Lease Liabilities	Due to Related Parties	Total
Balances at beginning of year	P729,000	P1,541	P659,500	P150,000	P37,167	P199,614	P1,776,822
Changes from Financing Cash Flows							
Payments of:							
Advances from a stockholder	-	-	(659,500)	-	-	(294)	(659,794)
Loans payable	(351,000)	-	-	-	-	-	(351,000)
Lease liabilities - principal portion	-	-	-	-	(22,144)	-	(22,144)
Interest	(6,361)	(4,276)	(6,119)	-	(3,222)	-	(19,978)
Proceeds from availment of loan payable	97,000	-	-	-	-	-	97,000
Advances received from related parties and from a stockholder	-	-	-	-	-	669	669
Total Changes from Financing Cash Flows	(260,361)	(4,276)	(665,619)	-	(25,366)	375	(955,247)
Liability-related Other Changes							
Additions from new lease agreements entered during the year	-	-	-	-	194,628	-	194,628
Interest expense	6,361	3,523	6,119	-	3,222	-	19,225
Total liability-related other changes	6,361	3,523	6,119	-	197,850	-	213,853
Balances at end of six-month period	P475,000	P788	P -	P150,000	P209,651	P199,989	P1,035,428

28. Impact of Corona Virus Disease 2019 (COVID-2019)

The COVID-19 outbreak has spread across the globe causing disruptions to businesses and economic activities. On January 30, 2020, the World Health Organization announced COVID-19 as a global health emergency and, on March 11, 2020, declared it as a pandemic.

On March 8, 2020, under Proclamation 922, the President of the Philippines (the "President") has declared a state of public health emergency due to the spread of the Corona Virus Disease 2019 (COVID-19) in the country. Subsequently on March 16, 2020, under Proclamation 929, the previously declared state of public health emergency was upgraded into a state of calamity. To manage the spread of the COVID-19, the national government imposes community quarantines to different parts of the country depending on the transmission and case counts. On September 13, 2021, the national government has piloted a new implementation of alert levels system for Covid-19 response in the National Capital Region. As at September 14, 2021, Metro Manila has been placed under General Community Quarantine with Alert Level 4.

Implementation of community quarantine in the Philippines has the following impact, among others:

- Supply chain disruptions;
- Unavailability of personnel;
- Reductions in sales, earnings, or productivity;
- Closures of facilities and stores;
- Delays in planned business expansions;
- Increased volatility in the value of financial instruments; and
- Reduced tourism, disruptions in nonessential travel and sports, cultural and other leisure activities.

The re-imposition of stricter quarantine measures following the rise of COVID-19 cases in the country may continue to impact the financials of the Group in 2021. Several local government units have also issued partial or full liquor bans through the quarantine periods. Certain cities have fully banned the sale, purchase, delivery and consumption of liquor. Other cities have limited their alcohol bans to certain time periods or certain locations. Several food and drinking establishments that serve the Group's products were ordered closed by the LGUs or have ceased operations due to businesses losses, partly attributable to the government-imposed restrictions.

The Group has assessed that although COVID-19 will not have significant effect on its ability to continue as a going concern, it will still have continuing impact on its operations. To mitigate the effects of these government-imposed liquor bans and restrictions, the Group has shifted the focus of its marketing efforts to boost home consumption, alternative channels including eCommerce and digital marketing. Furthermore, one of the groups strengths is having a balanced portfolio of brands.

The extent to which the COVID-19 pandemic will continue to impact the Group will depend on future developments, including the timeliness and effectiveness of actions taken or not taken to contain and mitigate the effects of COVID-19 both in the Philippines and internationally by governments, central banks, healthcare providers, health system participants, other businesses and individuals, which are highly uncertain and cannot be predicted.

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**REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING
WITH THE SECURITIES AND EXCHANGE COMMISSION**

The Stockholders and Board of Directors
The Keepers Holdings, Inc.
(formerly "Da Vinci Capital Holdings, Inc.")
No. 900 Romualdez Street
Paco, Manila

We have reviewed, in accordance with Philippine Standards on Review Engagements (PSRE) 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity,"* the interim consolidated financial statements of The Keepers Holdings, Inc. (formerly "Da Vinci Capital Holdings, Inc.") and Subsidiaries (the "Group") which comprises:

- The consolidated statement of financial position as at June 30, 2021;
- The interim consolidated statements of comprehensive income for the three-month and six-month periods ended June 30, 2021 and 2020;
- The interim consolidated statements of changes in equity for the six-month periods ended June 30, 2021 and 2020;
- The interim consolidated statements of cash flows for the six-month periods ended June 30, 2021 and 2020; and
- Notes to interim consolidated financial statements

and have issued our report thereon dated September 14, 2021.

Our reviews were made for the purpose of forming a conclusion on the basic interim consolidated financial statements of the Group taken as a whole. The Supplementary Schedule of Financial Soundness Indicators, including their definitions, formulas and calculations, is the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies.

This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission and is not a required part of the interim consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's interim consolidated financial statements as described above and no material exceptions were noted (see Annex A).

R.G. MANABAT & CO.

Gregorio I. Sambrano, Jr.

GREGORIO I. SAMBRANO, JR.
Partner
CPA License No. 088825
SEC Accreditation No. 1548-AR-1, Group A, valid until December 17, 2021
Tax Identification No. 152-885-329
BIR Accreditation No. 08-001987-036-2021
Issued June 29, 2021; valid until June 28, 2024
PTR No. MKT 8533918
Issued January 4, 2021 at Makati City

September 14, 2021
Makati City, Metro Manila

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REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

The Stockholders and Board of Directors
The Keepers Holdings, Inc.
(formerly "Da Vinci Capital Holdings, Inc.")
No. 900 Romualdez Street
Paco, Manila

We have reviewed, in accordance with Philippine Standards on Review Engagements (PSRE) 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity,"* the interim consolidated financial statements of The Keepers Holdings, Inc. (formerly "Da Vinci Capital Holdings, Inc.") and Subsidiaries (the "Group") which comprises:

- The consolidated statement of financial position as at June 30, 2021;
- The interim consolidated statements of comprehensive income for the three-month and six-month periods ended June 30, 2021 and 2020;
- The interim consolidated statements of changes in equity for the six-month periods ended June 30, 2021 and 2020;
- The interim consolidated statements of cash flows for the six-month periods ended June 30, 2021 and 2020; and
- Notes to interim consolidated financial statements

and have issued our report thereon dated September 14, 2021.

Our reviews were made for the purpose of forming a conclusion on the basic interim consolidated financial statements of the Group taken as a whole. The supplementary information is the responsibility of the Group's management. Such additional components include:

- Supplementary Schedules of Annex 68-J
- Map of Conglomerate
- Reconciliation of Retained Earnings Available for Dividend declaration of the Parent Company

This supplementary information is presented for purposes of complying with the Revised Securities Regulation Code Rule 68 and is not a required part of the basic interim consolidated financial statements. Such supplementary information has been subjected to the review procedures applied in the review of the basic interim consolidated financial statements and nothing has come to our attention that causes us to believe that the supplementary information is not fairly stated, in all material respects, in relation to the basic interim consolidated financial statements taken as a whole.

R.G. MANABAT & CO.

Gregorio I. Sambrano, Jr.

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Partner
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Makati City, Metro Manila

THE KEEPERS HOLDINGS, INC.
(Formerly DA VINCI CAPITAL HOLDINGS, INC.) AND SUBSIDIARIES
(Amounts in Thousands)

AS AT JUNE 30, 2021

Ratio	**Formula**	**June 30 2021**	December 31 2020 (As restated)
Current ratio	Total Current Assets divided by Total Current Liabilities Total current assets P8,217,679 Divide by: Total current liabilities 1,280,878 6.42	**6.42**	3.97
Acid-test ratio	Quick assets (Total Current Assets less Inventories and Prepaid Expenses and Other Current Assets) divided by Total Current Liabilities Total current assets P8,217,679 Less: Inventories 3,702,283 Prepaid expenses other current assets 1,749,072 Quick assets 2,766,324 Divide by: Total current liabilities 1,280,878 Acid-test ratio 2.16	**2.16**	1.94
Debt-to-equity ratio	Debt-to equity ratio (Total liabilities over total equity) Total liabilities P1,449,912 Divide by: Total equity 7,137,136 0.20	**0.20**	0.35
Asset-to-equity ratio	Asset-to-equity ratio (Total assets over total equity) Total assets P8,587,048 Divide by: Total equity 7,137,136 1.20	**1.20**	1.35

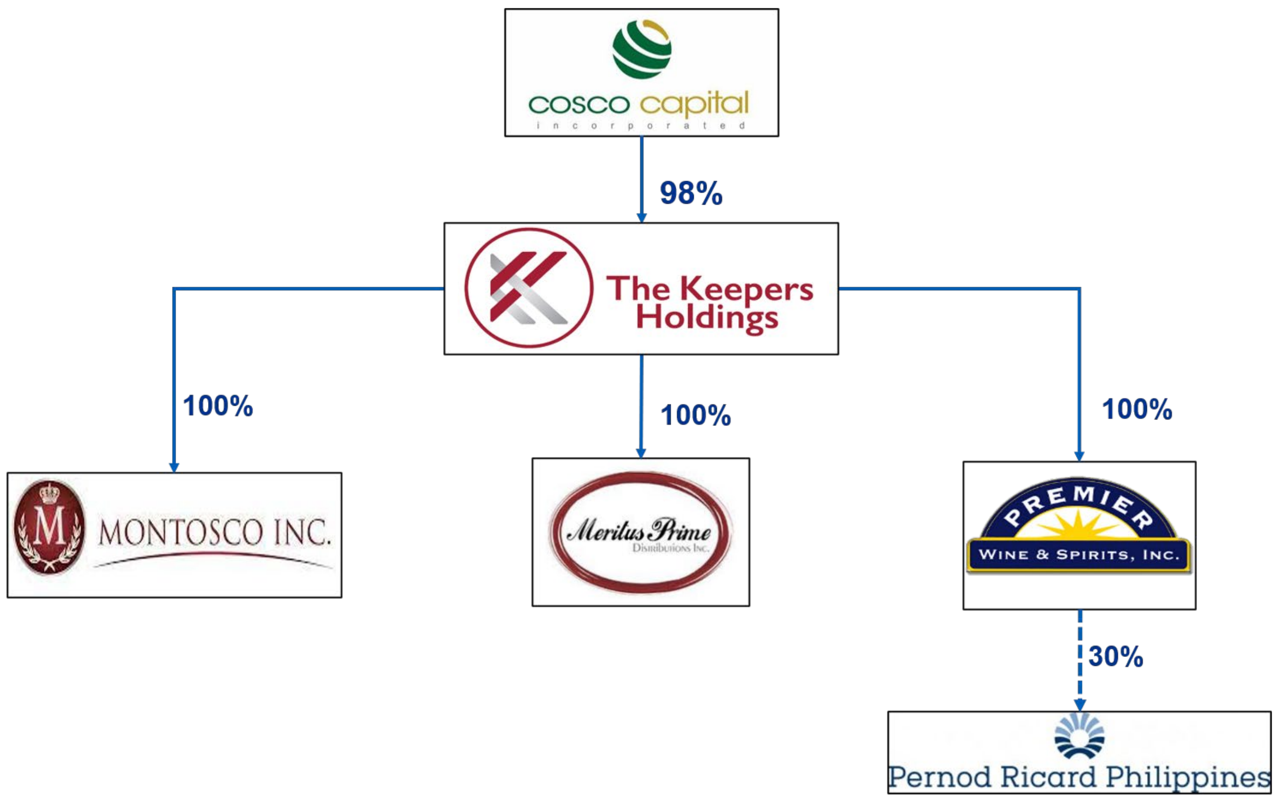
Annex A

Ratio	Formula	Three-month Periods Ended June 30		Six-month Periods Ended June 30	
		2021	2020 (As restated)	2021	2020 (As restated)
Solvency ratio	Solvency ratio (Profit plus depreciation and amortization over total liabilities) Net income P702,813 Add: Depreciation and amortization 36,753 Total 739,566 Divide by: Total liabilities 1,449,912 Solvency ratio 0.51	**0.32**	0.11	**0.51**	0.23
Interest rate coverage ratio	Interest rate coverage ratio (Income from operations before depreciation and amortization over interest expense on loans) Operating profit before depreciation and amortization P870,343 Divide by: Interest expense on loans 931 934.85	**1,298.80**	73.04	**934.85**	36.78
Return on equity	Return on Equity (Net Income by Average Total Equity) Net income P702,813 Divide by: Average total equity 6,808,937 0.10	**0.07**	0.03	**0.10**	0.07
Return on assets	Return on Assets (Net Income by Average Total Assets) Net income P702,813 Divide by: Average total assets 8,675,404 0.08	**0.05**	0.02	**0.08**	0.05

Annex A

Ratio	Formula	Three-month Periods Ended June 30		Six-month Periods Ended June 30	
		2021	2020 (As restated)	2021	2020 (As restated)
Net profit margin	Net profit margin (Profit over net sales) Net income P702,813 Divide by: Net sales 4,299,008 0.16	**0.18**	0.14	**0.16**	0.13

THE KEEPERS HOLDINGS, INC. (Formerly DA VINCI CAPITAL HOLDINGS, INC.) AND SUBSIDIARIES
Map of Group of Companies Within which the Company Belongs
As at June 30, 2021



THE KEEPERS HOLDINGS, INC. (Formerly DA VINCI CAPITAL HOLDINGS, INC.) AND SUBSIDIARIES

SCHEDULE A. FINANCIAL ASSETS

(Amount in Thousands)

Name of Issuing entity and association of each issue (i)	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet (ii)	Valued based on market quotation at balance sheet date (iii)	Income received and accrued
Various banks - Cash and cash equivalents	N/A	P1,722,209	P1,722,209	P10,537*
Various customers - Trade and other receivables - net	N/A	1,044,115	1,044,115	-
Various lessors - Refundable deposits	N/A	16,235	16,235	-

**Pertains to interest income earned, net of final tax*

THE KEEPERS HOLDINGS, INC. (Formerly DA VINCI CAPITAL HOLDINGS, INC.) AND SUBSIDIARIES

SCHEDULE B. AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN AFFILIATES)

Name and Designation of debtor (i)	Balance at beginning of period	Additions	Amounts collected (ii)	Amounts written off (iii)	Current	Not Current	Balance at end of period

NOTHING TO REPORT

THE KEEPERS HOLDINGS, INC. (Formerly DA VINCI CAPITAL HOLDINGS, INC.) AND SUBSIDIARIES

SCHEDULE C. AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

(Amount in Thousands)

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected (i)	Amounts written off (ii)	Current	Not Current	Balance at end of period
The Keepers Holdings, Inc.	P -	P45,454	P -	P -	P45,454	P -	P45,454

THE KEEPERS HOLDINGS, INC. (Formerly DA VINCI CAPITAL HOLDINGS, INC.) AND SUBSIDIARIES

SCHEDULE D. LONG TERM DEBT

Title of Issue and type of obligation (i)	Lender	Outstanding Balance	Amount shown under caption "Current portion of long-term debt" in related balance sheet (ii)	Amount shown under caption "Long-Term Debt" in related balance sheet (iii)	Interest Rates	Number of Periodic Installments	Final Maturity

NOTHING TO REPORT

THE KEEPERS HOLDINGS, INC. (Formerly DA VINCI CAPITAL HOLDINGS, INC.) AND SUBSIDIARIES

SCHEDULE E. INDEBTEDNESS TO RELATED PARTIES (LONG TERM LOANS FROM RELATED PARTIES)

Name of Related Parties (i)	Balance at beginning of period	Balance at end of period (ii)

NOTHING TO REPORT

THE KEEPERS HOLDINGS, INC. (Formerly DA VINCI CAPITAL HOLDINGS, INC.) AND SUBSIDIARIES

SCHEDULE F. GUARANTEES OF SECURITIES OF OTHER ISSUERS

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding (i)	Amount owned by person for which statement is filed	Nature of guarantee (ii)

NOTHING TO REPORT

THE KEEPERS HOLDINGS, INC. (Formerly DA VINCI CAPITAL HOLDINGS, INC.) AND SUBSIDIARIES
SCHEDULE G. CAPITAL STOCK

Title of Issue	Number of Shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of treasury common shares	Number of shares held by affiliates	Directors, officers and employees	Others
Common Shares	20,000,000,000	11,508,750,313	-	11,469,926,768	305	38,823,240

THE KEEPERS HOLDINGS, INC.
(Formerly DA VINCI CAPITAL HOLDINGS, INC.)
No. 900 Romualdez Street, Paco, Manila
RECONCILATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
For the Six-Month Period Ended JUNE 30, 2021
(Amounts in Thousands)

Deficit, December 31, 2020		**(P57,863)**
Adjustments in previous year's reconciliation		**-**
Deficit, as adjusted, December 31, 2020		**(57,863)**
Net Loss for the six-month period ended June 30, 2021	(P4,351)	
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture	-	
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalent)	-	
Unrealized actuarial gain	-	
Fair value adjustment (M2M gains)	-	
Fair value adjustment of Investment Property resulting to gain	-	
Adjustment due to deviation from PFRS/GAAP gain	-	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-	
Sub-total	(4,351)	
Add: Non-actual losses		
Deferred income tax benefit for the year	-	
Depreciation on revaluation increment (after tax)	-	
Unrealized foreign exchange loss - net (except those attributable to Cash and Cash Equivalent)	-	
Adjustment due to deviation from PFRS/GAAP - loss	-	
Loss on fair value adjustment of investment property (after tax)	-	
Sub-total	-	
Net loss actually incurred during the period		**(4,351)**
Add (Less):		
Dividend declarations during the period	-	
Appropriations of Retained Earnings during the period	-	
Reversals of appropriations	-	
Treasury shares	-	
Deficit, as adjusted, June 30, 2021		**(P62,214)**

The Keepers Holdings

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **The Keepers Holdings, Inc.** (formerly "**Da Vinci Capital Holdings, Inc.**") (the "Company") is responsible for the preparation and fair presentation of the interim consolidated financial statements including the schedules attached therein, as at **June 30, 2021 and December 31, 2020** and for the three-month and six-month periods ended **June 30, 2021 and 2020**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the interim consolidated financial statements that are free form material misstatement, whether due to fraud or error.

In preparing the interim consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the interim consolidated financial statements including the schedules attached therein, and submits the same to the stockholders.

R.G. Manabat & Co., the independent auditor appointed by the stockholders, has reviewed the interim consolidated financial statements of the company in accordance with Philippine Standards on Review Engagements 2410, *Review of Interim Financial Information Performed by Independent Auditor of the Entity*, and in its report to the stockholders, has expressed its conclusion on the fairness of presentation upon completion of such review.

LUCIO L. CO
Chairman

JOSE PAULINO L. SANTAMARINA
President

MA. EDITHA D. ALCANTARA
Treasurer

Signed this 14th day of September 2021

SUBSCRIBED AND SWORN to before me this 05 OCT 2021 in the City of Manila, Philippines by the affiants Lucio L. Co (TIN ID No. 108-975-971) Jose Paulino L. Santamarina (Passport No. P7824851A valid until July 5, 2028) and Ma. Editha D. Alcantara (TIN ID No. 171-668-333).

Doc. No. 260
Page No. 53
Book No. LVII
Series of 2021.

ATTY. LEONARDO A. SARMIENTO III
Notary Public for the City of Manila
Notarial Commission No. 2020-049
Until December 31, 2021
517 Lakandula St. Tondo, Manila
Roll of Attorneys No. 55618
PTR No. 9824815/01-05-2021 Mla
IBP No. 094680/11-12-19 (2020) Mla
MCLE No. VI-0022748 / 04-02-19

DA VINCI CAPITAL HOLDINGS, INC., AND SUBSIDIARIES

PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020, 2019 and 2018

With Independent Practitioners’ Assurance Report

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INDEPENDENT PRACTITIONERS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED FINANCIAL INFORMATION INCLUDED IN A PROSPECTUS

The Stockholders and Board of Directors
Da Vinci Capital Holdings, Inc.
No. 900 Romualdez Street
Paco, Manila

We have completed our assurance engagement to report on the compilation of pro forma consolidated financial statements of Da Vinci Capital Holdings, Inc. (the "Parent Company") and subsidiaries (collectively referred to as the "Group") by the Parent Company's management. The pro forma consolidated financial statements consists of the pro forma consolidated statements of financial position as at December 31, 2020, 2019 and 2018, and the pro forma consolidated statements of comprehensive income, pro forma consolidated statements of changes in equity and pro forma consolidated statements of cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information. The applicable criteria on the basis of which management has compiled the pro forma consolidated financial statements are described in Note 2 to pro forma consolidated financial statements.

The pro forma consolidated financial statements have been compiled by the Parent Company's management to illustrate the impact of the transaction set out in Note 3 on the Group's financial position as at December 31, 2020, 2019 and 2018, and the Group's financial performance and cash flows for the years ended December 31, 2020, 2019, and 2018 as if the transaction had taken place on January 1, 2018. As part of this process, information about the Group's financial position, financial performance and cash flows have been extracted by the Parent Company's management from the financial statements of each of the entities in the Group as at and for the years ended December 31, 2020, 2019 and 2018, on which audit reports have been published.

Management's Responsibility for the Pro Forma Consolidated Financial Statements

The Parent Company's management is responsible for compiling the pro forma consolidated financial statements on the basis of the applicable criteria set out in Note 2 to pro forma consolidated financial statements.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our engagement in the Philippines.

The firm applies Philippine Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Practitioners' Responsibilities

Our responsibility is to express an opinion as required by the Revised Securities Regulations Code (SRC) Rule 68, Part II, Section 9, *Pro Forma Financial Information* about whether the pro forma consolidated financial statements has been compiled, in all material respects, by the Parent Company's management on the basis of the applicable criteria set out in Note 2 to pro forma consolidated financial statements.

We conducted our engagement in accordance with Philippine Standard on Assurance Engagements (PSAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the Auditing and Assurance Standards Council. This standard requires that the practitioners plan and perform procedures to obtain reasonable assurance about whether the Parent Company's management has compiled, in all material respects, the pro forma consolidated financial statements on the basis of the applicable criteria set out in Note 2 to pro forma consolidated financial statements.

For purposes of this engagement, we are not responsible for updating or re-issuing any reports or opinions on any historical financial information used in compiling the pro forma consolidated financial statements, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma consolidated financial statements.

The purpose of pro forma consolidated financial statements included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial statements of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at January 1, 2018 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma consolidated financial statements have been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Group's management in the compilation of the pro forma consolidated financial statements provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and

- the pro forma consolidated financial statements reflect the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the practitioners' judgment, having regard to the practitioners' understanding of the nature of the Group, the event or transaction in respect of which the pro forma consolidated financial statements have been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma consolidated financial statements.

We believe that the evidence that we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the pro forma consolidated financial statements have been compiled, in all material respects, on the basis of the applicable criteria set out in Note 2 to pro forma consolidated financial statements.

R.G. MANABAT & CO.

Gregorio I. Sambrano, Jr.
GREGORIO I. SAMBRANO, JR.
Partner
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Issued January 4, 2021 at Makati City

July 9, 2021
Makati City, Metro Manila

DA VINCI CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in Thousands)

		December 31		
	Note	**2020**	2019	2018
ASSETS				
Current Assets				
Cash and cash equivalents	*6, 26*	**P2,534,103**	P442,073	P265,703
Trade and other receivables - net	*7, 26*	**1,574,625**	2,322,080	1,899,736
Inventories	*8*	**3,659,336**	4,744,683	3,668,473
Prepaid expenses and other current assets	*9*	**639,010**	1,041,123	1,465,692
Total Current Assets		**8,407,074**	8,549,959	7,299,604
Noncurrent Assets				
Right-of-use assets - net	*21*	**185,853**	34,046	40,631
Property and equipment - net	*10*	**32,213**	16,878	18,839
Deferred income tax assets - net	*23*	**4,762**	4,561	4,796
Investment in an associate - net	*11*	**93,361**	118,194	-
Other noncurrent assets	*12, 26*	**40,497**	32,111	29,624
Total Noncurrent Assets		**356,686**	205,790	93,890
		P8,763,760	P8,755,749	P7,393,494
LIABILITIES AND EQUITY				
Current Liabilities				
Trade and other payables	*13, 26*	**P1,325,766**	P1,295,833	P839,254
Due to related parties	*16, 26*	**200,553**	199,614	303,307
Income tax payable		**185,438**	155,759	102,509
Notes payable	*14, 26*	**-**	120,000	353,000
Loans payable	*15, 26*	**42,000**	609,000	357,000
Dividends payable	*16, 26*	**300,000**	150,000	375,000
Lease liabilities - current	*21, 26*	**52,553**	22,770	24,474
Provision	*0*	**11,975**	13,901	13,901
Total Current Liabilities		**2,118,285**	2,566,877	2,368,445
Noncurrent Liabilities				
Lease liabilities - net of current portion	*21, 26*	**149,407**	14,397	20,242
Retirement benefits liability	*22*	**15,330**	12,304	8,440
Advances from a stockholder	*16, 26*	**-**	659,500	659,500
Total Noncurrent Liabilities		**164,737**	686,201	688,182
Total Liabilities		**2,283,022**	3,253,078	3,056,627
Equity				
Capital stock	*3, 17*	**1,150,875**	1,150,875	1,150,875
Additional paid-in capital	*3, 17*	**21,421,033**	21,421,033	21,421,033
Retained earnings	*17*	**4,752,639**	3,773,883	2,606,155
Equity adjustments from common control transactions	*3b*	**(20,848,500)**	(20,848,500)	(20,848,500)
Accumulated remeasurements on retirement benefits	*22*	**4,691**	5,380	7,304
Total Equity		**6,480,738**	5,502,671	4,336,867
		P8,763,760	P8,755,749	P7,393,494

See Notes to Pro Forma Consolidated Financial Statements.

DA VINCI CAPITAL HOLDINGS, INC. AND SUBSIDIARIES
PRO FORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in Thousands, Except Per Share Data)

			Years Ended December 31	
	Note	**2020**	2019	2018
NET SALES	*16*	**P8,167,404**	P10,717,397	P8,583,701
COST OF GOODS SOLD	*18*	**5,931,960**	8,258,904	6,753,658
GROSS PROFIT		**2,235,444**	2,458,493	1,830,043
OPERATING EXPENSES	*19*	**609,489**	773,771	777,999
INCOME FROM OPERATIONS		**1,625,955**	1,684,722	1,052,044
SHARE IN NET LOSSES OF AN ASSOCIATE	*11*	**(24,833)**	(8,763)	-
OTHER INCOME (CHARGES) - Net	*20*	**(30,716)**	(39,450)	51,183
INCOME BEFORE INCOME TAX		**1,570,406**	1,636,509	1,103,227
PROVISION FOR INCOME TAX	*23*	**391,650**	418,781	285,772
NET INCOME		**1,178,756**	1,217,728	817,455
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will never be reclassified to profit or loss in subsequent periods				
Remeasurement gain (loss) on retirement benefits	*22*	**(841)**	(2,352)	10,566
Deferred income tax	*23*	**152**	428	(2,990)
		(689)	(1,924)	7,576
TOTAL COMPREHENSIVE INCOME		**P1,178,067**	P1,215,804	P825,031
BASIC AND DILUTED EARNINGS PER SHARE	*25*	**P0.10**	P0.11	P0.07

See Notes to Pro Forma Consolidated Financial Statements.

DA VINCI CAPITAL HOLDINGS, INC. AND SUBSIDIARIES
PRO FORMA CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands)

		Years Ended December 31		
	Note	**2020**	2019	2018
CAPITAL STOCK				
Balance at beginning of year	*17*	**P1,150,875**	P1,150,875	P1,675,875
Share swap transaction	*3a, 3b*	**-**	-	(525,000)
Balance at end of the year		**1,150,875**	1,150,875	1,150,875
ADDITIONAL PAID-IN CAPITAL				
Balance at beginning of year	*17*	**21,421,033**	21,421,033	47,533
Share swap transaction	*3a, 3b*	**-**	-	21,373,500
Balance at end of the year		**21,421,033**	21,421,033	21,421,033
ACCUMULATED REMEASUREMENTS ON RETIREMENT BENEFITS	*22*			
Balance at beginning of year		**5,380**	7,304	(272)
Remeasurement gain (loss) on retirement benefits during the year		**(689)**	(1,924)	7,576
Balance at end of the year		**4,691**	5,380	7,304
RETAINED EARNINGS	*17*			
Balance at beginning of year		**3,773,883**	2,606,155	1,913,700
Net income for the year		**1,178,756**	1,217,728	817,455
Declaration of cash dividends		**(200,000)**	(50,000)	(125,000)
Balance at end of the year		**4,752,639**	3,773,883	2,606,155
EQUITY ADJUSTMENTS FROM COMMON CONTROL TRANSACTIONS				
Balance at beginning of year		**(20,848,500)**	(20,848,500)	-
Share swap transaction	*3b*	**-**	-	(20,848,500)
Balance at end of the year		**(20,848,500)**	(20,848,500)	(20,848,500)
TOTAL EQUITY AT BEGINNING OF YEAR		**P5,502,671**	P4,336,867	P3,636,836
TOTAL EQUITY AT END OF YEAR		**P6,480,738**	P5,502,671	P4,336,867

See Notes to Pro Forma Consolidated Financial Statements.

DA VINCI CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

PRO FORMA CONSOLIDATED STATEMENTS OF CASH FLOWS

(in Thousands)

		Years Ended December 31		
	Note	**2020**	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**P1,570,406**	P1,636,509	P1,103,227
Adjustments for:				
Depreciation and amortization	*10, 19, 21*	**63,852**	33,055	30,061
Interest expense	*14, 15, 16, 20, 21*	**31,392**	74,461	36,207
Share in net losses of an associate	*11*	**24,833**	8,763	-
Interest income	*6, 20*	**(21,926)**	(4,781)	(4,515)
Unrealized foreign exchange loss (gain) - net		**16,613**	(1,061)	7,543
Retirement benefits cost	*22*	**2,185**	1,644	1,851
Provision for probable losses	*0*	**-**	-	8,153
Operating income before working capital changes		**1,687,355**	1,748,590	1,182,527
Decrease (increase) in:				
Trade and other receivables		**747,568**	(422,344)	251,277
Inventories		**1,085,347**	(1,076,210)	(1,086,552)
Prepaid expenses and other current assets		**402,114**	424,569	(729,036)
Increase in trade and other payables		**12,187**	464,373	307,657
Cash generated from (used in) operations		**3,934,571**	1,138,978	(74,127)
Income taxes paid		**(363,946)**	(364,868)	(275,942)
Interest received	*6, 20*	**21,926**	4,781	4,515
Retirement benefits paid	*22*	**-**	(132)	(120)
Net cash from (used in) operating activities		**3,592,551**	778,759	(345,674)
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property and equipment	*10*	**(25,705)**	(5,284)	(14,104)
Increase in other noncurrent assets	*12*	**(8,386)**	(2,488)	(705)
Acquisition of shares of stock	*11*	**-**	(126,957)	-
Cash used in investing activities		**(34,091)**	(134,729)	(14,809)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of:				
Loans payable	*15, 28*	**(664,000)**	(268,000)	(230,000)
Advances from a stockholder	*16, 28*	**(659,652)**	(104,848)	(254,000)
Notes payable	*14, 28*	**(120,000)**	(353,000)	(700,000)
Dividends	*17, 28*	**(50,000)**	(275,000)	-
Lease liabilities	*21, 28*	**(47,853)**	(28,892)	(25,334)
Interest	*28*	**(23,013)**	(79,039)	(27,362)
Proceeds from availment of:				
Loans payable	*15, 28*	**97,000**	520,000	437,000
Notes payable	*14, 28*	**-**	120,000	353,000
Advances received from related parties	*16, 28*	**1,091**	1,155	660,368
Net cash from (used in) financing activities	*28*	**(1,466,427)**	(467,624)	213,672

Forward

		Years Ended December 31		
	Note	**2020**	2019	2018
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(P3)**	(P36)	P7
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**2,092,030**	176,370	(146,804)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**442,073**	265,703	412,507
CASH AND CASH EQUIVALENTS AT END OF YEAR	*6*	**P2,534,103**	P442,073	P265,703

See Notes to Pro Forma Consolidated Financial Statements.

NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Thousands, Except Per Share Data and Number of Shares)

1. Reporting Entity

Da Vinci Capital Holdings, Inc. (the "Parent Company" or "DVCHI") was incorporated and registered with the Philippine Securities and Exchange Commission ("SEC") on November 5, 1963, and its shares are listed in the Philippine Stock Exchange ("PSE") on September 3, 1991. On April 26, 2013, the SEC approved the amendments to certain sections of the Parent Company's Articles of Incorporation which include the extension of its corporate life for another 50 years from November 5, 2013 to November 5, 2063. The principal activities of the Parent Company are to purchase, subscribe for or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, exchange or otherwise dispose of real and personal property of every kind and description, including shares of stocks, bonds, debentures, notes, evidences of indebtedness and other securities, contracts or obligations of any corporation or corporations, association or associations, domestic or foreign, engage in, but not limited to, the business of real estate, manufacturing, trading and agribusiness, and to pay, in whole or in part, in cash or by exchanging therefor, stocks, bonds and other evidences of indebtedness or securities of this or any other corporation, and while the owner or holder of any such real or personal property, stocks, bonds, debentures, notes, evidences of indebtedness or other securities, contracts or obligations, to receive, collect and dispose of the interest, dividends and income arising from such property and to possess and exercise in respect therefor all the rights, powers and privileges of ownership, including all voting powers on any stock so owned, without however engaging in dealership in securities or in stock brokerage business, to the extent permitted by law, to aid, either by loans or by guaranty of securities or in any other manner, any corporation, domestic, or foreign, any share of stock, or any bond, debenture, evidence of indebtedness or other security whereof are held by this corporation or in which it shall have interest, and to do any act designed to protect, preserve, improve or enhance the value of any property at any time held or controlled by this corporation or in which it at that time may be interested.

DVCHI is 85% owned by Invescap Incorporated ("Invescap"), its parent company that is incorporated in the Philippines. The remaining 14.48% and 0.52% are owned by other domestic corporations and by Filipino individuals, respectively.

The Board of Directors ("BOD") and Stockholders, representing at least two-thirds (2/3) of the outstanding capital stock of DVCHI, approved the amendments to certain sections of DVCHI's Articles of Incorporation on October 26, 2020 and November 20, 2020, respectively, which include the following:

i. Change in the name of DVCHI to "The Keepers Holdings, Inc.";
ii. Change in the primary and secondary purpose of the DVCHI;
iii. Change of corporate term of DVCHI to perpetual existence;
iv. Change in the par value of common shares to P0.10 per share and the reclassification of authorized preferred shares to common shares; and
v. Increase in authorized capital stock to P2,000,000 or 20,000,000,000 common shares.

On February 19, 2021, the BOD approved the issuance of common shares of DVCHI, which will be created and issued out of an increase in its authorized capital stock, in exchange for Cosco Capital, Inc.'s (Cosco) investments in Montosco, Inc. (MI), Meritus Prime Distributions, Inc. (MPDI) and Premier Wine and Spirits, Inc. (PWSI) (collectively referred to as "Subsidiaries" or "Acquired Companies"), under a Share Swap Arrangement. Details of the Share Swap Arrangement are discussed below.

The stockholders of DVCHI approved the foregoing corporate actions in its annual stockholders meeting on May 28, 2021. On June 30, 2021, the foregoing corporate actions were approved by the SEC.

DVCHI's registered office address is located at No. 900 Romualdez Street, Paco, Manila.

<u>Pro Forma Information</u>
These pro forma consolidated financial statements are presented in the context of the contemplated public offering of common shares by DVCHI following the internal restructuring of Cosco to consolidate its liquor distribution businesses under DVCHI. The corporate reorganization is intended to unlock strategic values of the three liquor companies through a pure liquor and wine distribution listed company in the capital market which will be the platform to further grow and expand the business.

To implement such consolidation, the Parent Company will issue 11,250,000,000 common shares with a par value of P0.10 at P2.00 per share in exchange for Cosco's investments in MI, MPDI and PWSI, under a Share Swap Transaction as follows:

- 9,488,444,240 common shares of DVCHI will be swapped with 7,500,000 common shares of Cosco in MI;

- 907,885,074 common shares of DVCHI will be swapped with 7,500,000 common shares of Cosco in MPDI; and,

- 853,670,686 common shares of DVCHI will be swapped with 1,500,000 common shares of Cosco in PWSI.

<u>Businesses to be Acquired</u>
MI
MI was incorporated and registered with the Philippine SEC on August 13, 2008. The principal activity of MI is to engage in the business of trading consumer goods on a wholesale basis.

MPDI
MPDI was incorporated and registered with the Philippine SEC on February 17, 2010 to engage primarily in buying, selling, importing, exporting, manufacturing, repackaging, preparing, bottling, and distribution on wholesale of all kinds of wines, spirits, liquors, beers, and other alcoholic and non-alcoholic beverages and drinks.

PWSI
PWSI was incorporated and registered with the Philippine SEC on June 19, 1996. PWSI's primary purpose is to engage in the business of buying, selling, distribution and marketing on a wholesale basis, any and all kinds of beverages, spirits and liquors and to deal in any materials, articles or things required in connection with or incidental to the importation, exportation, manufacturing, marketing or distribution of such products.

DVCHI is the parent company of the Group. Cosco is the ultimate parent company of the Group.

2. Basis of Preparation

The pro forma consolidated financial statements have been prepared in compliance with the Revised Securities Regulation Code (SRC) Rule 68, Part II, Section 9, *Pro Forma Financial Information.*

The pro forma consolidated financial statements were prepared solely for the inclusion in the prospectus prepared by DVCHI in connection with its planned follow-on offering of common shares following the internal restructuring of Cosco to consolidate its liquor business under DVCHI and for no other purpose. The pro forma consolidated financial statements should be read in conjunction with the individual audited financial statements of DVCHI, MI, MPDI and PWSI as at and for the years ended December 31, 2020, 2019 and 2018.

The pro forma consolidated financial statements as at and for the years ended December 31, 2020, 2019 and 2018 have been prepared to show what the significant effects on the historical financial information might have been had the acquisition by DVCHI of MI, MPDI and PWSI, described below, occurred on January 1, 2018. However, the pro forma consolidated financial statements is not necessarily indicative of the results of operations or related effects on the consolidated financial statements that would have been attained, had the transaction below actually occurred at an earlier date. The pro forma consolidated financial statements is not intended to be considered in isolation from, or as a substitute for, the financial position or results of operations prepared in accordance with Philippine Financial Reporting Standards (PFRS).

Principles of Pro Forma Consolidation
The pro forma consolidated financial statements are based on the historical financial information as shown in the individual audited financial statements of DVCHI, MI, MPDI, and PWSI as at and for the years ended December 31, 2020, 2019, and 2018, after giving effect to the assumptions and adjustments described in Note 3. DVCHI, MI, MPDI and PWSI had no material transactions and balances with each other and has applied the same accounting policies for like transactions and events in similar circumstances in their individual audited financial statements. Accordingly, the accounting policies applied in these pro forma consolidated financial statements are the same as those applied in the audited financial statements of DVCHI, MI, MPDI and PWSI, except for the pro forma adjustments included in these pro forma consolidated financial statements.

The individual audited financial statements of DVCHI, MI, MPDI and PWSI have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). PFRS which are issued by the Philippine Financial Reporting Standards Council (FRSC), consist of PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations based on the International Financial Reporting Interpretations Committee (IFRIC) interpretations.

DVCHI will acquire the entities listed below through a share swap arrangement with Cosco. DVCHI will account for the transaction as a business combination involving entities under common control using the pooling of interest method as a policy choice as they are all under the common control of Mr. Lucio Co before and after the acquisition. Shares involved common shares.

	Percentage of Ownership of Cosco before the Share Swap	**DVCHI's Interest after the Share Swap**
Montosco Inc.	**100%**	**100%**
Meritus Prime Distributions, Inc.	**100%**	**100%**
Premier Wine and Spirits, Inc.	**100%**	**100%**

Basis of Measurement

The individual audited financial statements of DVCHI, MI, MPDI and PWSI have been prepared on a historical cost basis of accounting except for retirement benefits liability which is measured at the present value of the defined benefits obligation.

Functional and Presentation Currency

The individual audited financial statements of DVCHI, MI, MPDI and PWSI are measured using the currency of the primary economic environment in which the Group operates. The financial information are presented in Philippine peso, which is also the Group's functional currency. All amounts are rounded to the nearest thousands, except par values, per share data, number of shares and when otherwise indicated.

Authorization for Issuance of the Pro Forma Consolidated Financial Statements

The accompanying pro forma consolidated financial statements of the Group as at and for the years ended December 31, 2020, 2019 and 2018 were approved and authorized for issue by the DVCHI's Board of Directors (BOD) on July 9, 2021.

Accounting Policies for Consolidated Financial Statements under PFRS

The following are the additional accounting policies under PFRS to be included for consolidated financial statements:

Consolidation

The pro forma consolidated financial statements incorporate the financial amounts of the Parent Company and its subsidiaries. Subsidiaries are entities over which the Parent Company has control. The Parent Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date that control commences until the date that control ceases. All intra-group transactions, balances, income and expenses are eliminated upon consolidation. Unrealized losses on intragroup transactions are eliminated, unless the transaction provides evidence of an impairment of the assets transferred.

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

When the Group has less than a majority of the voting or similar rights of an investee, the Group 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.

Accounting under Pooling-of-interest Method
In accounting for business combinations above, the pro forma consolidated financial statements reflect the following:

- The consolidated assets and liabilities of DVCHI are recognized and measured at carrying amounts and the assets and liabilities of the Acquired Companies are recognized and measured at the carrying amounts as presented in their individual audited financial statements prior to acquisition. Investment in an associate is recognized and measured at the carrying amount presented in the audited financial statements of PWSI.
- The equity will solely reflect the equity transactions of DVCHI.
- No new goodwill is recognized as a result of the business combination. The only goodwill that is recognized is any existing goodwill relating to either of the Parent Company and Acquired Companies. Any difference between the consideration paid or transferred and the equity acquired is recognized as "Equity adjustments from common control transactions" in the pro forma consolidated statements of financial position at the beginning of each of the periods presented.
- The pro forma consolidated statements of comprehensive income reflect the results of the Group for the full year, irrespective of when the combination took place. Comparatives are presented as if the entities had been acquired for the period that the entities were under common control.

Basic and Diluted Earnings Per Share (EPS)
Basic EPS is computed by dividing net income by the weighted average number of common shares outstanding during the period, after retroactive adjustment for stock dividend declared in the current period, if any. Diluted EPS is also computed in the same manner as the aforementioned, except that, the net income and the number of common shares outstanding is adjusted for the effects of all potential dilutive debt or equity instruments.

Segment Reporting
An operating segment is a component of an entity 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 same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Group determines and presents operating segments based on the information that is internally provided to the Chairman and President, collectively as the Group's chief operating decision maker. The Group assessed that its liquor business as a whole represents a single segment.

3. Summary of Pro Forma and Eliminating Adjustments and Historical Financial Statements

Pro Forma Financial Statements

The following tables show the effect of the pro forma and eliminating adjustments to the Parent Company and its transferred subsidiaries' historical statements of financial position as at December 31, 2020, 2019 and 2018.

	December 31, 2020					
	Historical Statements of Financial Position				Pro Forma Adjustments (Notes 3a and 3b)	Pro Forma Consolidated Balances
	DVCHI (Registrant)	MI	MPDI	PWSI		
ASSETS						
Current Assets						
Cash and cash equivalents	**P -**	**P2,177,069**	**P48,672**	**P308,362**	**P -**	**P2,534,103**
Trade and other receivables	**-**	**1,016,343**	**247,081**	**311,201**	**-**	**1,574,625**
Inventories	**-**	**1,931,696**	**1,053,905**	**673,735**	**-**	**3,659,336**
Prepaid expenses and other current assets	**-**	**541,689**	**67,473**	**29,848**	**-**	**639,010**
Total Current Assets	**-**	**5,666,797**	**1,417,131**	**1,323,146**	**-**	**8,407,074**
Noncurrent Assets						
Right-of-use assets - net	**-**	**100,135**	**-**	**85,718**	**-**	**185,853**
Property and equipment - net	**-**	**19,065**	**495**	**12,653**	**-**	**32,213**
Deferred income tax assets - net	**-**	**-**	**208**	**4,554**	**-**	**4,762**
Investment in an associate - net	**-**	**-**	**-**	**93,361**	**-**	**93,361**
Other noncurrent assets	**23,993**	**9,808**	**903**	**5,793**	**-**	**40,497**
Total Noncurrent Assets	**23,993**	**129,008**	**1,606**	**202,079**	**-**	**356,686**
	P23,993	**P5,795,805**	**P1,418,737**	**P1,525,225**	**P -**	**P8,763,760**

Forward

	December 31, 2020					
	Historical Statements of Financial Position				Pro Forma Adjustments (Notes 3a and 3b)	Pro Forma Consolidated Balances
	DVCHI (Registrant)	MI	MPDI	PWSI		
LIABILITIES AND EQUITY						
Current Liabilities						
Trade and other payables	P2,095	P1,063,297	P147,473	P112,901	P -	P1,325,766
Due to related parties	7,853	-	-	192,700	-	200,553
Loans payable	-	-	42,000	-	-	42,000
Dividends payable	-	200,000	-	100,000	-	300,000
Income tax payable	-	152,686	17,354	15,398	-	185,438
Lease liabilities - current	-	23,521	-	29,032	-	52,553
Provisions	-	-	-	11,975	-	11,975
Total Current Liabilities	9,948	1,439,504	206,827	462,006	-	2,118,285
Noncurrent Liabilities						
Lease liabilities - net of current portion	-	80,724	-	68,683	-	149,407
Retirement benefits liability	-	3,072	694	11,564	-	15,330
Total Noncurrent Liabilities	-	83,796	694	80,247	-	164,737
Total Liabilities	9,948	1,523,300	207,521	542,253	-	2,283,022
Equity						
Capital stock	25,875	750,000	750,000	150,000	(525,000)	1,150,875
Additional paid-in capital	46,033	-	-	1,500	21,373,500	21,421,033
Retained earnings (deficit)	(57,863)	3,523,204	460,252	827,046	-	4,752,639
Equity adjustments from common control transactions	-	-	-	-	(20,848,500)	(20,848,500)
Accumulated remeasurements on retirement benefits	-	(699)	964	4,426	-	4,691
Total Equity	14,045	4,272,505	1,211,216	982,972	-	6,480,738
	P23,993	P5,795,805	P1,418,737	P1,525,225	P -	P8,763,760

	December 31, 2019					
	Historical Statements of Financial Position				Pro Forma Adjustments (Notes 3a and 3b)	Pro Forma Consolidated Balances
	DVCHI (Registrant)	MI	MPDI	PWSI		
ASSETS						
Current Assets						
Cash and cash equivalents	P -	P167,845	P44,277	P229,951	P -	P442,073
Trade and other receivables	-	1,444,904	379,028	498,148	-	2,322,080
Inventories	-	3,427,766	717,190	599,727	-	4,744,683
Prepaid expenses and other current assets	-	445,283	348,493	247,347	-	1,041,123
Total Current Assets	-	5,485,798	1,488,988	1,575,173	-	8,549,959
Noncurrent Assets						
Right-of-use assets - net	-	26,736	2,459	4,851	-	34,046
Property and equipment - net	-	9,412	925	6,541	-	16,878
Deferred income tax assets - net	-	-	856	3,705	-	4,561
Investment in an associate - net	-	-	-	118,194	-	118,194
Other noncurrent assets	23,898	4,128	882	3,203	-	32,111
Total Noncurrent Assets	23,898	40,276	5,122	136,494	-	205,790
	P23,898	P5,526,074	P1,494,110	P1,711,667	P -	P8,755,749
LIABILITIES AND EQUITY						
Current Liabilities						
Trade and other payables	P2,002	P1,124,965	P33,793	P135,073	P -	P1,295,833
Due to related parties	6,762	-	-	192,852	-	199,614
Notes payable	-	120,000	-	-	-	120,000
Loans payable	-	-	296,000	313,000	-	609,000
Dividends payable	-	50,000	-	100,000	-	150,000
Income tax payable	-	139,332	16,214	213	-	155,759
Lease liabilities - current	-	14,431	2,914	5,425	-	22,770
Provisions	-	-	-	13,901	-	13,901
Total Current Liabilities	8,764	1,448,728	348,921	760,464	-	2,566,877

Forward

	December 31, 2019					
	Historical Statements of Financial Position				Pro Forma Adjustments (Notes 3a and 3b)	Pro Forma Consolidated Balances
	DVCHI (Registrant)	MI	MPDI	PWSI		
Noncurrent Liabilities						
Lease liabilities - net of current portion	P -	P13,129	P -	P1,268	P -	P14,397
Retirement benefits liability	-	2,341	760	9,203	-	12,304
Advances from a stockholder	-	659,500	-	-	-	659,500
Total Noncurrent Liabilities	-	674,970	760	10,471	-	686,201
Total Liabilities	8,764	2,123,698	349,681	770,935	-	3,253,078
Equity						
Capital stock	25,875	750,000	750,000	150,000	(525,000)	1,150,875
Additional paid-in capital	46,033	-	-	1,500	21,373,500	21,421,033
Retained earnings (deficit)	(56,774)	2,652,741	393,605	784,311	-	3,773,883
Equity adjustments from common control transactions	-	-	-	-	(20,848,500)	(20,848,500)
Accumulated remeasurements on retirement benefits	-	(365)	824	4,921	-	5,380
Total Equity	15,134	3,402,376	1,144,429	940,732	-	5,502,671
	P23,898	P5,526,074	P1,494,110	P1,711,667	P -	P8,755,749

	December 31, 2018					
	Historical Statements of Financial Position				Pro Forma Adjustments (Notes 3a and 3b)	Pro Forma Consolidated Balances
	DVCHI (Registrant)	MI	MPDI	PWSI		
ASSETS						
Current Assets						
Cash and cash equivalents	P -	P82,602	P52,180	P130,921	P -	P265,703
Trade and other receivables	-	848,714	254,267	796,755	-	1,899,736
Inventories	-	2,541,957	561,596	564,920	-	3,668,473
Prepaid expenses and other current assets	-	740,299	350,652	374,741	-	1,465,692
Total Current Assets	-	4,213,572	1,218,695	1,867,337	-	7,299,604
Noncurrent Assets						
Right-of-use assets - net	-	20,668	5,337	14,626	-	40,631
Property and equipment - net	-	9,170	1,896	7,773	-	18,839
Deferred income tax assets - net	-	-	876	3,920	-	4,796
Other noncurrent assets	23,796	2,146	874	2,808	-	29,624
Total Noncurrent Assets	23,796	31,984	8,983	29,127	-	93,890
	P23,796	P4,245,556	P1,227,678	P1,896,464	P -	P7,393,494
LIABILITIES AND EQUITY						
Current Liabilities						
Trade and other payables	P2,007	P582,285	P51,565	P203,397	P -	P839,254
Due to related parties	5,607	-	-	297,700	-	303,307
Notes payable	-	353,000	-	-	-	353,000
Loans payable	-	-	-	357,000	-	357,000
Dividends payable	-	200,000	75,000	100,000	-	375,000
Income tax payable	-	84,864	12,018	5,627		102,509
Lease liabilities - current	-	10,545	3,096	10,833	-	24,474
Provisions	-	-	-	13,901	-	13,901
Total Current Liabilities	7,614	1,230,694	141,679	988,458	-	2,368,445

Forward

	December 31, 2018					
	Historical Statements of Financial Position				Pro Forma Adjustments (Notes 3a and 3b)	Pro Forma Consolidated Balances
	DVCHI (Registrant)	MI	MPDI	PWSI		
Noncurrent Liabilities						
Lease liabilities - net of current portion	P -	P10,635	P2,914	P6,693	P -	P20,242
Retirement benefits liability	-	1,113	765	6,562	-	8,440
Advances from a stockholder	-	659,500	-	-	-	659,500
Total Noncurrent Liabilities	-	671,248	3,679	13,255	-	688,182
Total Liabilities	7,614	1,901,942	145,358	1,001,713	-	3,056,627
Equity						
Capital stock	25,875	750,000	750,000	150,000	(525,000)	1,150,875
Additional paid-in capital	46,033	-	-	1,500	21,373,500	21,421,033
Retained earnings (deficit)	(55,726)	1,593,054	331,554	737,273	-	2,606,155
Equity adjustments from common control transactions	-	-	-	-	(20,848,500)	(20,848,500)
Accumulated remeasurements on retirement benefits	-	560	766	5,978	-	7,304
Total Equity	16,182	2,343,614	1,082,320	894,751	-	4,336,867
	P23,796	P4,245,556	P1,227,678	P1,896,464	P -	P7,393,494

The following tables show the effect of the pro forma and eliminating adjustments to the Parent Company and its transferred subsidiaries' historical statements of changes in equity as at December 31, 2020, 2019 and 2018.

	December 31, 2020					
	Historical Statements of Changes in Equity				Pro Forma Adjustments (Notes 3a and 3b)	Pro Forma Consolidated Balances
	DVCHI (Registrant)	MI	MPDI	PWSI		
CAPITAL STOCK AT BEGINNING AND END OF YEAR	**P25,875**	**P750,000**	**P750,000**	**P150,000**	**(P525,000)**	**P1,150,875**
ADDITIONAL PAID-IN CAPITAL AT BEGINNING AND END OF YEAR	**46,033**	**-**	**-**	**1,500**	**21,373,500**	**21,421,033**
ACCUMULATED REMEASUREMENTS ON RETIREMENT BENEFITS						
Balance at beginning of year	-	(365)	824	4,921	-	5,380
Remeasurement gain (loss) on retirement benefits during the year	-	(334)	140	(495)	-	(689)
Balance at end of the year	-	(699)	964	4,426	-	4,691
RETAINED EARNINGS (DEFICIT)						
Balance at beginning of year	(56,774)	2,652,740	393,605	784,312	-	3,773,883
Net income (loss) for the year	(1,089)	1,070,463	66,647	42,735	-	1,178,756
Declaration of cash dividends	-	(200,000)	-	-	-	(200,000)
Balance at end of the year	(57,863)	3,523,203	460,252	827,047	-	4,752,639
EQUITY ADJUSTMENTS FROM COMMON CONTROL TRANSACTIONS AT BEGINNING AND END OF YEAR	-	-	-	-	(20,848,500)	(20,848,500)
TOTAL EQUITY AT BEGINNING OF YEAR	**P15,134**	**P3,402,375**	**P1,144,429**	**P940,733**	**P -**	**P5,502,671**
TOTAL EQUITY AT END OF YEAR	**P14,045**	**P4,272,504**	**P1,211,216**	**P982,973**	**P -**	**P6,480,738**

	December 31, 2019					
	Historical Statements of Changes in Equity				Pro Forma Adjustments (Notes 3a and 3b)	Pro Forma Consolidated Balances
	DVCHI (Registrant)	MI	MPDI	PWSI		
CAPITAL STOCK AT BEGINNING AND END OF YEAR	P25,875	P750,000	P750,000	P150,000	(P525,000)	P1,150,875
ADDITIONAL PAID-IN CAPITAL AT BEGINNING AND END OF YEAR	46,033	-	-	1,500	21,373,500	21,421,033
ACCUMULATED REMEASUREMENTS ON RETIREMENT BENEFITS						
Balance at beginning of year	-	560	766	5,978	-	7,304
Remeasurement gain (loss) on retirement benefits during the year	-	(925)	58	(1,057)	-	(1,924)
Balance at end of the year	-	(365)	824	4,921	-	5,380
RETAINED EARNINGS (DEFICIT)						
Balance at beginning of year	(55,726)	1,593,054	331,554	737,273	-	2,606,155
Net income (loss) for the year	(1,048)	1,109,686	62,051	47,039	-	1,217,728
Declaration of cash dividends	-	(50,000)	-	-	-	(50,000)
Balance at end of the year	(56,774)	2,652,740	393,605	784,312	-	3,773,883
EQUITY ADJUSTMENTS FROM COMMON CONTROL TRANSACTIONS AT BEGINNING AND END OF YEAR	-	-	-	-	(20,848,500)	(20,848,500)
TOTAL EQUITY AT BEGINNING OF YEAR	P16,182	P2,343,614	P1,082,320	P894,751	P -	P4,336,867
TOTAL EQUITY AT END OF YEAR	P15,134	P3,402,375	P1,144,429	P940,733	P -	P5,502,671

	December 31, 2018					
	Historical Statements of Changes in Equity				Pro Forma Adjustments (Notes 3a and 3b)	Pro Forma Consolidated Balances
	DVCHI (Registrant)	MI	MPDI	PWSI		
CAPITAL STOCK						
Balance at beginning of year	P25,875	P750,000	P750,000	P150,000	P -	P1,675,875
Share swap transaction	-	-	-	-	(525,000)	(525,000)
Balance at end of year	25,875	750,000	750,000	150,000	(525,000)	1,150,875
ADDITIONAL PAID-IN CAPITAL						
Balance at beginning of year	46,033	-	-	1,500	-	47,533
Share swap transaction	-	-	-	-	21,373,500	21,373,500
Balance at end of year	46,033	-	-	1,500	21,373,500	21,421,033
ACCUMULATED REMEASUREMENTS ON RETIREMENT BENEFITS						
Balance at beginning of year	-	(40)	103	(335)	-	(272)
Remeasurement gain (loss) on retirement benefits during the year	-	600	663	6,313	-	7,576
Balance at end of the year	-	560	766	5,978	-	7,304
RETAINED EARNINGS (DEFICIT)						
Balance at beginning of year	(54,778)	984,239	299,298	684,941	-	1,913,700
Net income (loss) for the year	(948)	708,815	57,256	52,332	-	817,455
Declaration of cash dividends	-	(100,000)	(25,000)	-	-	(125,000)
Balance at end of the year	(55,726)	1,593,054	331,554	737,273	-	2,606,155

Forward

	December 31, 2018					
	Historical Statements of Changes in Equity				Pro Forma Adjustments (Notes 3a and 3b)	Pro Forma Consolidated Balances
	DVCHI (Registrant)	MI	MPDI	PWSI		
EQUITY ADJUSTMENTS FROM COMMON CONTROL TRANSACTIONS						
Balance at beginning of year	P -	P -	P -	P -	P -	P -
Share swap transaction	-	-	-	-	(20,848,500)	(20,848,500)
Balance at end of the year	-	-	-	-	(20,848,500)	(20,848,500)
TOTAL EQUITY AT BEGINNING OF YEAR	P17,130	P1,734,199	P1,049,401	P836,106	P -	P3,636,836
TOTAL EQUITY AT END OF YEAR	P16,182	P2,343,614	P1,082,320	P894,751	P -	P4,336,867

The following tables present the pro forma consolidated statements of comprehensive income and pro forma consolidated statements of cash flows. Since the pro forma and eliminating adjustments have no impact on the Group's profit or loss and cash flows, the horizontal sum of all the accounts presented below already pertains to the pro forma consolidated statements of comprehensive income and pro forma consolidated statements of cash flows.

Pro Forma Consolidated Statements of Comprehensive Income

	December 31, 2020				
	Historical Statement of Comprehensive Income				Pro Forma Consolidated Balances
	DVCHI (Registrant)	MI	MPDI	PWSI	
Net sales	P -	P6,106,846	P839,541	P1,221,017	P8,167,404
Cost of goods sold	-	4,263,930	682,656	985,374	5,931,960
Gross profit	-	1,842,916	156,885	235,643	2,235,444
Operating expenses	1,089	431,325	50,023	127,052	609,489
Income (loss) from operations	(1,089)	1,411,591	106,862	108,591	1,625,955
Share in net loss of an associate	-	-	-	(24,833)	(24,833)
Other charges - net	-	(9,403)	(10,320)	(10,993)	(30,716)
Income (loss) before income tax	(1,089)	1,402,188	96,542	72,765	1,570,406
Provision for income tax	-	331,725	29,895	30,030	391,650
Net income (loss)	(1,089)	1,070,463	66,647	42,735	1,178,756
OTHER COMPREHENSIVE INCOME (LOSS)					
Item that will never be reclassified to profit or loss in subsequent periods					
Remeasurement gain (loss) on retirement benefits	-	(334)	200	(707)	(841)
Deferred income tax	-	-	(60)	212	152
	-	(334)	140	(495)	(689)
TOTAL COMPREHENSIVE INCOME (LOSS)	(P1,089)	P1,070,129	P66,787	P42,240	P1,178,067

	December 31, 2019				
	Historical Statement of Comprehensive Income				Pro Forma
	DVCHI (Registrant)	MI	MPDI	PWSI	Consolidated Balances
Net sales	P -	P8,155,525	P958,828	P1,603,044	P10,717,397
Cost of goods sold	-	6,130,313	780,137	1,348,454	8,258,904
Gross profit	-	2,025,212	178,691	254,590	2,458,493
Operating expenses	1,048	545,503	68,814	158,406	773,771
Income (loss) from operations	(1,048)	1,479,709	109,877	96,184	1,684,722
Share in net loss of an associate	-	-	-	(8,763)	(8,763)
Other income (charges) - net	-	288	(19,164)	(20,574)	(39,450)
Income (loss) before income tax	(1,048)	1,479,997	90,713	66,847	1,636,509
Provision for income tax	-	370,311	28,662	19,808	418,781
Net income (loss)	(1,048)	1,109,686	62,051	47,039	1,217,728
OTHER COMPREHENSIVE INCOME (LOSS)					
Item that will never be reclassified to profit or loss in subsequent periods					
Remeasurement gain (loss) on retirement benefits	-	(925)	83	(1,510)	(2,352)
Deferred income tax	-	-	(25)	453	428
	-	(925)	58	(1,057)	(1,924)
TOTAL COMPREHENSIVE INCOME (LOSS)	(P1,048)	P1,108,761	P62,109	P45,982	P1,215,804

	December 31, 2018				
	Historical Statement of Comprehensive Income				Pro Forma
	DVCHI (Registrant)	MI	MPDI	PWSI	Consolidated Balances
Net sales	P -	P5,291,848	P923,272	P2,368,581	P8,583,701
Cost of goods sold	-	4,019,765	722,488	2,011,405	6,753,658
Gross profit	-	1,272,083	200,784	357,176	1,830,043
Operating expenses	948	391,535	116,291	269,225	777,999
Income (loss) from operations	(948)	880,548	84,493	87,951	1,052,044
Other income (charges) - net	-	73,953	(1,344)	(21,426)	51,183
Income (loss) before income tax	(948)	954,501	83,149	66,525	1,103,227
Provision for income tax	-	245,686	25,893	14,193	285,772
Net income (loss)	(948)	708,815	57,256	52,332	817,455
OTHER COMPREHENSIVE INCOME					
Item that will never be reclassified to profit or loss in subsequent periods					
Remeasurement gain on retirement benefits	-	600	947	9,019	10,566
Deferred income tax	-	-	(284)	(2,706)	(2,990)
	-	600	663	6,313	7,576
TOTAL COMPREHENSIVE INCOME (LOSS)	(P948)	P709,415	P57,919	P58,645	P825,031

Pro Forma Consolidated Statements of Cash Flows

	December 31, 2020				
	Historical Statement of Cash Flows				Pro Forma Consolidated Balances
	DVCHI (Registrant)	MI	MPDI	PWSI	
CASH FLOWS FROM OPERATING ACTIVITIES					
Income (loss) before income tax	**(P1,089)**	**P1,402,188**	**P96,542**	**P72,765**	**P1,570,406**
Adjustments for:					
Depreciation and amortization	**-**	**42,101**	**2,935**	**18,816**	**63,852**
Interest expense	**-**	**12,149**	**5,912**	**13,331**	**31,392**
Share in net loss of an associate	**-**	**-**	**-**	**24,833**	**24,833**
Interest income	**-**	**(19,644)**	**(141)**	**(2,141)**	**(21,926)**
Unrealized foreign exchange loss (gain) - net	**-**	**16,696**	**-**	**(83)**	**16,613**
Retirement benefits cost	**-**	**397**	**135**	**1,653**	**2,185**
Operating income (loss) before working capital changes	**(1,089)**	**1,453,887**	**105,383**	**129,174**	**1,687,355**
Decrease (increase) in:					
Trade and other receivables	**-**	**428,561**	**131,947**	**187,060**	**747,568**
Inventories	**-**	**1,496,070**	**(336,715)**	**(74,008)**	**1,085,347**
Prepaid expenses and other current assets	**-**	**(96,406)**	**281,020**	**217,500**	**402,114**
Increase (decrease) in trade and other payables	**94**	**(78,361)**	**114,377**	**(23,923)**	**12,187**
Cash generated from (used in) operations	**(995)**	**3,203,751**	**296,012**	**435,803**	**3,934,571**
Income taxes paid	**-**	**(318,371)**	**(28,168)**	**(17,407)**	**(363,946)**
Interest received	**-**	**19,644**	**141**	**2,141**	**21,926**
Net cash from (used in) operating activities	**(995)**	**2,905,024**	**267,985**	**420,537**	**3,592,551**
CASH FLOWS FROM INVESTING ACTIVITIES					
Additions to property and equipment	**-**	**(15,491)**	**(46)**	**(10,168)**	**(25,705)**
Increase in other noncurrent assets	**(96)**	**(5,680)**	**(20)**	**(2,590)**	**(8,386)**
Cash used in investing activities	**(96)**	**(21,171)**	**(66)**	**(12,758)**	**(34,091)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Payments of:					
Advances from a stockholder	**-**	**(659,500)**	**-**	**(152)**	**(659,652)**
Loans payable	**-**	**-**	**(351,000)**	**(313,000)**	**(664,000)**
Notes payable	**-**	**(120,000)**	**-**	**-**	**(120,000)**
Dividends	**-**	**(50,000)**	**-**	**-**	**(50,000)**
Lease liabilities	**-**	**(38,707)**	**(2,984)**	**(6,162)**	**(47,853)**
Interest	**-**	**(6,419)**	**(6,540)**	**(10,054)**	**(23,013)**
Proceeds from availment of loans payable	**-**	**-**	**97,000**	**-**	**97,000**
Advances received from related parties	**1,091**	**-**	**-**	**-**	**1,091**
Net cash from (used in) financing activities	**1,091**	**(874,626)**	**(263,524)**	**(329,368)**	**(1,466,427)**

Forward

	December 31, 2020				
	Historical Statement of Cash Flows				Pro Forma
	DVCHI (Registrant)	**MI**	**MPDI**	**PWSI**	**Consolidated Balances**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**P -**	**(P3)**	**P -**	**P -**	**(P3)**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**-**	**2,009,224**	**4,395**	**78,411**	**2,092,030**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**-**	**167,845**	**44,277**	**229,951**	**442,073**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**P -**	**P2,177,069**	**P48,672**	**P308,362**	**P2,534,103**

	December 31, 2019				
	Historical Statement of Cash Flows				Pro Forma
	DVCHI (Registrant)	MI	MPDI	PWSI	Consolidated Balances
CASH FLOWS FROM OPERATING ACTIVITIES					
Income (loss) before income tax	(P1,048)	P1,479,997	P90,713	P66,847	P1,636,509
Adjustments for:					
Interest expense	-	34,725	14,785	24,951	74,461
Depreciation and amortization	-	16,352	3,883	12,820	33,055
Share in net loss of an associate	-	-	-	8,763	8,763
Interest income	-	(3,195)	(188)	(1,398)	(4,781)
Retirement benefits cost	-	303	211	1,130	1,644
Unrealized foreign exchange (gain) loss - net	-	251	3	(1,315)	(1,061)
Operating income (loss) before working capital changes	(1,048)	1,528,433	109,407	111,798	1,748,590
Decrease (increase) in:					
Trade and other receivables	-	(596,190)	(124,761)	298,607	(422,344)
Inventories	-	(885,809)	(155,594)	(34,807)	(1,076,210)
Prepaid expenses and other current assets	-	295,016	2,159	127,394	424,569
Increase (decrease) in trade and other payables	(5)	546,586	(18,516)	(63,692)	464,373
Cash generated from (used in) operations	(1,053)	888,036	(187,305)	439,300	1,138,978
Income taxes paid	-	(315,843)	(24,471)	(24,554)	(364,868)
Interest received	-	3,195	188	1,398	4,781
Retirement benefits paid	-	-	(132)	-	(132)
Net cash from (used in) operating activities	(1,053)	575,388	(211,720)	416,144	778,759

Forward

	December 31, 2019				
	Historical Statement of Cash Flows				Pro Forma Consolidated Balances
	DVCHI (Registrant)	MI	MPDI	PWSI	
CASH FLOWS FROM INVESTING ACTIVITIES					
Additions to property and equipment	P -	(P3,436)	(P34)	(P1,814)	(P5,284)
Increase in other noncurrent assets	(102)	(1,982)	(9)	(395)	(2,488)
Acquisition of shares of stock of an associate	-	-	-	(126,957)	(126,957)
Cash used in investing activities	(102)	(5,418)	(43)	(129,166)	(134,729)
CASH FLOWS FROM FINANCING ACTIVITIES					
Payments of:					
Advances from a stockholder	-	-	-	(104,848)	(104,848)
Notes payable	-	(353,000)	-	-	(353,000)
Dividends	-	(200,000)	(75,000)	-	(275,000)
Loans payable	-	-	(98,000)	(170,000)	(268,000)
Interest	-	(37,543)	(13,816)	(27,680)	(79,039)
Lease liabilities	-	(14,160)	(3,312)	(11,420)	(28,892)
Proceeds from availment of:					
Loans payable	-	-	394,000	126,000	520,000
Notes payable	-	120,000	-	-	120,000
Advances received from related parties	1,155	-	-	-	1,155
Net cash from (used in) financing activities	1,155	(484,703)	203,872	(187,948)	(467,624)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	-	(24)	(12)	-	(36)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	85,243	(7,903)	99,030	176,370
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	-	82,602	52,180	130,921	265,703
CASH AND CASH EQUIVALENTS AT END OF YEAR	P -	P167,845	P44,277	P229,951	P442,073

	December 31, 2018				
	Historical Statement of Cash Flows				Pro Forma
	DVCHI (Registrant)	MI	MPDI	PWSI	Consolidated Amounts
CASH FLOWS FROM OPERATING ACTIVITIES					
Income (loss) before income tax	(P948)	P954,501	P83,149	P66,525	P1,103,227
Adjustments for:					
Interest expense	-	14,705	1,164	20,338	36,207
Depreciation and amortization	-	13,598	4,029	12,434	30,061
Provision for probable losses	-	-	-	8,153	8,153
Unrealized foreign exchange (gain) loss - net	-	6,579	(21)	985	7,543
Interest income	-	(2,399)	(1,762)	(354)	(4,515)
Retirement benefits cost	-	283	220	1,348	1,851
Operating income (loss) before working capital changes	(948)	987,267	86,779	109,429	1,182,527
Decrease (increase) in:					
Trade and other receivables	-	203,576	82,472	(34,771)	251,277
Inventories	-	(1,279,400)	62,971	129,877	(1,086,552)
Prepaid expenses and other current assets	-	(312,996)	(108,450)	(307,590)	(729,036)
Increase (decrease) in trade and other payables	159	389,906	(2,874)	(79,534)	307,657
Cash generated from (used in) operations	(789)	(11,647)	120,898	(182,589)	(74,127)
Income taxes paid	-	(221,586)	(21,004)	(33,352)	(275,942)
Interest received	-	2,398	1,763	354	4,515
Retirement benefits paid	-	(120)	-	-	(120)
Net cash from (used in) operating activities	(789)	(230,955)	101,657	(215,587)	(345,674)
CASH FLOWS FROM INVESTING ACTIVITIES					
Additions to property and equipment	-	(6,804)	(25)	(7,275)	(14,104)
Additions to other noncurrent assets	(79)	(108)	(32)	(486)	(705)
Cash used in investing activities	(79)	(6,912)	(57)	(7,761)	(14,809)
CASH FLOWS FROM FINANCING ACTIVITIES					
Payments of:					
Advances from a stockholder	-	(234,000)	(20,000)	-	(254,000)
Notes payable	-	(700,000)	-	-	(700,000)
Loans payable	-	-	(100,000)	(130,000)	(230,000)
Lease liabilities	-	(11,690)	(3,197)	(10,447)	(25,334)
Interest	-	(10,252)	(886)	(16,224)	(27,362)
Proceeds from availment of:					
Notes payable	-	353,000	-	-	353,000
Loans payable	-	-	-	437,000	437,000
Advances received from related parties	868	659,500	-	-	660,368
Net cash from (used in) financing activities	868	56,558	(124,083)	280,329	213,672
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	-	(15)	22	-	7

Forward

	December 31, 2018				
	Historical Statement of Cash Flows				Pro Forma
	DVCHI (Registrant)	MI	MPDI	PWSI	Consolidated Amounts
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	P -	(P181,324)	(P22,461)	P56,981	(P146,804)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	-	263,926	74,641	73,940	412,507
CASH AND CASH EQUIVALENTS AT END OF YEAR	P -	P82,602	P52,180	P130,921	P265,703

Pro Forma Assumptions
The pro forma adjustments arising from the transactions described in the succeeding paragraphs represent the significant effects directly attributable to the acquisition which have been determined based upon available information and certain assumptions that management believes to be reasonable and factually supportable.

The following assumptions were applied in preparing the accompanying pro forma consolidated financial statements as at and for the years ended December 31, 2020, 2019 and 2018:

- Approval by the SEC of the following amendments to Articles of Incorporation as approved by the BOD and Stockholders of DVCHI:

  - Change in the name of the DVCHI to “The Keepers Holdings, Inc.”;

  - Change in the primary and secondary purpose of DVCHI;

  - Change of corporate term of the DVCHI to perpetual existence;

  - Change in the par value of common shares to P0.10 per share and the reclassification of authorized preferred shares to common shares; and

  - Increase in authorized capital stock to P2,000,000 or 20,000,000,000 common shares.

- Issuance and listing of up to 11,250,000,000 common shares of the Parent Company pursuant to the share swap transaction with Cosco on January 1, 2018.

- Waiver of requirement to conduct a rights offering on the issuance and listing of said common shares of the Parent Company to Cosco for the share swap transaction.

- Planned issuance and listing of up to 3,000,000,000 common shares of the Parent Company pursuant to the follow-on offering (“FOO”) program has not yet occurred as at December 31, 2020.

- Obtaining other relevant consents and approvals with the PSE, SEC and other regulatory agencies.

- Details of the Parent Company's common shares assuming the transaction happened on January 1, 2018 are as follows:

	Number of Shares
Number of shares before share swap transaction	1,124,999,969
Effect of changes in par value	(866,249,664)
Issuance of shares under share swap transaction	11,250,000,000
Number of shares after share swap transaction	11,508,750,305

Details of the Parent Company's authorized capital stock and corresponding par value assuming the transaction happened on January 1, 2018 are as follows:

	Before Share Swap	
	Shares	Amount
Authorized:		
Common shares (P0.023 par value per share)	1,200,000,000	P27,600
Preferred shares (P0.10 par value per share)	3,000,000,000	P300,000
Subscribed and outstanding:		
Common shares (P0.023 par value per share)	1,124,999,969	P25,875

	After Share Swap	
	Shares	Amount
Authorized:		
Common shares (P0.10 par value per share)	20,000,000,000	P2,000,000
Subscribed and outstanding:		
Common shares (P0.10 par value per share)	11,508,750,305	P1,150,875

Pro forma Adjustments

The pro forma adjustments are based on our preliminary estimates and assumptions that are subject to change. The following adjustments have been reflected in the pro forma consolidated financial statements:

Share Swap Transaction

a. Represents the issuance of 11,250,000,000 common shares of DVCHI with a par value of P0.10 at P2.00 per share in exchange for Cosco's investments in MI, MPDI and PWSI, under a Share Swap Transaction as follows:

  - 9,488,444,240 common shares of DVCHI will be swapped with 7,500,000 common shares of Cosco in MI;

  - 907,885,074 common shares of DVCHI will be swapped with 7,500,000 common shares of Cosco in MPDI; and,

  - 853,670,686 common shares of DVCHI will be swapped with 1,500,000 common shares of Cosco in PWSI.

On January 1, 2018, the applicable balances of the investments are as follows:

	% of Ownership	Amount
Fair market value of investments in:		
MI	100%	P18,976,888
MPDI	100%	1,815,771
PWSI	100%	1,707,341
		22,500,000
Par value of DVCHI's shares to be issued under share swap transaction		1,125,000
Additional paid-in capital		P21,375,000

Eliminating Entries

b. Represents the elimination of investments in MI, MPDI, and PWSI.

Details of the elimination follows:

	MI	MPDI	PWSI	Total
Capital stock	P750,000	P750,000	P150,000	P1,650,000
Additional paid-in capital	-	-	1,500	1,500
Equity adjustments from common control transactions	18,226,888	1,065,771	1,555,841	20,848,500
DVCHI investments	(18,976,888)	(1,815,771)	(1,707,341)	(22,500,000)
	P -	P -	P -	P -

Summary of Pro forma Adjustments and Eliminating Entries

Summary of movements of the above pro forma adjustments and eliminating entries follow:

	Investment in Subsidiaries	Capital Stock	Additional Paid-in Capital	Equity Adjustments from Common Control Transactions
Recording of investments in subsidiaries (a)	P22,500,000	(P1,125,000)	(P21,375,000)	P -
Elimination of investments (b)	(22,500,000)	1,650,000	1,500	20,848,500
	P -	P525,000	(P21,373,500)	P20,848,500

4. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in the individual audited financial statements of DVCHI, MI, MPDI and PWSI, which were used as the basis in preparing the pro forma consolidated financial statements, except for the changes in accounting policies as explained below.

Adoption of Amendments to Standards
The Group has adopted the following amendments to standards starting January 1, 2020 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these amendments to standards did not have any significant impact on the Group's pro forma consolidated financial statements. These are as follows:

- *Amendments to References to Conceptual Framework in PFRS Standards* sets out amendments to PFRS Standards, their accompanying documents and PFRS practice statements to reflect the issuance of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework). The 2018 Conceptual Framework includes: a new chapter on measurement; guidance on reporting financial performance; improved definitions of an asset and a liability, and guidance supporting these definitions; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

  Some Standards, their accompanying documents and PFRS practice statements contain references to, or quotations from, the International Accounting Standards Committee (IASC)'s Framework for the Preparation and Presentation of Financial Statements adopted by the International Accounting Standards Board (IASB) in 2001 or the Conceptual Framework for Financial Reporting issued in 2010. The amendments update some of those references and quotations so that they refer to the 2018 Conceptual Framework, and makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

- Definition of a Business (Amendments to PFRS 3 Business Combinations). The amendments narrowed and clarified the definition of a business. They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. The amendments:

  - Confirmed that a business must include inputs and a process, and clarified that:

    - the process must be substantive; and
    - the inputs and process must together significantly contribute to creating outputs;

  - narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and

  - added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

- PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material (Amendments)* refine the definition of material. The amended definition of material states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify the definition of material and its application by: (a) raising the threshold at which information becomes material by replacing the term “could influence” with “could reasonably be expected to influence”; (b) including the concept of “obscuring information” alongside the concept of “omitting” and “misstating” information in the definition; (c) clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework; (d) clarifying the explanatory paragraphs accompanying the definition; and (e) aligning the wording of the definition of material across PFRS Standards and other publications.

Cash and Cash Equivalents

Cash includes cash on hand and in banks, which is subject to insignificant risk of changes in value and is used by the Group in managing its short-term commitments. Cash equivalents are short-term placements for varying periods of up to three months from its original maturity depending on the immediate cash requirements of the Group. Cash in banks and cash equivalents earn interest at the respective prevailing bank rates.

Financial Instruments

Date of Recognition

The Group recognizes a financial asset or a financial liability in the pro forma consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial Recognition of Financial Instruments

Financial instruments are recognized initially at fair value. The initial measurement of financial instruments, except for those financial assets and financial liabilities classified or designated at fair value through profit or loss (FVTPL), includes transaction costs. Trade receivables without a significant financing component is initially measured at the transaction price.

Classification and Measurement of Financial Instruments

On initial recognition, the Group classifies its financial assets in the following categories: measured at amortized cost, financial assets at FVTPL and financial assets at fair value through other comprehensive income (FVOCI). The classification depends on the business model for managing the financial assets and the contractual terms of its cash flows.

The Group classifies its financial liabilities as either financial liabilities at amortized cost or financial liabilities at FVTPL. The Group classifies all financial liabilities at amortized cost, except for: (a) financial liabilities designated by the Group at initial recognition as at FVTPL, when doing so results in more relevant information; (b) financial liabilities that arise when the transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies; (c) contingent consideration recognized by the Group in a business combination which shall subsequently be measured at fair value with changes recognized in profit or loss; and (d) financial guarantee contracts and commitments to provide a loan at a below market interest rate which are initially measured at fair value and subsequently at higher of amortized amount and amount of loss allowance.

Business Model Assessment
The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes: (a) the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets; (b) how the performance of the portfolio is evaluated and reported to the Group's management; (c) the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; (e) how managers of the business are compensated - e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and (f) the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Solely Payments of Principal and Interest Assessment
Principal is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers contingent events that would change the amount or timing of cash flows, terms that may adjust the contractual coupon rate, including variable-rate features, prepayment and extension features, and terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

The Group has no financial assets classified as financial assets at FVTPL and FVOCI as at December 31, 2020, 2019 and 2018.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial Assets at Amortized Cost
A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Included in this category are the Group's cash in banks, cash equivalents, trade and other receivables and refundable deposits.

Financial Liabilities at Amortized Cost
This category pertains to financial liabilities that are not held for trading or designated as at FVTPL upon inception of the liability. These include liabilities arising from operations or borrowings. The financial liabilities are recognized initially at fair value and subsequently carried at amortized cost, taking into account the impact of applying the effective interest rate method of amortization for any related premium, discount and any directly attributable transaction costs. These financial liabilities are included in current liabilities if maturity is within twelve months from reporting date. Otherwise, these are classified as noncurrent liabilities.

This category includes the Group's trade and other payables (excluding statutory obligations), due to related parties, notes payable, loans payable, dividends payable, and advances from a stockholder as at December 31, 2020, 2019 and 2018.

<u>Impairment of Financial Assets</u>
The Group measures loss allowances at an amount equal to lifetime expected credit losses (ECLs), except for debt securities that are determined to have low credit risk at the reporting date and other debt securities and bank balances for which credit risk has not increased significantly since initial recognition, which are measured at 12-month ECLs.

Loss allowances for trade and other receivables is always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due. The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held) or the financial asset is more than 90 days past due on any material credit obligation to the Group.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. The 12-month ECLs are a portion of lifetime ECLs that represents the ECLs resulting from default events on the financial instrument that are possible within 12 months after the reporting date or a shorter period if the expected life of the instrument is less than 12 months.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are probability weighted-estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the significant financial difficulty of the borrower or issuer, a breach of contract such as default, the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise, when it is probable that the borrower will enter bankruptcy or other financial reorganization, or the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Financial assets are written off when there is no reasonable expectation of recovery. The Group categorizes financial assets recorded at amortized cost for write off when a debtor fails to make payments or when it is probable that the receivable will not be collected. Where amortized cost financial assets have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized in profit or loss.

Derecognition of Financial Assets and Financial Liabilities

Financial Assets

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

- the rights to receive cash flows from the asset have expired;

- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or

- the Group has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Financial Liabilities
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

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

Fair Value Measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Group.

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

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

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

As at December 31, 2020, 2019 and 2018, no financial asset or financial liability was carried at fair value. The Group has no other assets or liabilities with recurring and non-recurring fair value measurements.

<u>Inventories</u>
Inventories, which consist of spirits, wines, and specialty beverages, are valued at the lower of cost and net realizable value (NRV). Cost is comprised of purchase price, expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their present location and condition. Cost is determined using the first-in, first-out method.

NRV represents the estimated selling price less costs to be incurred in marketing, selling and distribution. In determining the NRV, the Group considers any adjustment necessary to write-down inventories to NRV for slow-moving and near expiry products based on physical inspection and management evaluation.

<u>Prepaid Expenses and Other Current Assets</u>
Prepaid Expenses
Prepaid expenses represent expenses not yet incurred but already paid in cash. Prepaid expenses are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as these are consumed in operations or expire with the passage of time.

Prepaid expenses are classified in the statement of financial position as current asset when the cost of goods or services related to the prepayment are expected to be incurred within one (1) year from the reporting date. Otherwise, prepayments are classified as noncurrent assets.

Advances to Suppliers
Advances to suppliers are measured at the amount of initial down payment for purchases of inventories and are applied against future progress billings. These are classified as current assets in the pro forma consolidated statement of financial position.

Value-added Tax (VAT)
Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of “Prepaid expenses and other current assets” account or “Trade and other payables” account in the pro forma consolidated statement of financial position.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization and any impairment in value. The initial cost of items of property and equipment consists of its purchase price, including import duties and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to profit or loss in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of the item of property and equipment.

Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the assets as follows:

	Number of Years
Transportation and delivery equipment	3 - 5
Leasehold improvements	3 - 5 or lease term, whichever is shorter
Office equipment	2 - 3
Furniture and fixtures	2 - 3
Computer software license	2
Machinery and equipment	3

Depreciation and amortization of an item of property and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation or amortization ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is recognized in profit or loss. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts and any resulting gain or loss is recognized in profit or loss.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. The capitalization of borrowing costs: (i) commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred; (ii) is suspended during the extended periods in which active development, improvement and construction of the assets are interrupted; and (iii) ceases when substantially all the activities necessary to prepare the assets are completed. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds.

Other borrowing costs are recognized as expense in the period in which they are incurred.

Investment in an Associate

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is defined as the power to participate in the financial and operating policy decisions of the entity but not control or joint control over those policies. An associate is accounted for using the equity method. Investment in an associate is initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the pro forma consolidated financial statements include the Group's share of the profit or loss and OCI of the associate, until the date on which significant influence ceases. Unrealized gains arising from transactions with associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Impairment of Noncurrent Nonfinancial Assets

The Group assesses at the end of each reporting period whether there is an indication that its noncurrent nonfinancial assets which include right-of-use assets, property and equipment and investment in an associate may be impaired. If any such indication exists and where the carrying amount exceeds the estimated recoverable amount, the assets or the cash generating unit (CGU) are written down to their recoverable amounts. The recoverable amount of the noncurrent nonfinancial assets is the greater of fair value less cost to sell and value-in-use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction. 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 an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

Impairment losses, if any, are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation and amortization charge are adjusted in future periods to allocate the asset's revised carrying amount on a systematic basis over its remaining useful life.

Other Noncurrent Assets

Excess Tax Credits

Excess tax credits pertain to overpayment of income taxes in prior years. Excess tax credits are initially recognized based on the amount withheld by the payee in accordance with the local tax rules and regulations. These are accumulated and are reduced when deducted against income tax payable. Excess tax credits that are expected to be realized within 12 months after the reporting period are classified as current assets, otherwise, these are classified as other noncurrent assets.

Refundable Deposits
Refundable deposits are cash paid for the lease agreements covering the office spaces and warehouse which are expected to be refunded upon the termination of the lease. These are carried at net realizable value and classified as current for leases which will expire within 12 months from the reporting period otherwise, these will be classified as noncurrent.

Capital Stock
Ordinary or common shares are classified as equity. The proceeds from the issuance of ordinary or common shares are presented in equity as capital stock to the extent of the par value of the issued and outstanding shares and any excess of the proceeds over the par value of the shares issued, less any incremental costs directly attributable to the issuance, net of tax, is presented in equity as additional paid-in capital.

Retained Earnings
Retained earnings represent the cumulative balance of periodic net income or loss, dividend contributions, correction of prior year errors, effect of changes in accounting policy and other capital adjustments.

Appropriated retained earnings are accumulated earnings set aside by the BOD for a specific purpose. Unappropriated retained earnings are the residual amount of retained earnings after appropriation.

Dividends on Common Shares
Cash dividends on common shares are recognized as liability and deducted from equity when approved by the BOD of the Group. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

Revenue Recognition
Revenue from contracts with customers is recognized upon transfer of goods to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. The Group concluded that it is acting as principal for the revenue arrangement below.

The following specific recognition criteria must also be met before revenue is recognized:

Sale of Spirits, Wines and Specialty Beverages
Revenue from sale of spirits, wines and specialty beverages is recognized at the point in time when control of the asset is transferred to the customer, generally upon delivery. Revenue is recognized net of variable considerations, i.e. discounts, rebates, listing fees/display allowances and certain payments to customers after the initial sale of goods as reduction to revenue, unless it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Invoices are generated at the time of delivery and are usually due within 30 to 60 days.

Receivable is recognized by the Group when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of the time is required before payment is due.

Cost and Expense Recognition

Cost of Goods Sold

Cost of goods sold is recognized when goods are shipped to the buyer. Expenses are recognized upon utilization of services or at the date they are incurred.

Operating Expenses

Operating expenses are costs incurred to sell or distribute the goods and to administer the business. It includes documentation processing and delivery, among others. Operating expenses are expensed as incurred.

Other Comprehensive Income (Loss)

Other comprehensive income (loss) comprises items of income and expense (including items previously presented under the pro forma consolidated statement of changes in equity) that are not recognized in profit or loss for the year in accordance with PFRS.

Employee Benefits

Short-term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of the past service provided by the employee and the obligation can be estimated reliably.

Retirement Benefits Liability and Costs

The Group has an unfunded, noncontributory defined benefits retirement plan covering substantially all permanent, regular and full-time employees. The Group's obligation in respect of the defined benefits is calculated by estimating the amount of the future benefits that employees have earned in the current and prior period and discounting that amount.

The calculation of defined benefits obligations is performed on a periodic basis by a qualified actuary using the projected unit credit method.

Remeasurements of the retirement benefits liability, which comprise of actuarial gains and losses, are recognized immediately in other comprehensive income. The Group determines the interest expense on the retirement benefits liability for the period by applying the discount rate used to measure the retirement benefits liability at the beginning of the annual period to the then retirement benefits liability, taking into account any changes in the retirement benefits liability during the period as a result of benefit payments, if any. Interest expense and other expenses related to defined benefits plans are recognized in profit or loss.

When the benefits of the plan are changed or when the plan is curtailed, the resulting change in benefit that relates to past service or gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains or losses on the settlement of defined benefits plans when the settlement occurs.

Leases
At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- the Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and,

- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:

  - the Group has the right to operate the asset; or
  - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

Group as Lessee
The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently amortized using the straight-line method from the commencement date to the end of the lease term unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case, the right-of-use asset will be amortized over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment loss, if any, and adjusted for certain remeasurements of the lease liability. The right-of-use asset is presented as a separate line item in the pro forma consolidated statement of financial position.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following: (a) fixed payments, including in-substance payments; (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; (c) amounts expected to be payable under a residual value guarantee; and, (d) the exercise price under a purchase option the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate; if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or, if the Group changes its assessment of whether it will exercise a purchase, extension, or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has presented interest expense on the lease liability separately from the amortization charge for the right-of-use asset. The interest expense on lease liability is presented under "Other income (charges)" in profit or loss.

Income Taxes

Provision for income tax is composed of current income tax and deferred income tax. Provision for income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income, in which case, it is recognized directly in equity or in other comprehensive income.

Current Income Tax

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

Deferred Income Tax

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

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, and carryforward benefits of unused net operating loss carryover (NOLCO) to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences and the carryforward benefits of unused NOLCO can be utilized.

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

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

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

Related Party Transactions and Relationships

Related party relationships exist when the party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely to the legal form. Related parties may be individual or corporate entities.

Foreign Currency Denominated Transactions and Translation

Transactions in foreign currencies are recorded using the functional currency exchange rate at the date of transaction. Outstanding monetary assets and monetary liabilities denominated in foreign currencies are translated using the closing exchange rate at the reporting date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of the provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss, net of reimbursement. If the effect of the time value of money is material, provisions are discounted using the current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingencies

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

Events After the Reporting Date

Events after the reporting date that provide additional information about the Group's financial position at the reporting date (adjusting events) are reflected in the pro forma consolidated financial statements. Events after the reporting date that are not adjusting events are disclosed in the notes to pro forma consolidated financial statements when material.

Standards Issued but Not Yet Adopted

A number of amendments to standards are effective for annual periods beginning after January 1, 2020. However, the Group has not applied the following amended standards in preparing these pro forma consolidated financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Group's pro forma consolidated financial statements.

The Group plans to adopt the following amended standards on the respective effective dates, as applicable.

Effective June 1, 2020

- PFRS 16, *Leases - COVID-19-Related Rent Concessions (Amendments)* introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The practical expedient apply if: the revised consideration is substantially the same or less than the original consideration; the reduction in lease payments relates to payments due on or before June 30, 2021; and, no other substantive changes have been made to the terms of the lease.

  Lessees applying the practical expedient are required to disclose that fact, whether they have applied the practical expedient to all eligible rent concessions and, if not, the nature of the contracts to which they have applied the practical expedient; and the amount recognized in profit or loss for the reporting period arising from application of the practical expedient. No practical expedient is provided for lessors.

Effective January 1, 2021

- PFRS 9, *Financial Instruments,* PAS 39, *Financial Instruments: Recognition and Measurement,* PFRS 7, *Financial Instruments: Disclosures,* PFRS 4, *Insurance Contracts* and PFRS 16, *Leases - Interest Rate Benchmark Reform - Phase 2 (Amendments)* ensure that financial statements best reflect the economic effects of interest rate benchmark reforms. The Phase 2 amendments were issued and focus on the accounting once a new benchmark rate is in place. The reliefs allow companies not to recognize significant modification gains or losses on financial instruments and mitigate the risk of discontinuations of existing hedging relationships because of changes required by reforms. The amendments address issues that might affect financial reporting during the reform in the following key areas:

  - *Practical Expedient for Particular Changes to Contractual Cash Flows.* As a practical expedient, a company will account for a change in the basis for determining the contractual cash flows that is required by the reform by updating the effective interest rate of the financial instrument. If there are other changes to the basis for determining the contractual cash flows, then a company first applies the practical expedient to the changes required by the reform and then applies other applicable requirements of PFRS 9 to other changes. A similar practical expedient applies to insurers applying PAS 39 and lessees for lease modifications required by a reform.

- *Relief from Specific Hedge Accounting Requirements.* The amendments enable and require companies to continue hedge accounting in circumstances when changes to hedged items and hedging instruments arise as a result of changes required by the reform. A company is required to amend the formal designation of hedging relationships to reflect the changes required by the reform. Reliefs are also provided for amounts accumulated in the cash flow hedge reserve, the separately identifiable requirement, groups of items designated as hedged items and retrospective effectiveness assessment under PAS 39.

- *Disclosure Requirements.* To enable users of financial statements to understand the effect of reforms on a company's financial instruments and risk management strategy, additional disclosures are required on how transition to alternative benchmark rates are being managed, quantitative information about financial instruments indexed to rates yet to transition due to benchmark reform at the end of the reporting period, and the extent to which changes to the risk management strategy have occurred due to the risks identified in the transition.

The amendments apply retrospectively, but restatement of comparative information is not required. Earlier application is permitted.

Effective January 1, 2022

- PAS 16*, Property, Plant and Equipment - Proceeds before Intended Use (Amendments)* prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before that asset is available for use. The proceeds before intended use should be recognized in profit or loss, together with the costs of producing those items which are identified and measured in accordance with PAS 2, *Inventories*.

  The amendments also clarify that testing whether an item of property, plant and equipment is functioning properly means assessing its technical and physical performance rather than assessing its financial performance.

  For the sale of items that are not part of a company's ordinary activities, the amendments require the company to disclose separately the sales proceeds and related production cost recognized in profit or loss and specify the line items in which such proceeds and costs are included in the statement of comprehensive income. This disclosure is not required if such proceeds and cost are presented separately in the statement of comprehensive income.

  The amendments apply retrospectively on or after January 1, 2022, but only to items of property, plant, and equipment made available for use on or after the beginning of the earliest period presented, recognizing the cumulative effect in the opening retained earnings (or other component of equity, as appropriate) of that earliest period presented. Earlier application is permitted.

- PAS 37, *Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract (Amendments)* clarify that the cost of fulfilling a contract when assessing whether a contract is onerous includes all costs that relate directly to a contract - i.e. it comprise both incremental costs and an allocation of other direct costs.

The amendments apply prospectively. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as appropriate. Earlier application is permitted.

- *Annual Improvements to PFRS Standards 2018-2020.* This cycle of improvements contains amendments to four standards. The following are the amendments that are relevant to the Group:

  - PFRS 9*, Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendment)* clarifies that for the purpose of performing the '10 per cent' test for derecognition of financial liabilities, the fees paid net of fees received included in the discounted cash flows include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

  - PFRS 16, *Leases - Lease Incentives (Amendment to Illustrative Examples)* deletes from the Illustrative Example 13 the reimbursement relating to leasehold improvements to remove the potential for confusion because the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in PFRS 16.

  Earlier application is permitted.

Effective January 1, 2023

- PAS 1, *Presentation of Financial Statements - Classification of Liabilities as Current or Non-current (Amendments)* promote consistency in application and clarify the requirements on determining whether a liability is current or non-current, the amendments:

  - removed the requirement for a right to defer settlement of a liability for at least twelve months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;

  - clarified that a right to defer settlement exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date; and

  - clarified that settlement of a liability includes transferring a company's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or non-current.

  Earlier application is permitted.

5. Management's Use of Judgments, Accounting Estimates and Assumptions

The preparation of the individual audited financial statements of DVCHI, MI, MPDI and PWSI in accordance with PFRS, requires management to exercise judgments, make accounting estimates and use assumptions that affect the reported amounts of assets, liabilities, income and expenses and related disclosures. Future events may occur which will cause the assumptions used in arriving at the accounting estimates to change. The effects of any change in accounting estimates are reflected in the individual audited financial statements of DVCHI, MI, MPDI and PWSI as they become reasonably determinable.

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

<u>Judgments</u>
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimation, which has the most significant effect on the amounts recognized in the individual audited financial statements of DVCHI, MI, MPDI and PWSI.

Determination of the Group*'s Functional Currency*
The Group considers factors, including but not limited to, the currency that mainly influences sales prices of its goods and the currency in which receipts from operating activities are usually retained. Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency has been determined to be the Philippine peso. It is the currency that mainly influences the Group's operations.

Identifying a Lease
The Group uses its judgment in assessing that a contract is, or contains, a lease when the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group has the right to control the asset if it has the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group reassesses whether a contract is, or contains, a lease only if the terms and conditions of the contract are changed.

As a Lessee. The Group has entered into various contracts for the lease of warehouse space. The Group has determined that it has the right to control the use of the identified assets over their respective lease terms (see Note 21).

Determining the Term and Discount Rate of Lease Arrangements
Where the Group is the lessee, management is required to make judgments about the lease term and the appropriate discount rate to calculate the present value of the lease payments.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases entered into by the Group as lessee, management uses the incremental borrowing rate, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group uses an approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group and makes adjustments specific to the lease. The weighted average rate applied ranges from 4.11% to 4.74%.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if it is reasonably certain that the lease will be extended (or not terminated) and, as such, included within lease liabilities.

For leases of office space and warehouse, the following factors are usually the most relevant:

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

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).

- Otherwise, the Group considers other factors, including historical lease durations, the costs and business disruption required to replace the leased asset, enforceability of the option, and business and other developments.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and is within the lessee's control, for example, when significant investment in the warehouse and office space is made which has a useful life beyond the current lease term.

Recognition of Revenue
The Group uses its judgment in determining the timing of the transfer of control on the goods that it delivered. The Group determined that the control is transferred for sale of goods when the Group has transferred physical possession of the goods and obtained the right to payment for the goods which is upon the customer's acceptance of the goods at the customer's warehouse.

Accounting Estimates and Assumptions
The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below:

Allowance for ECLs on Trade and Other Receivables and Refundable Deposits
The Group uses the ECL model in estimating the level of allowance which includes forecasts of future events and conditions. A credit loss is measured as the present value of all cash shortfalls (the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). The model represents a probability-weighted estimate of the difference over the remaining life of the trade and other receivables. The maturity of the Group's trade and other receivables is less than one year so the lifetime ECLs and the 12-month ECLs are similar. In addition, management assessed that the credit risk for its trade and other receivables as at the reporting date is low, therefore the Group did not have to assess whether a significant increase in credit risk has occurred.

ECLs of refundable deposits has been measured on a 12-month expected credit loss basis. In determining the ECL of refundable deposits, the Group considers the counterparties' financial condition and their capacity to return the amounts due. The Group assessed that the credit risk for the outstanding refundable deposits is low as majority of these are transacted with a counterparty that has a good credit-standing.

An increase in the allowance for ECLs would increase the recorded operating expenses and decrease current assets.

The combined carrying amounts of trade and other receivables and refundable deposits amounted to P1,591,129, P2,330,294 and P1,905,564 as at December 31, 2020, 2019 and 2018, respectively (see Notes 7, 12 and 21).

Determination of NRV of Inventories
The Group's estimates of the NRV of inventories are based on the most reliable evidence available at the time the estimates are made, of the amount that the inventories are expected to be realized. These estimates consider the inventory obsolescence, physical deterioration, fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. A new assessment is made at NRV in each subsequent period. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is a clear evidence of an increase in NRV because of changes in economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised NRV.

The carrying amounts of inventories as at December 31, 2020, 2019 and 2018 amounted to P3,659,336, P4,744,683 and P3,668,473, respectively (see Note 8). No allowance to reduce inventory to NRV was recognized in 2020, 2019 and 2018.

Estimation of Useful Lives of Property and Equipment
The Group estimates the useful lives of property and equipment based on the period over which these assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future financial performance could be materially affected by changes in these estimates brought about by changes in the factors mentioned. Any reduction in the estimated useful lives of the property and equipment would increase depreciation and amortization expense and decrease noncurrent assets.

The estimated useful lives of property and equipment is discussed in Note 4 to pro forma consolidated financial statements. There is no change in the estimated useful lives of property and equipment in 2020, 2019 and 2018.

The carrying amounts of property and equipment as at December 31, 2020, 2019 and 2018 amounted to P32,213, P16,878 and P18,839, respectively (see Note 10).

Impairment of Noncurrent Nonfinancial Assets
The Group assesses at the end of each reporting period whether there is any indication that its noncurrent nonfinancial assets which pertain to right-of-use assets, property and equipment and investment in an associate are impaired. If any such indication exists, the Group estimates the recoverable amount of these assets. Determining the fair value of these noncurrent nonfinancial assets which requires the determination of the 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 pro forma consolidated financial statements. Future events could cause management to conclude that these assets are impaired. Any resulting impairment loss could have a material adverse impact on the Group's pro forma consolidated financial position and pro forma consolidated financial performance. The preparation of the estimated future cash flows involves significant judgment and estimations. While management believes that the assumptions made are appropriate and reasonable, significant changes in management assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges under PFRS.

In 2020, 2019 and 2018, no impairment loss was recognized on the Group's property and equipment, right-of-use assets and investment in an associate.

The combined carrying values of property and equipment, right-of-use assets and investment in an associate amounted to P311,427, P169,118 and P59,470 as at December 31, 2020, 2019 and 2018, respectively (see Notes 10, 11, and 21).

Estimation of Retirement Benefits Liability and Costs
The cost of defined benefits retirement plans, as well as the present value of the retirement benefits obligation, is determined using actuarial valuations. The actuarial valuations involve making various assumptions. These include the determination of the discount rates, and future salary increases, among others. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefits obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting period.

The Group has retirement benefits liability amounting to P15,330, P12,304 and P8,440 as at December 31, 2020, 2019 and 2018, respectively (see Note 22).

Recognition of Deferred Income Tax Assets
The Group reviews its deferred income tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. The Group also reviews the expected timing and tax rates upon reversal of temporary differences and adjusts the impact on deferred income tax accordingly. The Group's assessment on the recognition of deferred income tax assets is based on the forecasted taxable income of the subsequent reporting periods. This forecast is based on the Group's past results and future expectations on revenues and expenses. While the Group believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Group's assessment of the realizability of deferred income tax assets and may lead to future addition to the provision for deferred income tax.

The Group has recognized deferred income tax assets amounting to P4,787, P4,955 and P4,796 as at December 31, 2020, 2019 and 2018, respectively (see Note 23).

In 2020, 2019 and 2018, MI elected to avail of the optional standard deduction (OSD) which is equivalent to 40% of total gross income. MI intends to continue its availment of the optional standard deduction in the subsequent years.

As at December 31, 2020, 2019 and 2018, the Group has not recognized deferred income tax assets arising from temporary differences and NOLCO amounting to a total of P26,730, P6,156 and P10,294, respectively (see Note 23).

Provisions and Contingencies
The Group, in the ordinary course of business, sets up appropriate provisions for certain contractual and regulatory obligations, if any, in accordance with its policies on provisions and contingencies. In recognizing and measuring provisions, management takes risk and uncertainties into account.

The Group has provision for probable losses amounting to P11,975 as at December 31, 2020 and P13,901 as at December 31, 2019 and 2018. The provision used in 2020 amounted to P1,926 while no provision was used in 2019 and 2018. In 2018, provision for probable losses was recognized by the Group amounting to P8,153 while no provision for probable losses was recognized by the Group in 2020 and 2019 (see Note 0).

6. Cash and Cash Equivalents

This account consists of:

	Note	**2020**	2019	2018
Cash on hand		**P1,516**	P1,403	P877
Cash in banks	*26, 27*	**636,115**	390,537	264,826
Cash equivalents	*26, 27*	**1,896,472**	50,133	-
		P2,534,103	P442,073	P265,703

Cash in banks earns interest at the respective bank deposit rates. Interest income earned from cash in banks which are recognized in profit or loss amounted to P19,372, P4,648 and P4,515 for the years ended December 31, 2020, 2019 and 2018, respectively (see Note 20).

Cash equivalents pertain to short-term placements. Interest income earned from cash equivalents which are recognized in profit or loss amounted to P2,554, P133 and nil for the years ended December 31, 2020, 2019 and 2018, respectively (see Note 20).

7. Trade and Other Receivables

This account consists of:

	Note	**2020**	2019	2018
Trade:				
Third parties		**P880,444**	P1,228,044	P1,315,023
Related parties	16	**675,136**	987,992	548,436
Less allowance for ECLs		**(2,621)**	(4,125)	(4,125)
		1,552,959	2,211,911	1,859,334
Nontrade:				
Third parties		**18,717**	107,392	39,174
Related parties	16	**1,347**	-	-
Others		**1,602**	2,777	1,228
	26, 27	**P1,574,625**	P2,322,080	P1,899,736

Trade receivables are non-interest-bearing and are generally on a 30-to-60-day credit terms.

Non-trade receivables pertain to receivables from suppliers for the reimbursements of expenses incurred by the Group for brand promotions. These are non-interest-bearing and are generally on a 30-day credit terms.

Movements in the allowance for ECLs on trade receivables are as follows:

	2020	2019	2018
Balance at beginning of year	**P4,125**	P4,125	P4,125
Write-off	**(1,504)**	-	-
Balance at end of year	**P2,621**	P4,125	P4,125

8. Inventories

This account consists of:

	Note	**2020**	2019	2018
At cost:				
Spirits		**P3,428,067**	P4,518,883	P3,452,021
Wines		**154,094**	175,933	148,555
Specialty beverages		**77,170**	49,662	67,897
Others		**5**	205	-
	18	**P3,659,336**	P4,744,683	P3,668,473

Inventory charged to "Cost of goods sold" amounted to P5,931,960, P8,258,904 and P6,753,658 for the years ended December 31, 2020, 2019 and 2018, respectively (see Note 18).

9. Prepaid Expenses and Other Current Assets

This account consists of:

	2020	2019	2018
Prepaid duties and taxes	**P561,297**	P653,615	P950,325
Advances to suppliers	**39,316**	325,657	409,384
Input VAT	**31,603**	40,336	104,165
Prepaid import charges	**320**	1,716	370
Other prepaid expenses	**6,474**	19,799	1,448
	P639,010	P1,041,123	P1,465,692

Prepaid duties and taxes include advance payment for excise taxes, customs duties and seals for purchased goods not yet received.

Advances to suppliers pertain to partial down payment made by the Group to suppliers which will be applied against future billings.

10. Property and Equipment

The movements and balances in this account are as follows:

	Transportation and Delivery Equipment	Leasehold Improvements	Office Equipment	Furniture and Fixtures	Computer Software License	Machinery and Equipment	Total
Cost							
January 1, 2018	P33,812	P12,936	P10,855	P6,728	P -	P2,093	P66,424
Additions	7,357	5,355	645	67	-	680	14,104
December 31, 2018	41,169	18,291	11,500	6,795	-	2,773	80,528
Additions	2,419	650	1,063	-	1,021	131	5,284
Disposals	(813)	-	-	-	-	-	(813)
December 31, 2019	42,775	18,941	12,563	6,795	1,021	2,904	84,999
Additions	2,999	20,132	1,190	101	1,200	83	25,705
Disposals	(630)	-	-	-	-	-	(630)
December 31, 2020	**45,144**	**39,073**	**13,753**	**6,896**	**2,221**	**2,987**	**110,074**
Accumulated Depreciation and Amortization							
January 1, 2018	27,125	10,242	9,681	6,433	-	1,345	54,826
Depreciation and amortization	2,798	2,192	1,073	226	-	574	6,863
December 31, 2018	29,923	12,434	10,754	6,659	-	1,919	61,689
Depreciation and amortization	3,680	1,880	808	121	236	520	7,245
Disposals	(813)	-	-	-	-	-	(813)
December 31, 2019	32,790	14,314	11,562	6,780	236	2,439	68,121
Depreciation and amortization	3,672	4,862	841	31	586	378	10,370
Disposals	(630)	-	-	-	-	-	(630)
December 31, 2020	**35,832**	**19,176**	**12,403**	**6,811**	**822**	**2,817**	**77,861**
Net Book Value							
December 31, 2018	P11,246	P5,857	P746	P136	P -	P854	P18,839
December 31, 2019	P9,985	P4,627	P1,001	P15	P785	P465	P16,878
December 31, 2020	**P9,312**	**P19,897**	**P1,350**	**P85**	**P1,399**	**P170**	**P32,213**

Depreciation and amortization expense for the years ended December 31, 2020, 2019 and 2018 was charged as part of "Operating Expenses" in profit or loss.

The cost of fully depreciated property and equipment still in use amounted to P58,224, P53,261 and P32,282 as at December 31, 2020, 2019 and 2018, respectively.

11. Investment in an Associate

PWSI entered into a Shareholders' Agreement and a Share Purchase Agreement with Pernod Ricard Asia S.A.S and Allied Netherlands B.V. for the purchase of the shares of stocks of Pernod Ricards Philippines, Inc. (Pernod) for EURO 2.10 million (equivalent to P126,957) in February 2019.

Pernod wholesales and distributes distilled spirits. Pernod offers neutral spirits and ethyl alcohol used in blended wines and distilled liquors. Pernod serves customers throughout the world. Its principal address is at 4-C Palm Coast Avenue One E-com Center Building, Pasay City, 1300. As at December 31, 2020 and 2019, PWSI owns 30% of Pernod shares.

The financial year end date of Pernod is June 30. This is the reporting date established on the articles of incorporation of the associate. This is also the reporting date adopted by its parent company, Pernod Ricard Asia S.A.S. and its ultimate parent company, Pernod Ricard S.A.

The following table summarizes the financial information of Pernod and shows the reconciliation of PWSI's share in net assets of such investee to the carrying amounts of its investment as of December 31:

	2020	2019
Balance at beginning of year	**P118,194**	P -
Acquisition	**-**	126,957
Share in net losses	**(24,833)**	(8,763)
Balance at end of year	**P93,361**	P118,194

	2020	2019
Percentage ownership interest	**30%**	30%
Current assets	**P592,719**	P823,323
Noncurrent assets	**186,311**	193,218
Current liabilities	**480,426**	627,084
Noncurrent liabilities	**32,305**	40,382
Net assets	**266,299**	349,075
PWSI's share of net assets	**P79,890**	P104,723
Goodwill	**13,471**	13,471
Carrying amount of investments in an associate	**P93,361**	P118,194
Revenue	**P585,611**	P1,339,369
Net loss/total comprehensive loss	**(P82,776)**	(P29,210)
The Group's share in net losses (30%)	**(P24,833)**	(P8,763)

12. Other Noncurrent Assets

This account consists of

	Note	2020	2019	2018
Excess tax credits		**P23,234**	P23,234	P23,234
Refundable deposits	*21, 26*	**16,504**	8,214	5,828
Others		**759**	663	562
		P40,497	P32,111	P29,624

Excess tax credits pertain to prepaid taxes carried over from previous taxable years.

13. Trade and Other Payables

This account consists of:

	Note	2020	2019	2018
Trade payables - third parties		**P1,032,672**	P1,105,777	P658,265
Non-trade payables:				
Third parties		**147,633**	139,527	122,908
Related parties	*16*	**5,183**	4,925	17,730
Accrued expenses		**48,628**	41,257	22,748
Statutory obligations		**91,650**	4,347	17,603
	26, 27	**P1,325,766**	P1,295,833	P839,254

Trade payables are non-interest-bearing and are generally on a 30-to-60-day payment terms.

Non-trade payables are amounts owed to non-trade suppliers such as manpower agencies, freight companies and other non-trade payment transactions. These are non-interest-bearing and are generally on a 30-day payment terms.

Accrued expenses consist of accruals for utilities, advertisement and other operating expenses.

14. Notes Payable

The movements and balances in notes payable are as follows:

	Note	2020	2019	2018
Balances at beginning of year		**P120,000**	P353,000	P700,000
Interest charge for the year	*20*	**300**	6,745	7,561
Payments made:				
Principal portion		**(120,000)**	(353,000)	(700,000)
Interest expense		**(300)**	(6,745)	(7,561)
Availment of loan		**-**	120,000	353,000
Balances at end of year	*26, 27, 28*	**P -**	P120,000	P353,000

In 2017, MI entered into various unsecured, short-term loan agreements with various local banks totaling P700,000 with fixed annual interest rate of 2.13%. These were subsequently paid in 2018.

In 2018, MI entered into various unsecured, short-term loan agreements with Metropolitan Bank and Trust Company and Asia United Bank totaling P353,000 with fixed annual interest rates of 5.25% to 6.00%. These were subsequently paid in 2019.

On November 20, 2019, MI obtained an unsecured, three-month loan from Metropolitan Bank and Trust Company amounting to P120,000 with a fixed interest rate of 4.50%. This was subsequently paid in 2020.

The loan proceeds were used to finance the MI's working capital requirements.

15. Loans Payable

The movements and balances in loans payable are as follows:

	Note	**2020**	2019	2018
Balances at beginning of year		**P609,000**	P357,000	P150,000
Interest charge for the year	*20*	**15,896**	37,872	16,974
Payments made:				
Principal portion		**(664,000)**	(268,000)	(230,000)
Interest expense		**(15,896)**	(37,872)	(16,974)
Availment of loan		**97,000**	520,000	437,000
Balances at end of year	*26, 27, 28*	**P42,000**	P609,000	P357,000

PWSI
As at December 31, 2018 and 2017, the remaining outstanding loan balance amounted to P357,000 and P50,000, respectively. In 2018, PWSI entered into various unsecured, peso-denominated loans obtained from a local bank with maturity of 90 days totaling P437,000 with annual interest rate of 5.875%. PWSI made principal payments amounting to P130,000 in 2018.

In 2019, PWSI entered into various unsecured, peso-denominated loans obtained from a local bank with maturity of 90 days totaling P126,000 with annual interest rate of 3.21%. PWSI made principal payments amounting to P170,000 in and 2019 and fully settled its loan payable amounting to P313,000 in 2020.

These are intended to finance the inventory build-up and additional working capital requirements of PWSI. The loans are not subject to compliance with any loan covenant.

Interest expense recognized in profit or loss amounted to P10,054, P23,302 and P16,224 for the years ended December 31, 2020, 2019 and 2018, respectively (see Note 20).

MPDI
a. In 2019, MPDI entered into various unsecured, short-term loans with a maturity of less than one year from Asia United Bank totaling to P279,000 with fixed annual interest of 4.75% to 6.00%. MPDI made principal payments amounting to P64,000 in 2019. The remaining outstanding balance amounting to P215,000, was subsequently paid in 2020.

b. In 2019, MPDI entered into various unsecured, short-term loan agreements with Metropolitan Bank and Trust Company (MBTC) totaling P115,000 with fixed annual interest rates of 4.50% to 5.50%. MPDI made principal payments amounting to P34,000 in 2019. The remaining outstanding balance totaling to P81,000 was subsequently paid in 2020.

   In 2020, MPDI availed of the same type of loans amounting to P97,000 with fixed annual interest rates of 3.5% to 5.00%. MPDI paid P55,000 for this loan before year end.

The loans are intended to finance working capital requirements.

Interest expense recognized in profit or loss amounted to P5,842, P14,570 and P750 for the years ended December 31, 2020, 2019 and 2018, respectively (see Note 20).

16. Related Party Transactions

Transactions and account balances with related parties as at and for the years ended December 31 are as follows:

Category/ Transaction	Year	Ref	Transactions During the Year	Outstanding Balance Receivable	Outstanding Balance Payable	Outstanding Balance Due to Related Parties	Terms	Conditions
Ultimate Parent Company								
▪ Dividends	**2020**	*17*	**P200,000**	**P -**	**P300,000**	**P -**	**Due and demandable**	**Unsecured**
	2019		50,000	-	150,000	-		
	2018		125,000	-	375,000	-		
▪ Management fee	**2020**	*a*	**-**	**-**	**-**	**106,700**	Due and demandable; non-interest-bearing	Unsecured
	2019		-	-	-	106,700		
	2018		-	-	-	106,700		
Entities under Common Control								
▪ Sales of good	**2020**	*7, b*	**2,266,932**	**675,136**	**-**	**-**	30 days credit term; non-interest bearing	Unsecured; no impairment
	2019		3,629,926	987,992	-	-		
	2018		2,545,668	548,436	-	-		
▪ Lease expense	**2020**	*21, c*	**61,037**	**-**	**201,960**	**-**	Payable on a monthly basis	Unsecured
	2019		19,851	-	34,167	-		
	2018		17,594	-	33,168	-		
▪ Advances	**2020**	*13, d*	**-**	**-**	**-**	**86,000**	Payable on demand; interest-bearing	Unsecured
	2019		152	-	-	86,152		
	2018		-	-	1,086	86,000		
▪ Interest expense	**2020**	*13, d*	**1,720**	**-**	**2,508**	**-**	**Payable on demand**	**Unsecured**
	2019		1,062	-	788	-		
	2018		3,316	-	4,103	-		
▪ Reimbursement of expenses	**2020**	*7, 13, e*	**4,023**	**1,347**	**2,675**	**-**	Payable on demand; non-interest-bearing	Unsecured; no impairment
	2019		4,137	-	4,137	-		
	2018		8,406	-	8,406	-		
Stockholder								
▪ Advances	**2020**	*f*	**1,091**	**-**	**-**	**7,853**	Refer to Note f	Refer to Note f
	2019		1,155	-	659,500	6,762		
	2018		660,368	-	659,500	110,607		
▪ Interest expense	**2020**	*13, f*	**6,119**	**-**	**-**	**-**	Refer to note f	Refer to Note f
	2019		26,664	-	-	-		
	2018		5,944	-	4,135	-		
	2020			**P676,483**	**P507,143**	**P200,553**		
	2019			P987,992	P848,592	P199,614		
	2018			P548,436	P1,085,398	P303,307		

a. This pertains to amount due to the Ultimate Parent Company for corporate services rendered to PWSI in 2017 and 2016.

b. The Group distributes wines, liquors and water to entities under common control.

c. The Group entered into lease agreements with entities under common control for its office spaces and warehouses. Lease expenses include amortization expense on right-of-use assets and interest expense on lease liabilities (see Note 21).

d. These are cash advances to PWSI from an entity under common control for additional working capital requirements. These advances earn annual interest rate of 2.0%, 4.5% and 3.25% in 2020, 2019 and 2018, respectively with maturities of two (2) years.

e. This represents cash advances to and from related parties as at December 31, 2020, 2019 and 2018 in the form of reimbursement of expenses and working capital advances.

f. In 2018, MPDI paid advances from a stockholder amounting to P20,000.

   In prior years, MI received cash advances from a stockholder in a form of promissory notes. These advances earn fixed annual interest rate of 1.8% with maturities of two (2) years. MI made principal payments amounting to P234,000 in 2018.

   In 2018, MI received unsecured cash advances from a stockholder in a form of promissory notes amounting to P659,500. These advances earn fixed annual interest rate of 4.00% with maturities of one (1) year. The advances were intended for the MI's working capital requirements to finance inventory purchases.

   On November 5, 2019, both parties renewed the promissory note for the same amount and interest rate with a new maturity date of November 21, 2021. In June 2020, both parties terminated the promissory note and MI paid in full the outstanding loan principal and related interest.

   Interest expense recognized in profit or loss relating to advances from a stockholder amounted to P6,119, P26,664 and P5,944 for the years ended December 31, 2020, 2019 and 2018, respectively (see Note 20).

   Stockholder's advances amounting to P7,853, P6,762 and P110,607 as at December 31, 2020, 2019 and 2018 represent amounts owed to related parties for working capital requirements of DVCHI. These advances are non-interest-bearing, unsecured, payable on demand and will be settled in cash.

   In 2018, PWSI received unsecured cash advances in the form of promissory note. These advances earn annual interest rate of 3.25%. Full payment was made in 2019.

Amounts owed by and owed to related parties are to be settled in cash.

Key Management Personnel

The compensation of the key management personnel of the Group, by benefit type, follows:

	2020	2019	2018
Short-term employee benefits	**P4,228**	P4,215	P3,717
Retirement benefits cost	**161**	111	110
	P4,389	P4,326	P3,827

17. Equity

The pro forma consolidated balances of the Group's equity are presented in Note 3.

The pro forma capital stock of the Parent Company is as follows:

	2020	2019	2018
Common shares	**P1,150,875**	P1,150,875	P1,150,875
Additional paid-in capital	**21,421,033**	21,421,033	21,421,033
	P22,571,908	P22,571,908	P22,571,908

Common shares carry one vote per share and a right to dividends.

Additional paid-in capital pertains to amount paid on the issuance of shares in excess of par value.

Below are the pro forma details of the common shares as at December 31, 2020, 2019 and 2018:

	Shares	Amount
Authorized:		
Common shares (P0.10 par value per share)	**20,000,000,000**	**P2,000,000**
Subscribed and outstanding:		
Common shares (P0.10 par value per share)	**11,508,750,305**	**P1,150,875**

Movement in the pro forma issued and outstanding capital stocks of DVCHI follow:

Date	Activity	Issue Price	Number of Shares Common Shares
September 3, 1991	Issuance of capital stocks as of listing date	P2.85	1,124,999,969
January 1, 2018	Effect of reduction in par value	-	(866,249,664)
January 1, 2018	Issuance of capital stocks under share swap arrangement	2.00	11,250,000,000
			11,508,750,305

Retained Earnings

Declaration of Dividends

MI

On November 28, 2017, the Company's BOD approved the declaration of cash dividends of P13.33 per share or an aggregate amount of P100,000, payable to stockholders of record as of the same date. These were paid in 2019.

On December 18, 2018, MI's BOD approved the declaration of cash dividends of P13.33 per share or an aggregate amount of P100,000, payable to stockholders of record as of the same date. These were paid in 2019.

On December 5, 2019, MI's BOD approved the declaration of cash dividends of P6.66 per share or an aggregate amount of P50,000 payable to stockholders of record as of the same date. These were paid in 2020.

On December 18, 2020, MI's BOD approved the declaration of cash dividends of P26.66 per share or an aggregate amount of P200,000, payable to stockholders of record as of the same date. These dividends are outstanding as of December 31, 2020.

MPDI
On November 28, 2017, MPDI's BOD approved the declaration of cash dividends of P6.67 per share or an aggregate amount of P50,000, payable to stockholders of record as of the same date.

On December 18, 2018, MPDI's BOD approved the declaration of cash dividends of P3.33 per share or an aggregate amount of P25,000, payable to stockholders of record of the same date.

All outstanding dividends were paid in 2019.

PWSI
On December 11, 2015, PWSI's BOD approved the declaration of cash dividends amounting to P100,000, payable to stockholders of record as at the same date. The management is planning to settle in 2021 the dividends payable as at December 31, 2020.

18. Cost of Goods Sold

This account consists of:

	Note	**2020**	2019	2018
Inventory at beginning of year	*8*	**P4,744,683**	P3,668,473	P2,581,920
Net purchases		**4,846,613**	9,335,114	7,840,211
Total goods available for sale		**9,591,296**	13,003,587	10,422,131
Inventory at end of year	*8*	**(3,659,336)**	(4,744,683)	(3,668,473)
		P5,931,960	P8,258,904	P6,753,658

19. Operating Expenses

This account consists of:

	Note	**2020**	2019	2018
Distribution costs		**P213,853**	P180,888	P130,127
Advertisement		**139,310**	293,968	383,369
Salaries and other employee benefits		**86,251**	81,479	77,002
Depreciation and amortization	*10, 21*	**63,852**	33,055	30,061
Outside services		**34,400**	65,305	66,920
Taxes and licenses		**26,891**	56,472	18,656
Insurance		**12,001**	9,280	11,212
Utilities and communication		**6,310**	10,557	11,244
Transportation and travel		**5,011**	10,128	10,617
Representation and entertainment		**934**	3,507	3,929
Miscellaneous		**20,676**	29,132	34,862
		P609,489	P773,771	P777,999

20. Other Income (Charges)

This account consists of:

	Note	**2020**	2019	2018
Interest expense	*14, 15, 16, 21*	**(P31,392)**	(P74,461)	(P36,207)
Foreign exchange gain (loss) - net		**(23,271)**	31,041	30,042
Interest income	*6*	**21,926**	4,781	4,515
Bank charges		**(272)**	(972)	(556)
Commission income		**-**	-	53,389
Others		**2,293**	161	-
		(P30,716)	(P39,450)	P51,183

21. Lease Agreements

The Group entered into lease agreements with entities under common control for its office space and warehouse. These leases have terms ranging from two (2) years to five (5) years, renewable under terms and condition agreed upon by both parties.

The lease payments provide for, among others, security deposits amounting to P16,504, P8,214 and P5,828 as at December 31, 2020, 2019 and 2018, respectively, which are shown under "Other noncurrent assets" account in the pro forma consolidated statements of financial position (see Note 12).

The movements of the right-of-use assets and lease liabilities for the years ended December 31, 2020, 2019 and 2018 are as follows:

i. Right-of-Use Assets

	Note	**2020**	2019	2018
Balance at beginning of year		**P34,046**	P40,631	P26,255
Additions		**205,289**	19,225	37,574
Amortization charge for the year	*19*	**(53,482)**	(25,810)	(23,198)
Balance at end of year		**P185,853**	P34,046	P40,631

ii. Lease Liabilities

	Note	**2020**	2019	2018
Balance at beginning of year		**P37,167**	P44,716	P30,064
Additions		**205,289**	19,225	37,574
Interest charge for the year	*20*	**7,357**	2,118	2,412
Payments made		**(47,853)**	(28,892)	(25,334)
Balance at end of year	*26, 27, 28*	**P201,960**	P37,167	P44,716

Maturity analyses of the undiscounted lease liabilities as at December 31, 2020, 2019 and 2018 are as follows:

	Undiscounted Lease Payments	**Interest**	**Present Value of Lease Liabilities**
Not later than one year	**P59,762**	**P7,209**	**P52,553**
Later than one year but not later than five years	**160,396**	**10,989**	**149,407**
Balance at December 31, 2020	**P220,158**	**18,198**	**P201,960**

	Undiscounted Lease Payments	Interest	Present Value of Lease Liabilities
Not later than one year	P23,995	P1,225	P22,770
Later than one year but not later than five years	15,455	1,058	14,397
Balance at December 31, 2019	P39,450	P2,283	P37,167

	Undiscounted Lease Payments	Interest	Present Value of Lease Liabilities
Not later than one year	P26,070	P1,596	P24,474
Later than one year but not later than five years	20,777	535	20,242
Balance at December 31, 2018	P46,847	P2,131	P44,716

As at December 31, 2020, 2019 and 2018, the Group's lease liabilities are classified in the pro forma consolidated statements of financial positions as follows:

	2020	2019	2018
Current	**P52,553**	P22,770	P24,474
Noncurrent	**149,407**	14,397	20,242
	P201,960	P37,167	P44,716

iii. Amounts recognized in profit or loss

	Note	**2020**	2019	2018
Amortization expense	*19*	**P53,482**	P25,810	P23,198
Interest on lease liabilities	*20*	**7,357**	2,118	2,412
Expenses relating to short term lease	*19*	**1,514**	-	-
		P62,353	P27,928	P25,610

Expenses relating to short term lease are shown under "Miscellaneous" account under operating expense in profit or loss.

iv. Amounts recognized in the statements of cash flows

	2020	2019	2018
Total cash outflow for leases	**P49,367**	P28,892	P25,334

22. Retirement Benefits Liability

The Group does not have an established retirement plan and only conforms to the minimum regulatory benefits under the Retirement Pay Law (Republic Act No. 7641) which is of the final salary defined benefit type and provides retirement benefits equal to 22.5 days' pay for every year of credited service for employees who attain the normal retirement age of sixty (60) with at least five (5) years of service. The regulatory benefit is paid in a lump sum upon retirement.

The succeeding table summarizes the components of the retirement benefits cost under a defined benefits retirement plan recognized in profit or loss and the amount of retirement benefits liability recognized in the statements of financial position. Annual cost is determined using the projected unit credit method. The Group's latest actuarial valuation date is December 31, 2020.

The table below shows the present value of the defined benefits retirement obligation/ retirement benefits liability and its components as at December 31:

	2020	2019	2018
Balance at beginning of year	**P12,304**	P8,440	P17,275
Recognized in Profit or Loss			
Current service cost	**1,547**	1,011	922
Interest cost	**638**	633	929
	2,185	1,644	1,851
Recognized in Other Comprehensive Income (Loss)			
Actuarial loss (gain) arising from:			
Change in demographic assumptions	**1,115**	(1,246)	(7,441)
Change in financial assumptions	**319**	3,236	(4,196)
Experience adjustments	**(593)**	362	1,071
	841	2,352	(10,566)
Benefits paid	**-**	(132)	(120)
Balance at end of year	**P15,330**	P12,304	P8,440

The retirement benefits cost is recognized as part of "Salaries and other employee benefits" account under operating expenses in profit or loss.

There are no unusual or significant risks to which the retirement benefits liability exposes the Group. However, it should be noted that in the event a benefit claim arises under the retirement benefits liability, the benefit shall immediately be due and payable from the Group.

As at December 31, 2020, 2019 and 2018, accumulated remeasurements on retirement benefits amounted to P4,691, P5,380 and P7,304, respectively, as presented in the pro forma consolidated statements of financial position.

The principal actuarial assumptions (in percentages) used to determine retirement benefits are as follows:

	2020	2019	2018
Discount rate	**3.95%**	5.18% to 5.21%	7.50% to 7.53%
Future salary increases	**5.00% to 8.00%**	8.00%	3.00% to 8.00%

The valuation results are based on the employee data as of the valuation date. The discount rate assumption is based on the Bankers Association of the Philippines (BAP) PHP Bloomberg BV AL Reference Rates (BVAL) benchmark reference curve for the government securities market (previously the PDEx (PDST-R2) market yields on benchmark government bonds) as of the valuation date and considering the average years of remaining working life of the employees as the estimated term of the benefit obligation.

Assumptions for mortality and disability rates are based on published statistics and mortality and disability tables.

Details of the weighted average duration of defined benefits obligation are presented below:

(in years)	**2020**	2019	2018
MI	**11.70**	11.80	11.3
MPDI	**11.10**	13.40	13.2
PWSI	**8.90**	8.40	7.7

As at December 31, the reasonably possible changes to one of the relevant actuarial assumptions, while holding all other assumptions constant, would have affected the defined benefits liability by the amounts below:

	December 31, 2020		December 31, 2019		December 31, 2018	
	Defined Benefits Liability		Defined Benefits Liability		Defined Benefits Liability	
	1 Percent Increase	**1 Percent Decrease**	1 Percent Increase	1 Percent Decrease	1 Percent Increase	1 Percent Decrease
Discount rate	**(P1,143)**	**P1,220**	(P913)	P954	(P636)	P658
Salary increase rate	**1,280**	**(1,082)**	1,072	(926)	603	(516)

Although the analysis does not take into account the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

Funding Arrangements
Since the Group does not have a formal retirement benefits plan, benefit claims under the retirement benefits liabilities are paid directly by the Group when they become due.

Asset-liability Matching (ALM)
The Group does not have a formal retirement plan and therefore has no plan assets to match against the liabilities under the defined benefits obligation.

Maturity analyses of retirement benefits liability based on a ten (10) year projection of the expected future benefit payments is as follows:

	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1 - 5 Years	More than 5 Years
2020	**P15,330**	**P13,529**	**P764**	**P8,902**	**P3,863**
2019	12,304	15,115	323	4,514	10,278
2018	8,440	12,640	-	708	11,932

23. Income Taxes

The provision for income tax consists of:

	2020	2019	2018
Current	**P391,699**	P418,118	P286,268
Deferred	**(49)**	663	(496)
	P391,650	P418,781	P285,772

The Group's provision for current income tax represents regular corporate income tax (RCIT) in all years presented.

MI elected to avail of the OSD which is equivalent to 40% of total gross income in 2020, 2019 and 2018.

The reconciliation of the provision for income tax computed at the statutory income tax rate and the provision for income tax shown in profit or loss for the years ended December 31 is as follows:

	2020	2019	2018
Income before income tax	**P1,570,406**	P1,636,509	P1,103,227
Provision for income tax at the statutory income tax rate of 30%	**P471,448**	P491,267	P331,253
Additions to (reductions from) income taxes resulting to the tax effects of:			
Availment of optional standard deduction	**(92,655)**	(246,874)	(163,791)
Share in net loss of an associate	**7,450**	-	-
Interest income subjected to final tax	**(6,578)**	(1,434)	(1,355)
Change in unrecognized deferred income tax asset	**6,038**	(1,713)	2,154
Non-deductible expenses	**5,947**	177,535	123,169
Other adjustments	**-**	-	(5,658)
Provision for income tax	**P391,650**	P418,781	P285,772

The components of the Group's net deferred income tax assets are as follows:

	2020	2019	2018
Retirement benefits liability	**P3,678**	P3,029	P2,198
Allowance for ECLs	**786**	1,237	1,237
PFRS 16, *Leases* adjustment	**323**	689	1,072
Unrealized foreign exchange gain (loss) - net	**(25)**	(394)	289
	P4,762	P4,561	P4,796

The movements of the net deferred income tax assets are accounted for as follows:

	2020	2019	2018
Amount charged to profit or loss	**P49**	(P663)	P496
Amount charged to OCI relating to remeasurement on retirement benefits	**152**	428	(2,990)
Net increase (decrease) in deferred income tax assets	**P201**	(P235)	(P2,494)

DVCHI

As at December 31, 2020, 2019 and 2018, DVCHI has carryforward benefits of unused NOLCO amounting to P2,852, P2,738 and P2,090, respectively, for which no deferred income tax asset was recognized. Management believes that it is not probable that future taxable profits will be available to allow all or part of its deferred income tax asset to be utilized prior to its expiration.

Details of the DVCHI's NOLCO for the taxable year 2020 are as follows:

Year Incurred	Amount	Applied Previous Year	Applied Current Year	Expired	Ending Balance	Expiry Date
2016	P400	P -	P -	P400	P -	2019
2017	975	-	-	975	-	2020
2018	715	-	-	-	715	2021
2019	1,048	-	-	-	1,048	2022
2020	1,089	-	-	-	1,089	2025*
	P4,227	**P -**	**P -**	**P1,375**	**P2,852**	

**Pursuant to Section 4(bbbb) of Republic Act (RA) 11494, Bayanihan to Recover As One Act and as implemented under Revenue Regulations (RR) No. 25-2020, unless otherwise disqualified from claiming the deduction, the business or enterprise which incurred net operating loss for taxable years 2020 and 2021 shall be allowed to carry over the same as a deduction from its gross income for the next five (5) consecutive taxable years immediately following the year of such loss. The net operating loss for said taxable years may be carried over as a deduction even after the expiration of RA No. 11494 provided the same are claimed within the next five (5) consecutive taxable years immediately following the year of such loss.*

MI
The amounts of temporary differences as at December 31, 2020, 2019 and 2018 for which no deferred tax assets were recognized because management believes that it is not probable that the tax benefits of these temporary differences will be availed of as MI intends to continue its availment of the optional standard deduction in the subsequent years are as follows:

	2020	2019	2018
Unrealized foreign exchange losses - net	**P16,696**	P253	P6,579
PFRS16, *Leases* adjustment	**4,110**	824	512
Retirement benefits liability	**3,072**	2,341	1,113
	P23,878	P3,418	P8,204

24. Provision

The Group sets-up a provision for any probable liabilities that may arise as a result of conducting its business. The disclosures of additional details beyond the present disclosures may prejudice the Group's position with respect to these matters. Thus, as allowed by PAS 37, only a general description is provided.

The movements and balances of provisions as at and for the years ended December 31 are as follows:

	2020	2019	2018
Balances at beginning of year	**P13,901**	P13,901	P5,748
Provision during the year	**-**	-	8,153
Provision used during the year	**(1,926)**	-	-
Balances at end of year	**P11,975**	P13,901	P13,901

In 2018, provision for probable losses was recognized by the Group amounting to P8,153 while no provision for probable losses was recognized by the Group in 2020 and 2019.

25. Earnings Per Share

Pro forma basic/diluted EPS of the Group is computed as follows:

(In thousands, except for per share data)	***Note***	**2020**	2019	2018
Pro forma net income (a)		**P1,178,756**	P1,217,728	P817,455
Weighted average number of common shares outstanding for the year* (b)	*3*	**11,508,750**	11,508,750	11,508,750
Basic/Diluted EPS (a/b)		**P0.10**	P0.11	P0.07

****after share swap transaction and change in par value of common shares (Note 1)***

Pro forma weighted average number of common shares in 2020, 2019 and 2018 used for the purposes of basic earnings per share were computed as follows:

	Number of Common Shares	Proportion to Period	Weighted Average
Outstanding shares at the beginning and end of year	11,508,750,305	12/12	11,508,750,305

Details of number of common shares used for the purposes of basic earnings per share assuming the transaction happened as at the earliest comparative period presented are as follows:

	Number of Shares
Number of shares before share swap transaction	1,124,999,969
Effect of changes in par value	(866,249,664)
Issuance of shares under share swap transaction	11,250,000,000
Number of shares after share swap transaction	11,508,750,305

The Group has no potential dilutive instruments as at December 31, 2020, 2019 and 2018, hence, diluted EPS is the same as the basic EPS.

Historical basic/diluted loss per share (LPS) of DVCHI is computed as follows:

(In thousands)	**2020**	2019	2018
Net loss (a)	**P1,089**	P1,048	P948
Weighted average number of common shares (b)	**1,125,000**	1,125,000	1,125,000
Basic/diluted LPS (a/b)	**P0.0010**	P0.0009	P0.0008

Historical weighted average number of common shares of DVCHI in 2020, 2019 and 2018 used for the purposes of basic loss per share were computed as follows:

	Number of Common Shares	Proportion to Period	Weighted Average
Outstanding shares at the beginning and end of year	1,124,999,969	12/12	1,124,999,969

26. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

The BOD of DVCHI, MI, MPDI and PWSI has overall responsibility for the establishment and oversight of each entity's risk management framework. The BOD of each entity has delegated to the respective entities' management the responsibility of developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The BOD of each of the entities oversees how each entity's management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

The Group has exposure to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risks, and the Group's management of capital.

The Group's overall risk management program seeks to minimize potential adverse effects on the financial performance of the Group. There were no changes in the exposures to each of the above risks and to the Group's objectives, policies and processes for measuring and managing the risk from the previous periods. The policies for managing specific risks are summarized below:

Credit Risk

Credit risk represents the risk of loss the Group would incur if credit customers and counterparties fail to perform their contractual obligations. The Group's credit risk arises from the Group's use of its financial assets. Credit risk management involves entering into financial transactions only with counterparties with acceptable credit rating.

The carrying amount of financial assets represents the maximum credit exposure to credit risk as at December 31 as follows:

	Note	**2020**	2019	2018
Cash in banks	*6*	**P636,115**	P390,537	P264,826
Cash equivalents	*6*	**1,896,472**	50,133	-
Trade and other receivables	*7*	**1,574,625**	2,322,080	1,899,736
Refundable deposits	*12*	**16,504**	8,214	5,828
		P4,123,716	P2,770,964	P2,170,390

The Group's policy is to enter into transactions with a diversity of credit worthy parties to mitigate any significant concentration of credit risk. There is no significant concentration of credit risk within the Group.

As at December 31, 2020, 2019 and 2018, the Group does not expect any counterparty, other than trade customers, to fail in meeting its obligations, thus, related risk is deemed to be insignificant. On the other hand, the Group believes that no impairment loss is necessary in respect of other financial assets since they are neither past due nor impaired.

Credit Quality

In monitoring and controlling credit extended to counterparty, the Group adopts a comprehensive credit rating system based on financial and non-financial assessments of its customers. Financial factors being considered comprised of the financial standing of the customer while the non-financial aspects include but are not limited to the assessment of the customer's nature of business, management profile, industry background, payment habit and both present and potential business dealings with the Group.

The Group assessed the credit quality of its financial assets as follows:

a. Cash in banks and cash equivalents were assessed as high grade since these are deposited in reputable banks with a good credit standing, which have a low profitability of insolvency and can be withdrawn anytime.

b. Trade and other receivables were assessed as standard grade since these include receivables that are collected on their due dates even without an effort from the Group to follow them up.

c. Refundable deposits were assessed as high grade since these security deposits are refundable at the end of the lease term which is expected from a reputable service provider.

ECL Assessment
The Group allocates each exposure to a credit risk on data that are determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial assets, management accounts and cash flow projections and available press information about customers) and applying expected credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default.

In measuring the expected credit losses, the trade and other receivables have been assessed on a collective basis as they pose shared credit risk characteristics. They have been grouped based on the days past due.

The following table provides information about the exposure to credit risk for trade and other receivables as at December 31, 2020, 2019 and 2018:

	December 31, 2020		
	Gross Carrying Amount	**Impairment Loss Allowance**	**Credit-impaired**
Current (not past due)	**P1,304,237**	**P -**	**No**
1 - 30 days past due	**228,156**	**-**	**No**
31 - 120 days past due	**44,853**	**2,621**	**Yes**
Balance at December 31, 2020	**P1,577,246**	**P2,621**	

	December 31, 2019		
	Gross Carrying Amount	Impairment Loss Allowance	Credit-impaired
Current (not past due)	P1,635,070	P -	No
1 - 30 days past due	458,577	-	No
31 - 120 days past due	232,558	4,125	Yes
Balance at December 31, 2019	P2,326,205	P4,125	

	December 31, 2018		
	Gross Carrying Amount	Impairment Loss Allowance	Credit-impaired
Current (not past due)	P1,437,522	P -	No
1 - 30 days past due	281,063	-	No
31 - 120 days past due	185,276	4,125	Yes
Balance at December 31, 2018	P1,903,861	P4,125	

The Group applies the simplified approach in providing for expected credit losses prescribed by PFRS 9, which permits the use of the lifetime expected loss provision and applies a provision matrix.

The maturity of the Group's receivables is less than one year so the lifetime expected credit losses and the 12-month expected credit losses are similar.

Exposures within each credit risk grade are assessed based on delinquency and actual credit loss experience. The Group considered both historical loss rate and forward-looking assumption. The Group assessed that the impact of forward-looking assumption is immaterial.

The maturity of the Group's receivables is less than one year so the lifetime expected credit losses and the 12-month expected credit losses are similar.

The additional allowance for impairment in respect of trade and other receivables of the Group as a result of the expected credit loss assessment amounted to P2,621 as at December 31, 2020 and P4,125 as at December 31, 2019 and 2018.

Cash in banks and cash equivalents are considered of good quality as these pertain to deposits in a reputable bank. Impairment on cash has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash has low credit risk based on the external credit ratings of the counter parties.

The credit risk for security deposit is assessed to have not increased significantly since initial recognition as the counterparties have strong financial position and there are no past due amounts. The Group uses similar approach for assessment of ECLs for security deposit to those used for cash in banks. The Group has assessed that the impact of providing ECL for security deposit is immaterial, thus did not recognize loss allowance.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by maintaining a balance between continuity of funding and flexibility in operations. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements, as well as capital expenditures and loan payments. Management closely monitors the Group's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal requirements.

The following are contractual maturities of financial liabilities as at December 31:

	December 31, 2020			
	Carrying Amount	**Contractual Cash Flows**	**1 Year or Less**	**More than 1 Year**
Financial Liabilities				
Trade and other payables*	**P1,231,552**	**P1,231,552**	**P1,231,552**	**P -**
Due to related parties**	**203,061**	**203,061**	**203,061**	**-**
Dividends payable	**300,000**	**300,000**	**300,000**	**-**
Lease liabilities	**201,960**	**220,158**	**59,762**	**160,396**
Loans payable***	**42,000**	**42,056**	**42,056**	**-**
Total	**P1,978,573**	**P1,996,827**	**P1,836,431**	**P160,396**

**Excluding statutory obligations and accrued interest payable amounting to P91,650 and P2,564, respectively.*
***Including accrued interest payable from advances from an entity under common control amounting to P2,508.*
****Including accrued interest payable amounting to P56.*

	December 31, 2019			
	Carrying Amount	Contractual Cash Flows	1 Year or Less	More than 1 Year
Financial Liabilities				
Trade and other payables*	P1,287,735	P1,287,735	P1,287,735	P -
Due to related parties**	200,402	200,402	200,402	-
Dividends payable	150,000	150,000	150,000	-
Lease liabilities	37,167	39,450	23,995	15,455
Loans payable***	609,000	611,963	611,963	-
Notes payable	120,000	120,300	120,300	-
Advances from a stockholder****	659,500	708,523	26,380	682,143
Total	P3,063,804	P3,118,373	P2,420,775	P697,598

**Excluding statutory obligations and accrued interest payable amounting to P4,347 and P3,751, respectively.*
***Including accrued interest payable from advances from an entity under common control amounting to P788.*
****Including interest payable amounting to P2,963.*
*****Including of future interest payable with interest rates of 4.00%*

	December 31, 2018			
	Carrying Amount	Contractual Cash Flows	1 Year or Less	More than 1 Year
Financial Liabilities				
Trade and other payables*	P814,765	P814,765	P814,765	P -
Due to related parties**	307,410	307,410	307,410	-
Dividends payable	375,000	375,000	375,000	-
Lease liabilities	44,716	46,847	26,070	20,777
Loans payable***	357,000	359,783	359,783	-
Notes payable	353,000	355,958	355,958	-
Advances from a stockholder****	659,500	690,015	690,015	-
Total	P2,911,391	P2,949,778	P2,929,001	P20,777

**Excluding statutory obligations and accrued interest payable amounting to P17,603 and P6,886, respectively.*
***Including accrued interest payable from advances from an entity under common control amounting to P4,103.*
***Including interest payable amounting to P2,783.*
****Including of future interest payable with interest rates of 4.00%*

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other market prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Group is subject to various risks, including foreign currency risk and interest rate risk.

Interest Rate Risk

Interest rate risks is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates.

The Group's exposure to the risk for changes in market interest rates relates mainly to the Group's lease liabilities, loans payable, notes payable and advances from a stockholder. The Group manages this risk by transacting its loans either with short-term maturities or with fixed interest rates. Accordingly, management believes that the Group does not have significant interest rate risk.

Foreign Currency Exchange Risk

Foreign currency exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to foreign currency risk relates primarily to the Group's foreign currency-denominated monetary assets and monetary liabilities.

The currencies in which these transactions are primarily denominated are in United States dollar (USD), Singaporean dollar (SGD), Euro (EUR), Australian Dollar (AUD) and British Pound Sterling (GBP).

The following table shows the Group's foreign currency-denominated monetary assets and monetary liabilities and their Philippine peso (PHP) equivalents as at December 31:

	December 31, 2020				
	USD	**SGD**	**EUR**	**AUD**	**PHP Equivalent**
Foreign currency - denominated monetary asset:					
Cash	**98**	**-**	**-**	**-**	**4,708**
Trade receivables	**28**	**-**	**125**	**40**	**10,137**
	126	**-**	**125**	**40**	**14,845**
Foreign currency - denominated monetary liabilities:					
Trade payables	**262**	**16**	**14,017**	**118**	**840,111**
Net foreign currency - denominated monetary asset (liabilities)	**(136)**	**(16)**	**(13,892)**	**(78)**	**(825,266)**

	December 31, 2019					
	USD	SGD	EUR	AUD	GBP	PHP Equivalent
Foreign currency - denominated monetary asset:						
Cash	477	-	-	-	-	24,203
Trade receivables	-	-	-	-	1	66
	477	-	-	-	1	24,269
Foreign currency - denominated monetary liabilities:						
Trade payables	1,696	57	17,278	434	-	1,077,110
Net foreign currency - denominated monetary asset (liabilities)	(1,219)	(57)	(17,278)	(434)	1	(1,052,841)

	December 31, 2018				
	USD	SGD	EUR	GBP	PHP Equivalent
Foreign currency - denominated monetary asset:					
Cash	194	-	-	-	10,228
Trade receivables	1,658	-	-	-	87,410
	1,852	-	-	-	97,638
Foreign currency - denominated monetary liabilities:					
Trade payables	606	21	7,871	8	507,990
Net foreign currency - denominated monetary asset (liabilities)	1,246	(21)	(7,871)	(8)	(410,352)

In translating the foreign currency-denominated monetary assets and monetary liabilities into Philippine peso amounts, the significant exchange rates applied are as follows:

Spot Rate	**2020**	2019	2018
USD	**48.04**	50.74	52.72
SGD	**35.74**	37.49	38.47
EUR	**58.69**	56.35	60.31
AUD	**36.40**	35.26	37.07
GBP	**67.67**	65.99	66.73

Average Rate	**2020**	2019	2018
USD	**49.62**	51.80	52.66
SGD	**35.98**	37.97	39.05
EUR	**56.57**	57.99	62.19
AUD	**34.20**	36.00	39.38
GBP	**63.66**	66.14	70.32

The following table demonstrates sensitivity of cash flows due to changes in foreign exchange rates with all variables held constant.

	December 31, 2020	
	Percentage Decrease in Foreign Exchange Rates	**Increase (Decrease) in Income before Income Tax**
USD	**(5.32%)**	**P348**
SGD	**(4.67%)**	**27**
EUR	**4.15%**	**(33,836)**
AUD	**3.23%**	**(92)**

	December 31, 2019	
	Percentage Decrease in Foreign Exchange Rates	Increase (Decrease) in Income before Income Tax
USD	-3.76%	P2,326
SGD	-2.55%	54
EUR	-6.57%	63,967
AUD	-4.88%	747
GBP	-1.11%	(1)

	December 31, 2018	
	Percentage Decrease in Foreign Exchange Rates	Increase (Decrease) in Income before Income Tax
USD	5.60%	P3,679
SGD	3.07%	(25)
EUR	1.17%	(5,554)
GBP	-0.58%	3

Changes in foreign exchange rates are based on the average of the banks' forecasted closing exchange rates during the first quarter of the following calendar year. A movement in the opposite direction would increase/decrease income before income tax by the same amount, on the basis that all other variables remains constant.

Capital Risk Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its businesses and maximize shareholder value.

The Group manages its capital structure and makes adjustments, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may pay-off existing debts, return capital to stockholders or issue new shares.

The Group defines capital as paid-in capital stock and retained earnings.

There were no changes in the Group's approach to capital management during the year.

The Chief Financial Officer has the overall responsibility for monitoring of capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Group's external environment and the risks underlying the Group's business operations and industry.

The Group's BODs review the capital structure of the Group on an annual basis. As part of this review, the BODs consider the cost of capital and the risks associated with each class of capital.

The debt to equity ratio at the end of reporting periods is as follows:

	2020	2019	2018
Debt	**P2,283,022**	P3,253,078	P3,056,627
Equity	**6,480,738**	5,502,671	4,336,867
Debt to equity ratio	**0.35:1**	0.59:1	0.70:1

27. Fair Values of Financial Instruments

Cash in Banks, Cash Equivalents, Trade and Other Receivables, Trade and Other Payables and Dividends Payable

The carrying amounts of the Group's cash in banks, cash equivalents, trade and other receivables, trade and other payables (excluding statutory obligations) and dividends payable approximate their fair values due to the short-term maturities of these financial instruments.

Refundable Deposits

The carrying amount of refundable deposits approximates its fair values as the impact of discounting is not significant.

Notes Payable, Loans Payable, Due to Related Parties and Advances from a Stockholder

The estimated fair values of notes payable, loans payable, due to related parties and advances from a stockholder are based on the present value of expected future cash flows using the applicable market rates for similar types of loans at reporting date. The difference between the carrying amount and fair value of notes payable, loans payable, due to related parties and advances from a stockholder is considered immaterial by management.

Lease Liabilities

The fair value of lease liabilities was estimated as the present value of all future cash flows discounted using the incremental borrowing rate. The carrying amounts approximate their fair values because the difference between the interest rates of these instruments and the prevailing market rates for similar instruments is not considered significant.

As at December 31, 2020, 2019 and 2018, the Group has no financial instruments carried at fair value. Thus, disclosure on inputs using a three-level fair value hierarchy is not necessary.

	December 31, 2020	
	Carrying Amount	**Fair Value**
Financial Assets at Amortized Cost		
Cash in banks	**P636,115**	**P636,115**
Cash equivalents	**1,896,472**	**1,896,472**
Trade and other receivables - net	**1,574,625**	**1,574,625**
Refundable deposits	**16,504**	**16,486**
	P4,123,716	**P4,123,698**
Other Financial Liabilities		
Trade and other payables*	**P1,231,552**	**P1,231,552**
Due to related parties**	**203,061**	**203,061**
Dividends payable	**300,000**	**300,000**
Lease liabilities	**201,960**	**220,158**
Loans payable***	**42,000**	**42,056**
	P1,978,573	**P1,996,827**

**Excluding statutory obligations and accrued interest payable amounting to P91,650 and P2,564, respectively.*
***Including accrued interest payable from advances from an entity under common control amounting to P2,508.*
****Including accrued interest payable amounting to P56.*

	December 31, 2019	
	Carrying Amount	Fair Value
Financial Assets at Amortized Cost		
Cash in banks	P390,537	P390,537
Cash equivalents	50,133	50,133
Trade and other receivables - net	2,322,080	2,322,080
Refundable deposits	8,214	8,206
	P2,770,964	P2,770,956
Other Financial Liabilities		
Trade and other payables*	P1,287,735	P1,287,735
Due to related parties**	200,402	200,402
Dividends payable	150,000	150,000
Lease liabilities	37,167	39,450
Loans payable***	609,000	611,963
Notes payable	120,000	120,300
Advances from a stockholder****	659,500	708,523
	P3,063,804	P3,118,373

**Excluding statutory obligations and accrued interest payable amounting to P4,347 and P3,751, respectively.*
***Including accrued interest payable from advances from an entity under common control amounting to P788.*
****Including interest payable amounting to P2,963.*
*****Including of future interest payable with interest rates of 4.00%*

	December 31, 2018	
	Carrying Amount	Fair Value
Financial Assets at Amortized Cost		
Cash in banks	P264,826	P264,826
Trade and other receivables - net	1,899,736	1,899,736
Refundable deposits	5,828	5,821
	P2,170,390	P2,170,383
Other Financial Liabilities		
Trade and other payables*	P814,765	P814,765
Due to related parties**	307,410	307,410
Dividends payable	375,000	375,000
Lease liabilities	44,716	46,847
Loans payable***	357,000	359,783
Notes payable	353,000	355,958
Advances from a stockholder****	659,500	690,015
	P2,911,391	P2,949,778

**Excluding statutory obligations and accrued interest payable amounting to P17,603 and P6,886, respectively.*
***Including accrued interest payable from advances from an entity under common control amounting to P4,103.*
***Including interest payable amounting to P2,783.*
****Including of future interest payable with interest rates of 4.00%*

28. Reconciliation Between the Opening and Closing Balances for Liabilities Arising from Financing Activities

Reconciliation of movements of liabilities to cash flows arising from financing activities are as follows:

	December 31, 2020							
	Notes Payable	Loans Payable	Accrued Interests	Advances from a Stockholder	Dividends Payable	Lease Liabilities	Due to Related Parties	Total
Balances at beginning of year	**P120,000**	**P609,000**	**P1,542**	**P659,500**	**P150,000**	**P37,167**	**P199,614**	**P1,776,823**
Changes from Financing Cash Flows								
Payments of:								
Loans payable	**-**	**(664,000)**	**-**	**-**	**-**	**-**	**-**	**(664,000)**
Notes payable	**(120,000)**	**-**	**-**	**-**	**-**	**-**	**-**	**(120,000)**
Interest	**-**	**(15,896)**	**(7,117)**	**-**	**-**	**-**	**-**	**(23,013)**
Advances from a stockholder	**-**	**-**	**-**	**(659,500)**	**-**	**-**	**(152)**	**(659,652)**
Dividends payable	**-**	**-**	**-**	**-**	**(50,000)**	**-**	**-**	**(50,000)**
Lease liabilities	**-**	**-**	**-**	**-**	**-**	**(47,853)**	**-**	**(47,853)**
Proceeds from availment of loans payable	**-**	**97,000**	**-**	**-**	**-**	**-**	**-**	**97,000**
Advances received from related parties and from a stockholder	**-**	**-**	**-**	**-**	**-**	**-**	**1,091**	**1,091**
Total changes from financing cash flows	**(120,000)**	**(582,896)**	**(7,117)**	**(659,500)**	**(50,000)**	**(47,853)**	**939**	**(1,466,427)**
Liability-related Other Changes								
Additions from new lease agreements entered during the year	**-**	**-**	**-**	**-**	**-**	**205,289**	**-**	**205,289**
Interest expense	**-**	**15,896**	**8,139**	**-**	**-**	**7,357**	**-**	**31,392**
Dividends declared	**-**	**-**	**-**	**-**	**200,000**	**-**	**-**	**200,000**
Total liability-related other changes	**-**	**15,896**	**8,139**	**-**	**200,000**	**212,646**	**-**	**436,681**
Balances at end of year	**P -**	**P42,000**	**P2,564**	**P -**	**P300,000**	**P201,960**	**P200,553**	**P747,077**

	December 31, 2019							
	Notes Payable	Loans Payable	Accrued Interests	Advances from a Stockholder	Dividends Payable	Lease Liabilities	Due to Related Parties	Total
Balances at beginning of year	P353,000	P357,000	P8,238	P659,500	P375,000	P44,716	P303,307	P2,100,761
Changes from Financing Cash Flows								
Payments of:								
Loans payable	-	(268,000)	-	-	-	-	-	(268,000)
Notes payable	(353,000)	-	-	-	-	-	-	(353,000)
Interest	-	(23,302)	(55,737)	-	-	-	-	(79,039)
Advances from a stockholder	-	-	-	-	-	-	(104,848)	(104,848)
Dividends payable	-	-	-	-	(275,000)	-	-	(275,000)
Lease liabilities	-	-	-	-	-	(28,892)	-	(28,892)
Proceeds from availment of:								
Notes payable	120,000	-	-	-	-	-	-	120,000
Loans payable	-	520,000	-	-	-	-	-	520,000
Advances received from related parties	-	-	-	-	-	-	1,155	1,155
Total changes from financing cash flows	(233,000)	228,698	(55,737)	-	(275,000)	(28,892)	(103,693)	(467,624)
Liability-related Other Changes								
Additions from new lease agreements entered during the year	-	-	-	-	-	19,225	-	19,225
Interest expense	-	23,302	49,041	-	-	2,118	-	74,461
Dividends declared	-	-	-	-	50,000	-	-	50,000
Total liability-related other changes	-	23,302	49,041	-	50,000	21,343	-	143,686
Balances at end of year	P120,000	P609,000	P1,542	P659,500	P150,000	P37,167	P199,614	P1,776,823

	December 31, 2018							
	Notes Payable	Loans Payable	Accrued Interests	Advances from a Stockholder	Dividends Payable	Lease Liabilities	Due to Related Parties	Total
Balances at beginning of year	P700,000	P150,000	P1,805	P254,000	P250,000	P30,064	P302,439	P1,688,308
Changes from Financing Cash Flows								
Payments of:								
Loans payable	-	(230,000)	-	-	-	-	-	(230,000)
Notes payable	(700,000)	-	-	-	-	-	-	(700,000)
Interest	(7,561)	(16,224)	(3,577)	-	-	-	-	(27,362)
Advances from a stockholder	-	-	-	(254,000)	-	-	-	(254,000)
Lease liabilities	-	-	-	-	-	(25,334)	-	(25,334)
Proceeds from availment of:								
Notes payable	353,000	-	-	-	-	-	-	353,000
Loans payable	-	437,000	-	-	-	-	-	437,000
Advances received from related parties and stockholder	-	-	-	659,500	-	-	868	660,368
Total changes from financing cash flows	(354,561)	190,776	(3,577)	405,500	-	(25,334)	868	213,672
Liability-related Other Changes								
Additions from new lease agreements entered during the year	-	-	-	-	-	37,574	-	37,574
Interest expense	7,561	16,224	10,010	-	-	2,412	-	36,207
Dividends declared	-	-	-	-	125,000	-	-	125,000
Total liability-related other changes	7,561	16,224	10,010	-	125,000	39,986	-	198,781
Balances at end of year	P353,000	P357,000	P8,238	P659,500	P375,000	P44,716	P303,307	P2,100,761

29. Events after the Reporting Period

Enactment of Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act
On March 26, 2021, the President of the Philippines has approved the Republic Act (RA) No. 11534, or the "Corporate Recovery and Tax Incentives for Enterprises Act" (CREATE), with nine (9) provisions vetoed by the President. Below are the salient features of the Act that are relevant to the Company:

a) Corporate income tax rate is reduced from 30% to 20% for domestic corporations with net taxable income not exceeding P5 million and with total assets not exceeding P100 million. All other domestic corporations and resident foreign corporations will be subject to 25% income tax. Said reductions are effective July 1, 2020.

b) Minimum corporate income tax (MCIT) rate is reduced from 2% to 1% effective July 1, 2020 to June 30, 2023.

c) The imposition of improperly accumulated earnings tax has been repealed.

On April 8, 2021, the Bureau of Internal Revenue issued the following implementing revenue regulations that are effective immediately upon publication:

- BIR RR No. 2-2021, amending certain provisions of Revenue Regulations No. 2-98, As Amended, to implement the amendments introduced by RA No. 11534 to the National Revenue Code of 1997, as Amended, relative to the final tax on certain passive income.

- BIR RR No. 3-2021, Rules and Regulations implementing Section 3 of RA No. 11534 amending Section 20 of the National Internal Revenue Code of 1997, As Amended.

- BIR RR No. 4-2021, implementing the Provisions on Value-Added Tax (VAT) and Percentage Tax under RA No. 11534 which further amended the National Revenue Code of 1997, as Amended, as implemented by Revenue Regulations No. 16-2005 (Consolidated Value-Added Tax Regulations of 2005), As Amended.

- BIR RR No. 5-2021, implementing the new income tax rates on the regular income of corporations on certain passive incomes, including additional allowable deductions from gross income of persons engaged in business or practice of profession pursuant to RA No. 11534 which further amended the National Revenue Code (NIRC) of 1997.

The enactment of the CREATE Act is a non-adjusting subsequent event thus, the current and deferred income taxes as at December 31, 2020 are measured using the applicable income tax rates as at December 31, 2020.

Further, the Bureau of Internal Revenue has issued its Revenue Regulation No. 5-2021 to promulgate the implementation of the new income tax rates on the regular income of corporations, on certain passive incomes and additional allowable deductions of persons engaged in business or practice of profession as provided for in the CREATE Act. The corporate income tax of the Group will be lowered from 30% to 25% for large corporations, on which the Group would qualify, effective July 1, 2020.

Presented below is the estimated effect of changes in tax rates under the CREATE Act.

	As at December 31, 2020	Effect of Changes in Tax Rates	Amounts Based on the Reduced Tax Rates
Statement of Comprehensive Income			
Provision for income tax - current	**P391,699**	**(P32,693)**	**P359,006**
Provision for income tax - deferred	**(49)**	**1,179**	**1,130**
Statement of Financial Position			
Deferred income tax asset - net	**4,762**	**(794)**	**3,968**
Income tax payable	**(185,439)**	**32,693**	**(152,746)**
Statement of Changes in Equity			
Accumulated remeasurements on retirement benefits	**(4,691)**	**(385)**	**(5,076)**