

# COVER SHEET

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SEC Registration Number

THE KEEPERS HOLDINGS, INC.  
FORMERLY DA VINCI CAPITAL  
HOLDINGS, INC.

(Company's Full Name)

NO. 900 ROMUALDEZ ST., PACO,  
MANILA

(Business Address: No. Street City/Town/Province)

CANDY H. DACANAY-DATUON

(Contact Person)

(632) 8522-8801 to 04

(Company Telephone Number)

1 2

Month

3 1

Day

SEC FORM 17-A

(Form Type)

0 5

3 0

(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowing

Domestic

Foreign

SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

SEC FORM 17-A, *AS AMENDED*  
 ANNUAL REPORT PURSUANT TO SECTION 17  
 OF THE SECURITIES REGULATION CODE AND SECTION 141  
 OF THE CORPORATION CODE OF THE PHILIPPINES

1. **December 31, 2021**

For the fiscal year ended December 31, 2021

2. **24015**

SEC Identification Number 24015

3. **004-512-387**

BIR Tax Identification No.

4. **THE KEEPERS HOLDINGS, INC.**

Exact name of issuer as specified in its charter

5. **Manila, Philippines**

Province, Country or other jurisdiction of  
incorporation or organization

6.  (SEC Use Only)

Industry Classification Code:

7. **No. 900 Romualdez St., Paco, Manila**

Address of principal office

**1007**

Postal Code

8. **09178612459**

Issuer's telephone number, including area code

9. **Da Vinci Capital Holdings, Inc.**

Former name, former address, and former fiscal year, if changed since the last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class

Number of Shares of Common Stock

Outstanding and Amount of Debt Outstanding

**Common Stocks**

**14,508,750,313**

11. Are any or all of these securities listed on a Stock Exchange.

Yes  No

If yes, state the name of such stock exchange and the classes of securities listed therein:

**Philippine Stock Exchange, Common Stock**

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes  No

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

Yes  No

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form.

Shares held by non-affiliates as of March 31, 2021	Market Value per Share as of March 31, 2021	Total Market Value
3,020,473,199	P1.18	P17,120,325,369.30

#### DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

- (a) Any annual report to security holders;
- (b) Any information statement filed pursuant to SRC Rule 20;
- (c) Any prospectus filed pursuant to SRC Rule 8.1.



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## **PART 1: BUSINESS AND GENERAL INFORMATION**

### **Item 1. Business**

#### **(1) Business Development**

**THE KEEPERS HOLDINGS, INC.** (*“The Keepers” or 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 Securities and Exchange Commission (“SEC”) approved the change in corporate name to Mariwasa Siam Holdings, Inc., and its primary purpose changed from manufacturing to that of an investment holding company. On April 26, 2013, the SEC approved the change in the name of Mariwasa Siam Holdings, Inc. to Da Vinci Capital Holdings, Inc. The Company has 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, Inc. (*“Montosco”*), Meritus Prime Distributions, Inc. (*“Meritus”*), and Premier Wine & Spirits, Inc. (*“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 SEC approved the Company’s application to amend its articles of incorporation to change its corporate name to The Keepers Holdings Inc. and the Share Swap Transaction on June 30, 2021.

As a result of the Share Swap Transaction, the Company became legally and beneficially 100% owner of the outstanding shares of Montosco, Meritus, and Premier, while Cosco Capital owns a controlling equity interest (77.54%) 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 exchange under Section 40(C)(2) of the Tax Code from the BIR to avail of the tax exemption. Only a tax clearance or CAR needs to be obtained from the relevant Revenue District Office. On September 8, 2021, the BIR issued a CAR covering the Share Swap Transaction.

Before the Share Swap Transaction, the subsidiaries were all individually subsidiaries of Cosco Capital, 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 became the beneficial owner of 100% of the three operating subsidiaries – Montosco, Meritus, and Premier.

On November 19, 2021, the Company’s Follow-On Public Offering debuted on the Philippine Stocks Exchange at P1.50 per share.

Since its incorporation, the Company and its subsidiaries have never been a subject or involved in a bankruptcy, receivership, or similar proceedings.

#### **(2) Business of the Issuer**

The Keepers Holdings, Inc. is a holding company that wholly owns three major players (*Montosco, Meritus, and Premier*) in the Philippines' liquor, wine, and specialty beverage distribution businesses. The Company is the largest distributor of imported spirits in the Philippines, with a market share of 74.0% based on volume and 66.9% based on retail sales value in 2020, according to IWSR Drinks Market Analysis Limited (“IWSR”).

### 1. Principal Products and Services

Montosco is a domestic corporation registered with the SEC on August 13, 2008 and was incorporated for the primary purpose of trading goods on a wholesale and retail basis. It is the lead company among the three (3) liquor companies subject to 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 bottom line. Montosco owns the brand and formulation of the ‘Alfonso’ brandy, which Bodegas produces under an agreement with Montosco based on Montosco’s formulation, taste, appearance, and packaging. Completing Montosco’s portfolio are brands from Diageo, one of the world's largest distillers, including “Johnnie Walker,” the number one imported blended scotch whisky in the Philippines, according to IWSR.

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 distributing 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 is “Roku” and “Hendricks”- among the hottest craft gin brands in the market.

Premier is a domestic corporation registered with the SEC on June 19, 1996, and was incorporated to buy, sell, distribute, and market all kinds of goods, commodities, and merchandise at wholesale. Premier's portfolio has a good balance of spirits, wines, and specialty beverages. Its key distribution arrangements are with Treasury Wine Estates, one of the world's largest publicly listed wine companies, Proximo Spirits of USA, Gruppo Campari of Italy, and Jinro of South Korea. Pernod Ricard, one of the largest publicly listed wine companies globally, Proximo Spirits of USA, Gruppo Campari of Italy, and Jinro of South Korea. Pernod Ricard, a “co-leader” in the global spirits segment, formed a joint venture partnership with Premier, establishing Pernod Ricard Philippines, Inc. as Pernod brands' marketing and distribution arm 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 Philippines 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 famous sparkling water in the Philippines.

### 2. Percentage of Sales or Revenue from Foreign Sales

The Company or any of its subsidiaries has no branch or sale outside the Philippines.

### 3. Distribution Methods

The Company’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 Company’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”). It can cover the entire Philippines.

The Company’s varied product portfolio that spans several price points is consistent and complementary with Puregold and S&R, as S&R caters to the “A” and “B” market segments. In contrast, Puregold caters to the “C” and “D” market segments.

Around 80% to 90% of the Company’s distribution is off-premise. End-consumers will ultimately consume the Company’s products outside of the establishments they are purchased.

#### 4. New Products and Services

The Company’s subsidiaries have no new products and services.

#### 5. Competition

The Company’s main competitor in its distribution business in the Philippines of imported spirits is Emperador Inc. (“Emperador”). According to IWSR, the Company, together with its associated companies (i.e., Diageo, Pernod Ricard, and Hite-Jinro) 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.

#### 6. Suppliers

The top 10 suppliers of the Company for the calendar year 2021 are: (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 Company’s total supply cost.

#### 7. Dependence upon single or few suppliers or customer

None of the companies under the Company depend on a single or few suppliers or customers.

The Company targets all businesses that cater to all Filipino consumers of the legal drinking age from all walks of life. The top 10 customers of the Company in 2021 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 accounted for 56% of the Company's total sales in 2021.

The Company targets various market segments, as its products cover a broad spectrum of alcoholic beverages—spanning spirits, wines, and specialty beverages—at multiple price points—from affordable to luxury. The Company’s portfolio contains products 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 on the specific product being sold/marketed.

#### 8. Transactions with Related Parties

Please refer to *Annex “D”* hereof for the Company's Related Party Transactions.

## 9. Trademarks

The Company has eight trademarks and tradenames duly registered with the Intellectual Property Office of the Philippines. For the complete list of trademarks and tradenames of the Company, please refer to *Annex “F”* hereof.

## 10. Government Approvals

The Company and the subsidiaries have obtained all material permits, licenses, and compliance certificates from the relevant and appropriate local government units and regulatory agencies in relation to their business.

## 11. Research and Development

The Company did not incur any expense relating to research and development over the past three years.

## 12. Effect of Existing Governmental Regulations

The Company is subject to various government regulations in the Philippines. However, in 2021, the most notable government regulations that affected the Company’s operations were those related to preventing COVID 19, i.e., implementing liquor bans, curfews, and closing bars, restaurants, and hotels to combat.

## 13. Cost and Effect of Compliance with Environmental Laws

The Company estimates its annual cost to comply with Environmental Laws and maintain environmental permits to be up to P1 million.

## 14. Employees

The Company has 197 employees as of December 31, 2021.

By Location	Number of Employees
Operations	0
Head Office	197
By Rank	
Executive	4
Senior Manager	6
Manager	22
Officer	2
Supervisory	57
Rank & File	106

## 15. Major Risk

### a. Demand for the Company’s products and services may be adversely impacted by changes in the economy.

Certain segments of the Company’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 partly on prevailing economic conditions. Adverse developments in the local or national economy, credit conditions, availability, disposable income, employment conditions, or other factors may decrease consumer spending generally or demand for its products and services, thus resulting in reduced demand for some or all of its products and services.

Any changes in this market, including adverse regulatory developments or adverse developments in consumers' disposable income, could have a negative effect on the Company'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.

To mitigate this risk, the Company's extensive portfolio caters to a diverse range of consumers in the market, which allows the Company to adapt to changes in economic conditions.

**b. Strong competition could negatively affect prices and demand for the Company's products and could decrease the Company's market share.**

The liquor and wine distribution industry in the Philippines is highly competitive. The Company competes with various distributors and manufacturers of liquor selling merchandise, falling under the same categories that the Company offers based on price, store location, product assortment, availability and quality, customer service, and brand recognition, or a combination of these factors. Moreover, the Company anticipates competition from new market entrants and joint partnerships between domestic distributors and international suppliers.

To differentiate its products from its competitors and establish its brands, each Subsidiary has a dedicated marketing team to promote each of its essential 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 products' prices, margins, or demand. Despite these risks, the Company believes that it will be able to maintain its position in the market by relying on its scale, strong brands under its portfolio, and readily available funding.

**c. The Company 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 the products that the Company distributes.**

The Company relies on third-party suppliers to provide 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 several 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 Company'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 Company's financial performance or condition.

The company maintains a balanced portfolio of third-party and house brands to mitigate the risk. Its house brands, such as 'Alfonso', are driving growth and contributing to most of the Company's revenue. The Company is not heavily dependent on third-party brands.

**d. The Company operates in a highly regulated industry.**

The Company operates in a highly regulated environment. The subsidiaries are subject to extensive regulatory requirements regarding the Philippines' distribution, marketing, advertising, and labeling of its products.

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 Company's operations and financial performance. To address regulatory risks like the imposition of higher excise taxes, the Company 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 Company to closely liaise with the appropriate regulatory agencies to anticipate any potential problems and directional shifts in policy.

**e. The business's success depends partly on the Company's ability to develop and maintain good relationships with key suppliers and distributors.**

The Company derives its revenue from outright sales and sales of concession products. Its success depends on its ability to retain key relationships with existing suppliers and attract new suppliers and liquor and wine producers on favorable terms and conditions. The Company has long-standing working relationships with many national and multinational wine and liquor distributors and manufacturers worldwide.

The Company obtains discounts and rebates from suppliers tied to meeting sales targets, which allows 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.

If the Company 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 Company's market positioning, image, and reputation may be adversely affected, and its revenue and profitability may be impaired.

The Company endeavors to maintain its long-standing good working relationship with its international partners through cooperation and open communications to mitigate this risk.

**f. 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 Company's business. The Company believes that maintaining and enhancing the reputation of its distributed brands is integral to its business and the implementation of its growth strategy. Although the Group endeavors 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 Company. Given that many of the Company's suppliers are market-leading, multinational brand

owners, such suppliers typically respond directly and immediately to protect their brand and reputation.

**g. 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 Company 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 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 Company may not be entirely successful in protecting its assets and enforcing its rights. If the Company 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 Company 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.

**h. The Company 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 Company employs many 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 Company has implemented a structured recruitment policy to recruit suitably qualified employees. Additionally, recent trends in employment regulation, such as restrictions on employers' discretion to hire employees temporarily 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 Company's ability to employ sufficient employees in a cost-efficient manner at its stores. If it experiences difficulties in maintaining a qualified workforce or experiences 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 Company, however, do not require technical skills, and there are a lot of other suppliers in the market that can provide the services needed by the Company.

**i. The Group's business is subject to seasonal influences.**

The Company 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. Historically, the first quarter tends to be the slowest quarter after the slowdown of festivities and gift-giving during the fourth quarter. However, in recent years, the Company no longer heavily relies on the Christmas season. The Company has noted that sales in the other months have improved as the country matured and disposable income increased. The diversity of the Company'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 Company's peak selling periods are significantly lower than it expects, or if there is any prolonged disruption in its operations during its peak selling periods, it may be unable to make purchases on time. It 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 Company also creates seasonal campaigns and offers discounts during specific occasions and low seasons.

**j. The Company's margins may be affected by increases in its operating and other expenses.**

The Company's operations may be subject to increases in operating and additional costs due to several factors including, but not limited to, any of the following—rent increases; 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 price 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 Company's operating and other expenses will impact the Company's cash flow. Due to the nature of the Company's business, the Company's margins may be affected by increases in the Company's operating and other expenses. The resulting buffer available to account for changes to costs is consequently small. The Company is eyeing several strategic acquisitions related to enhancing its branch network and enabling it to achieve competitive pricing. Suppose the Company's stores do not generate sufficient revenue to meet the Company's operating expenses, debt service, and capital expenditure requirements. In that case, the Company's business, results of operations, and financial condition could be materially and adversely affected.

**k. The Company's business is sensitive to changes in purchase and selling prices.**

The Company's margins are sensitive to price increases in the products distributed by the Company. There can be no assurance that the Company will be able to contain the growth of the Company's purchase prices successfully. If these prices do rise, the Company may need to pass all or a portion of these additional costs on to the Company's customers to maintain the Company's gross profit margins. However, it may not be possible for the Company to significantly increase its retail prices to offset price increases by suppliers, particularly if the Company's main competitors choose not to implement such a price.

As competition in the Philippines intensifies, any unilateral price increases may lead to sales declines, customer traffic loss, market share, and other adverse consequences. Although price increases are generally done gradually to mitigate their impact, the Company may nevertheless be significantly constrained in its pricing policy. If the Company is unable to pass increases in prices charged by the Company's suppliers on to the Company's customers, the Company's financial condition and results of operations may be materially and adversely affected. However, due to the Company's extensive and diverse portfolio, it can pass on price increases for its niche products against its mainstream alcoholic beverages.

**l. 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 Company 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 the overall consumption of these products and reduce their margins, or both. Previous increases in excise tax rates, which result in the amount the consumers need to pay 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 Company 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. However, compared to local manufacturers, the margins of the Company's goods are less sensitive due to its premium niche.

**m. The Company is dependent on logistics and transportation, and any failures or slowdowns may have an adverse effect on the Company's business.**

Logistics and other transportation-related costs have a significant impact on the Company's results of operations. Multiple forms of transportation are used to bring the Company's products into the Philippines and then to the market and 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 price of fuel, regulations affecting the industry, service failures by the Company'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 Company's ability to serve its customers and could have a material adverse impact on its financial performance.

The Company'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 Company's importation or distribution capabilities due to weather, natural disaster, fire, terrorism, pandemics, strikes, or other reasons could impair the Company'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. The company utilizes various suppliers for the different products they sell to mitigate this risk.

**Item 2. Properties**

The Company does not own any land. It leases nine properties in the Philippines for its warehouses and offices. These properties' lease rates and terms follow similar businesses' standard market rates and practices.

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 Company's leased properties for their existing warehouses is set out below.

**Montosco**

No.	Use of Property	Location	Lessor	Gross Floor Area	Expiration	Terms of Renewal
1	Warehouse	Pampanga	Lucio Co	2,025.38	April 30, 2024	Renewable upon mutual agreement of parties
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

No.	Use of Property	Location	Lessor	Gross Floor Area	Expiration	Terms of Renewal
1	Warehouse	Paranaque	VFC Land Resources, Inc.	500	December 31, 2025	Renewable upon mutual agreement of parties

## Premier

No.	Use of Property	Location	Lessor	Gross Floor Area	Expiration	Terms of Renewal
1	Warehouse	Paranaque	League One, Inc.	4,857.18	May 31, 2025	Renewable upon mutual agreement of parties
2	Warehouse	Paranaque	League One, Inc.	599.60	August 31, 2025	Renewable upon mutual agreement of parties

### Item 3. Legal Proceedings

The Company or its subsidiaries are not involved in, or the subject of any material pending or threatened litigation.

### Item 4. Submission of Matters to a Vote of Security Holders

In the 2021 Annual Meeting of stockholders, the Company submitted the following matters for approval of the stockholders:

- a. Approval of Amendment of the Company's Articles of Incorporation and By-Laws
  1. Amendment of Corporate Name
  2. Amendment of Primary and Secondary Purposes
  3. Amendment of Corporate term
  4. Change in Par Value of Common shares
  5. Increase of Authorized Capital Stock, and Delegation to the Company's Board of Directors of the authority to determine the manner of subscription and the subscriber/s of the increase in authorized capital stock.
- b. Top-Up Plan for the Fractional Shares Resulting from the Proposed Increase in Authorized Capital stock.
- c. Ratification of Rescission of Subscription Contract between Da Vinci Capital Holdings, Inc. and Invescap Incorporated.
- d. Issuance of up to 11,250,000,000 Common Shares of Da Vinci Capital Holdings, Inc. pursuant to the Share Swap Transaction with Cosco Capital Inc.
- e. Waiver of Requirement to Conduct a Rights Offering on the Issuance of up to 11,250,000,000 Da Vinci Common Shares to Cosco Capital, Inc. for the Share Swap Transaction.
- f. Issuance of up to 3,000,000,000 Da Vinci Common Shares pursuant to DAVIN's Follow-on Public Offering ("FOO") Program.
- g. Election of Directors Including Independent Directors.
- h. Re-Appointment of External Auditor and Fixing its Remuneration



## PART II - OPERATIONAL AND FINANCIAL INFORMATION

### (A) Shares of stock

The Company's common stock trades on the Philippine Stock Exchange under "KEEPR." The quarterly high and low of stock prices (in Philippine Peso) for the last two fiscal years and in the current year are the stated below:

Period	2019		2020		2021		2022	
	High	Low	High	Low	High	Low	High	Low
1 <sup>st</sup> Quarter	6.74	5.5	5.46	4.5	8.98	2.51	1.51	1.17
2 <sup>nd</sup> Quarter	5.9	5.01	5	4	3.27	2.50	-	-
3 <sup>rd</sup> Quarter	6.15	5.0	4.3	3.1	3.06	2.94	-	-
4 <sup>th</sup> Quarter	6.15	5.0	6.03	3.12	1.69	1.30	-	-

As of April 27, 2022, the Company's share is trading at P1.22 per share.

### (B) Stockholders

As of December 31, 2021, the Company has 479 stockholders on record, 14,508,750,313 issued, outstanding and listed shares, and no treasury shares.

The Company's top 20 stockholders as of December 31, 2021:

1	COSCO CAPITAL, INC.	11,250,000,000.00	77.54%
2	SB EQUITIES, INC.	1,311,985,167.00	9.04%
3	INVESCAP INCORPORATED	219926768	1.52%
4	TOWER SECURITIES, INC.	199,499,806.00	1.38%
5	COL FINANCIAL GROUP, INC.	145,387,082.00	1.00%
6	ABACUS SECURITIES CORPORATION	137,517,299.00	0.95%
7	FIRST METRO SECURITIES BROKERAGE CORP.	130,878,413.00	0.90%
8	CHINA BANK SECURITIES CORPORATION	101,911,048.00	0.70%
9	GOVERNMENT SERVICE INSURANCE SYSTEM	66,666,000.00	0.46%
10	LUCKY SECURITIES, INC.	62,624,700.00	0.43%
12	BDO SECURITIES CORPORATION	62,469,224.00	0.43%
13	PNB SECURITIES, INC.	58,518,430.00	0.40%
14	PHILSTOCKS FINANCIAL INC.	44,949,156.00	0.31%
15	BPI SECURITIES CORPORATION	36,972,907.00	0.25%
16	UNICAPITAL SECURITIES, INC.	35,253,617.00	0.24%
17	A & A SECURITIES, INC.	29,063,501.00	0.20%
18	THE FIRST RESOURCES MANAGEMENT & SECURITIES	27,698,000.00	0.19%
19	STANDARD SECURITIES CORPORATION	26,046,990.00	0.18%
20	HDI SECURITIES, INC.	23,873,597.00	0.16%

### **(C) Dividends and Dividend Policy**

On July 9, 2021 board meeting, 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.

On December 21, 2021, the Company declared a cash dividend amounting to P0.024 per share to be received by the Company's stockholders as of January 10, 2022, on January 28, 2022.



#### **(D) Recent Sale of Securities**

On June 18, 2021, Cosco Capital and The Keepers Holdings, Inc. signed a Deed of Exchange of Shares whereby Cosco Capital subscribed to 11,250,000,000 shares of The Keepers Holdings, Inc. in exchange for its 100% ownership in three liquor companies, Montosco, Inc., Meritus Prime Distributions, Inc., and Premier Wine and Spirits Corporation.

The share swap transaction between Cosco Capital and The Keepers Holdings, Inc. resulted in the strategic spin-off of the three (3) liquor subsidiaries of Cosco Capital and the injection of these companies into a separate publicly listed company thru Cosco acquiring a controlling interest in The Keepers Holdings, Inc.

Pursuant to October 15, 2021 notice of approval to issue shares, the Company issued 3,000,000,000 common shares through a follow-on public offering on the Philippine Stock Exchange. As a result of the offer, the public ownership percentage of the Company went up to 20.82%, from less than 1%, in compliance with the Minimum Public Ownership Rule.

#### **Item 6. Management's Discussion & Analysis of Financial Position and Results of Operation**

Please refer to Annex " A " for the Company's Management's Discussion and Analysis of Financial Position and Operation Results.

#### **Item 7. Financial Statements**

The Board of Directors approved the Company's 2021 Consolidated Audited Financial Statement on April 11, 2022, a copy of which is hereto attached as *Annex "B"*.

#### **Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

##### **(a) Audit Fees**

The Company paid the independent accountant P900,200.00 as a professional fee in 2020 and 2021.

On March 31 and June 30, 2021, the Company engaged R.G. Manabat & Company to make Pro Forma Consolidated Financial Statements for the Company for the years ending December 31, 2020, 2019, and 2018 in preparation for the Company's Follow-On Public Offering. The Company paid R.G. Manabat & Company P4.7 million for these services.

## **PART III - CONTROL AND COMPENSATION INFORMATION**

### **Item 9. Directors and Executive Officers of the Issuer**

(a) Presented below are the business profiles of the Company's Directors, Executive Officers, and Key Officers.

(i) Directors

The Company's Board of Directors comprises of seven members, five are male, and two are female. The directors' business profiles are as follows:

***(1) Lucio L. Co, Filipino, 67 years old, Chairman***

Mr. Co has been the Chairman of the Board since 1998.

Mr. Co is currently 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 also the Chairman of Alcorn Petroleum and Minerals Corporation, Entenso Equities, Inc., NE Shopping Centers Corporation, PG 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 a Director of these companies: Catuiran Hydropower Corporation, Cleangreen Energy Corporation, Forbes Corporation, Grass Gold Renewable Energy (G2REC) Corporation, Karayan Hydropower Corporation, Kareila Management Corporation, LCKK & 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. He is a member of the Board of Trustees of Luis Co Chi Kiat Foundation, Inc.

Mr. Co holds positions in other PSE-listed companies: Chairman of Cosco Capital, Inc., Director of Philippine Bank of Communications, and Chairman of The Keepers Holdings, Inc.

Mr. Co has been an entrepreneur for the past 40 years.

***(2) Mr. Jose Paulino L. Santamarina, Filipino, 58 years old, President***

Mr. Santamarina was elected President of the Company on February 19, 2021.

He was the former President of Premier Wines and Spirits, Inc., one of the leading companies in the imported wine and spirits industry and a company he helped co-found in 1996. And before Premier, Mr. Santamarina was the Chief Financial Officer (1988 - 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. He started his career as an auditor of the professional firm SGV from 1984 to 1988, right after college.

He concurrently holds directorship and officer positions in the following companies: Booze On-line, Inc., Cleangreen Energy Corporation; Karayan Hydropower Corporation, Liquorhph Distributors Corp., Pamana Consortium, Inc., Pamana Water 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.

JP graduated from Ateneo de Davao University with a Bachelor of Science in Accountancy degree. He is a Certified Public Accountant.

**(3) Ms. Camille Clarisse P. Co, Filipino, 33 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.

**(4) Ms. Jannelle O. Uy, Filipino, 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.

**(5) Mr. Robin Derrick C. Chua Filipino, 32 years old, Director**

Mr. Chua has been 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 in Management and a Minor in Entrepreneurship in 2012.

**(6) Mr. Enrico S. Cruz, Filipino, 64 years old, Director**

Mr. Cruz is currently an Independent Director of Security Bank Corporation, where he is also the Chairman of the Risk Oversight Committee and Vice Chairman of the Audit Committee, Member Nominations and Remuneration Committee, and Finance Committee. He is the incumbent Vice Chairman and a member of the 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 also an Independent Director of DITO CME Holdings Corp. and Robinsons Retail Holdings, Inc.

He is part of the Board of Directors of CIBI Information Inc.

Mr. Cruz's 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 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 (2017-2019) and Open Market Committee (2019-2020).

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. The UP College of Business named him a Distinguished Alumnus in 2008 and a Distinguished Alumnus Awardee by the UP School of Economics Alumni Association.

***(7) Mr. Bienvenido E. Laguesma, Filipino, 71 years old, 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 and Commissioner of the 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 from 1978 to 1979, and Mediator-Arbiter of the Bureau of Labor Relations from 1976 to 1978.

Atty. Laguesma completed his Career Executive Development Course at 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 has been 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 Bachelor of Arts major in Political Science degree in 1971 and from Ateneo de Manila University with a degree of Bachelor of Laws in 1975.

(ii) Corporate Officers

***(1) Ms. Baby Gerlie I. Sacro, Filipino, 43 years old, Corporate Secretary***

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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.

**(2) Ms. Imelda Lacap, Filipino, 43 years old, Comptroller**

Ms. Lacap started as an 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 Bachelor of Science in Accountancy degree in 1998. She is a Certified Public Accountant.

**(3) Ms. Candy H. Dacanay – Datuon, 43 years old, Filipino, 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. and Puregold Price Club, Inc. (*both listed companies*) 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.

**(4) Ms. Editha D. Alcantara, Filipino, 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 in Bachelor of Economics and Politics in 1992.

**(B) Family Relationships**

None of the company's directors/independent directors and executive officers have any family relationships up to the fourth civil degree by consanguinity or affinity, except for Mr. Lucio L. Co, who is related by consanguinity to Ms. Camille Clarisse P. Co.

## Item 10. Executive Compensation

The Company pays a fixed monthly compensation to its employees subject to periodic performance reviews. The board members receive per diem allowances of P40,000.00 per board meeting and P15,000 per committee meeting.

The total annual compensation of the President and the four most highly compensated officers amounted to P9,276,622 in 2019, P10,148,687 in 2020, and P10,627,430 in 2021. Please see the table below:

### (A) Summary Compensation Table

Name and Position	Year	Salary	Bonus	Other Annual Compensation
Jose Paulino L. Santamarina President				
Robin Derrick C. Chua Director				
Jannelle O. Uy Director				
Camille Clarisse P. Co Director				
Imelda G. Lacap Comptroller				
Aggregate compensation of the President and the four most highly compensated officers	2019	9,276,622		
	2020	10,148,687		
	2021	10,627,430		
	Projected 2022	11,690,173		
Aggregate compensation paid to all other officers and managers	2019	13,776,685		
	2020	17,590,647		
	2021	18,844,443		
	Projected 2022	20,728,887		

### (B) Standard Arrangements

The Company has no standard arrangements according to which the directors are compensated, directly or indirectly, for any services provided as a director except for per diem allowances.

### (C) Other Arrangements

The Company has no other arrangements according to which the directors are compensated, directly or indirectly, for any services provided as a director except for per diem allowances.

### (D) Employment Contracts and Termination of Employment and Change-in-Control Arrangements

All employees, including executive and principal officers, have employment contracts with the Company, which follow the existing labor laws of the country.

### (E) Warrants and Options

None.

## Item 11. Security Ownership of Certain Beneficial Owners and Management

1. Security ownership of more than 5% of the stock of the Company as of December 31, 2021:

Title of Class	Name, Address of record owner	Relationship with the Company	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of shares held	Percent
Common	Cosco Capital, Inc. No. 900 Romualdez St., Paco, Manila	Stockholder/ Parent Company	Lucio L. Co Chairman	Filipino	11,250,000,000	77.54%
Common	SB Equities, Inc.  Address: Security Bank Centre, 6776 Ayala Avenue, Makati City	Stockholder/ Not related	Acting for various clients	Non- Filipino	1,303,268,767	8.98%

2. Security Ownership of Directors and Executive Officers of the Company as of December 31, 2021:

Title of Class	Name of Beneficial Owner	Nature of beneficial ownership	Citizenship	Number of shares	Percent of Outstanding Voting Shares
Common	Lucio L. Co Chairman	Direct	Filipino	1	0.00%
Common	Jose Paulino L. Santamarina President	Direct	Filipino	8,000,023	0.06%
Common	Camille Clarisse P. Co Director	Direct	Filipino	1,500,023	0.01%
Common	Robin Derrick C. Chua Director	Direct	Filipino	1,000,023	0.01%
Common	Jannelle O. Uy Director	Direct	Filipino	2,000,023	0.01%
Common	Enrico S. Cruz Independent Director	Direct	Filipino	2,750,023	0.02%
Common	Bienvenido E. Laguesma Independent Director	Direct	Filipino	23	0.00%
Common	Imelda G. Lacap Comptroller	Direct	Filipino	1,600,000	0.01%
Common	Ma. Editha D. Alcantara Treasurer	Direct	Filipino	1,000,000	0.01%
Common	Baby Gerlie I. Sacro Corporate Secretary	Direct	Filipino	0	0%
Common	Candy H. Dacanay-Datuon Assistant Corporate Secretary	Direct	Filipino	500,000	0.00%



3. None of the officers or directors have any voting trust agreement for their ownership of the Company's stocks.
4. There has been a change in control of the Company in the last fiscal period. Details of the transaction that resulted in the change in control are as follows:

Name of the person who acquired such control	Cosco Capital, Inc.
The amount and the source of the consideration used by such person or persons	Share for Share Swap transaction amounting to P22,500,000,000.00.
Basis of the control	Ownership of Majority of Capital Stock
Date and a description of the transaction(s) which resulted in the change of control	<p>On June 18, 2021, Cosco Capital, Inc. and The Keepers Holdings, Inc. signed a Deed of Exchange of Shares whereby Cosco Capital subscribed to 11,250,000,000 shares of The Keepers Holdings, Inc. at P2.00 per share in exchange for its 100% ownership in three liquor companies, Montosco, Inc., Meritus Prime Distributions, Inc., and Premier Wine and Spirits Corporation.</p> <p>The share swap transaction between Cosco and The Keepers Holdings, Inc. resulted in the strategic spin-off of the three liquor subsidiaries of Cosco Capital and the injection of these companies into a separate publicly listed company thru Cosco Capital, Inc., acquiring a controlling interest in The Keepers Holdings, Inc.</p>
Percentage of voting securities of the registrant now beneficially owned directly or indirectly by the persons who acquired control	77.54%
Identity of the person(s) from whom control was assumed.	Mr. and Mrs. Lucio L. Co and Susan P. Co are the majority stockholders of Cosco Capital, Inc.

#### **Item 12. Certain Relationships and Related Transactions**

For discussion of related party transactions, please refer to *Annex "D"* hereof.



## PART IV – CORPORATE GOVERNANCE

(a) The Company has a Revised Manual on Corporate Governance approved in May 2017. The Company aims to improve such a manual to reflect more detailed company policies related to corporate governance, including adopting an evaluation system.

(b) The Company has two independent directors to ensure that the management has independent views and is abreast of the practices of other companies in maintaining good corporate governance.

(c) There has been no report of the Revised Manual on Corporate Governance violation since the board adopted it.

(d) Before the pandemic, the Company conducted an Annual Corporate Governance training for all its directors and officers.

Year	Date	Time	Venue	Seminar Provider
2015	June 22	2:00–6:00 pm	Acacia Hotel, Alabang, Muntinlupa City	Center for Training and Development
2016	March 4	2:00–6:00 pm	Acacia Hotel, Alabang, Muntinlupa City	Center for Training and Development
2017	February 28	2:00–6:00 pm	Acacia Hotel, Alabang, Muntinlupa City	SGV & Company
2018	February 23	1:00-5:00 pm	Acacia Hotel, Alabang, Muntinlupa City	SGV & Company
2019	May 14	1:00-5:00 pm	Acacia Hotel, Alabang, Muntinlupa City	SGV & Company

The Company's directors act on a fully informed basis, with due diligence and care required by law and considering all the stakeholders. The board regularly approves company objectives and plans and monitors their implementation. It is headed by a competent and qualified chairman with more than 40 years of experience in retail operations. The board meets at least six times a year and schedules the meetings before the start of the financial year.

In 2021, the board held meetings on February 19, March 15, March 29, April 16, April 27, April 29, June 28, July 9, August 10, October 25, November 9, and December 21.

Please see below the attendance of the board in 2021:

	Feb 19	Mar 15	Mar 29	Apr 16	Apr 27	Apr 29	Jun 28	Jul 09	Aug 10	Oct 25	Nov 9	Dec 21	
Lucio L. Co	√	√	√	√	√	√	√	√	√	√	√	√	100%
Jose Paulino L. Santamarina	√	√	√	√	√	√	√	√	√	√	√	√	100%
Camille Clarisse P. Co	√	√	√	√	√	√	√	√	√	√	√	√	100%
Jannelle O. Uy	√	√	√	√	√	√	√	√	√	√	√	√	100%
Robin Derick C. Chua	√	√	√	√	√	√	√	√	√	√	√	√	100%
Enrico S. Cruz	√	√	√	√	√	√	√	√	√	√	√	√	100%

Bienvenido E. Laguesma	√	√	√	√	√	√	√	√	√	√	√	√	100%
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The Company has no agreement with shareholders, arrangements, or bylaw provisions that constrain or limit the director's ability to vote or express his views independently.

The Company adheres to the nine cumulative years fixed term for directors.

Directors receive fees for attending board and committee meetings of the company, P40,000 for board meetings, and P15,000 for committee meetings. Except for the said fees, they do not receive regular compensation as board members.

The Company adheres to the nine cumulative years fixed term for directors and has not requested the stockholders for any previous exemption. Directors do not participate in the discussion of fixing remuneration.

#### (e) Committee Membership

The Company has three (3) board committees, the Executive Committee, Corporate Governance Committee, and the Audit Committee. The board appointed its members during the organizational meeting held on June 18, 2021, as follows:

##### Executive Committee:

- a. Mr. Lucio L. Co – Chairman
- b. Mr. Jose Paulino L. Santamarina – Member
- c. Ms. Camille Clarisse P. Co – Member
- d. Ms. Jannelle O. Uy – Member
- e. Mr. Robin Derrick C. Chua – Member

##### Audit Committee:

- a. Mr. Bienvenido E. Laguesma (ID) – Chairman
- b. Mr. Enrico S. Cruz (ID) – Member
- c. Mr. Jose Paulino L. Santamarina – Member

##### Corporate Governance Committee:

- a. Mr. Enrico S. Cruz (ID) – Chairman
- b. Mr. Bienvenido E. Laguesma (ID) – Member
- c. Mr. Jose Paulino L. Santamarina – Member

The internal and external auditors report directly to the Audit Committee. The external auditor reports to the committee annually, and the internal auditor reports to the committee quarterly.

## PART V - EXHIBITS AND SCHEDULES

### A. Annexes

Management Discussion and Analysis of Financial Position	Annex "A"
2021 Audited Financial Statements	Annex "B"
Supplementary Schedules	Annex "C"
Certain Relationships and Related Transactions	Annex "D"
Sustainability Report	Annex "E"
Trademarks	Annex "F"
Reports on SEC Form 17-C	Annex "G"

### B. Reports on SEC Form 17-C

Please refer to "Annex G" for the list of SEC Form 17-C issued by the Company.

## SIGNATURES


Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this *SEC-17A Annual Report of The Keepers Holdings, Inc.* is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Manila, Philippines on May 11, 2022.



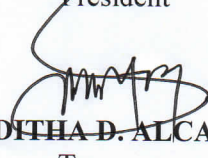
**LUCIO L. CO**  
Chairman



**JOSE PAULINO L. SANTAMARINA**  
President



**IMELDA D. LACAP**  
Comptroller



**MA. EDITHA D. ALCANTARA**  
Treasurer



**BABY GERLIE I. SACRO**  
Corporate Secretary



**CANDY H. DACANAY - DATUON**  
Assistant Corporate Secretary &  
Compliance Officer

**SUBSCRIBED AND SWORN** to before me this 13 MAY 2022 in the City of Manila, Philippines, affiants exhibited to me competent proof of their respective identities.

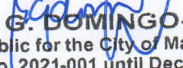
LUCIO L. CO	TIN ID No. 108-975-971
JOSE PAULINO L. SANTAMARINA	TIN ID No. 255-968-021
IMELDA D. LACAP	TIN ID No. 202-072-397
MA. EDITHA D. ALCANTARA	TIN ID No. 171-668-333
BABY GERLIE I. SACRO	TIN ID No. 201-538-302
CANDY H. DACANAY – DATUON	TIN ID No. 233-200-394

Doc. No. 329

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Book No. 5

Series of 2022

  
**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. MLA G163209 / 01-05-2022  
MCLE Compliance No. VII-0011920/03-02-2  
No. 900 Romualdez St., Paco, Manila

## Item 6. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following should be read in conjunction with the accompanying audited consolidated financial statements for the years ended December 31, 2021 and 2020 and the accompanying notes thereto.

### Top Key Performance Indicators

The following are the financial soundness indicators used by the Group as at December 31, 2021 and 2020:

	<b>December 31 2021</b>	December 2020
Current Ratio <sup>(1)</sup>	<b>7.05:1</b>	3.97:1
Asset to Equity Ratio <sup>(2)</sup>	<b>1.18:1</b>	1.35:1
Debt to Equity Ratio <sup>(3)</sup>	<b>0.18:1</b>	0.35:1
Debt to Total Assets Ratio <sup>(4)</sup>	<b>0.15:1</b>	0.26:1
Book Value per Share <sup>(5)</sup>	<b>P0.83</b>	P0.56

	<b>December 2021</b>	December 2020
Earnings per Share <sup>(6)</sup>	<b>P0.13</b>	P0.10
Return on Assets <sup>(7)</sup>	<b>13.83%</b>	13.46%
Return on Equity <sup>(8)</sup>	<b>17.11%</b>	19.67%

- (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

## I. Financial Performance

The following table shows the consolidated statements of comprehensive income for the years ended December 31, 2021 and 2020:

<i>(In thousands)</i>	2021	% to Sales	2020	% to Sales	% Change
<b>Net Sales</b>	<b>P11,034,613</b>	<b>100.0%</b>	P8,167,404	100.0%	<b>35.1%</b>
Cost of Sales	<b>8,095,233</b>	<b>73.4%</b>	5,931,960	72.6%	<b>36.5%</b>
<b>Gross Profit</b>	<b>2,939,380</b>	<b>26.6%</b>	2,235,444	27.4%	<b>31.5%</b>
Operating Expenses	<b>947,204</b>	<b>8.6%</b>	609,489	7.5%	<b>55.4%</b>
<b>Income from Operations</b>	<b>1,992,176</b>	<b>18.0%</b>	1,625,955	19.9%	<b>22.5%</b>
Share in the net loss of an investee	<b>(14,516)</b>	<b>(0.1%)</b>	(24,833)	(0.3%)	<b>(41.5%)</b>
Other income (charges) – net	<b>17,106</b>	<b>0.2%</b>	(30,716)	(0.4%)	<b>(155.7%)</b>
<b>Net Income before tax</b>	<b>1,994,766</b>	<b>18.1%</b>	1,570,406	19.2%	<b>27.0%</b>
Provision for income tax	<b>410,383</b>	<b>3.7%</b>	391,650	4.8%	<b>4.8%</b>
<b>Net Income after tax</b>	<b>P1,584,383</b>	<b>14.4%</b>	P1,178,756	14.4%	<b>34.4%</b>

### Net Sales

The Group posted a consolidated net sales of P11.03 billion in 2021 or a growth of 35.1% compared to the P8.17 billion in 2020. As in the case of almost every firm, 2020 sales were largely affected by the pandemic. The increase in sales in 2021 was due to the gradual opening of the economy that allows more movements in terms of marketing and promotional activities as compared to 2020.

Although the Inter-Agency Task Force against COVID-19 has placed Metro Manila and surrounding provinces under hard lockdowns in certain periods during the 1<sup>st</sup> Quarter and 3<sup>rd</sup> Quarter of 2021 due to the fresh surge of cases and the threat of the more transmissible Delta variant, the stronger rebound of sales in the 4<sup>th</sup> Quarter of 2021 significantly contributed to the Groups 2021 sales achievements. Fourth Quarter sales represents 40% of the total year's sales.

The Group posted a strong 31.9% growth in terms of sales volume in 2021 as compared to 2020 basically driven by the strong recovery of its brandy category which registered a 39.5% growth and comprise about 77.8% of the Group's sales volume. The Wines and Specialty Beverage categories likewise contributed satisfactory growth especially in the 4<sup>th</sup> quarter which is the gift-giving season. The Other Spirits category, which includes whiskeys and tequila, actually experienced a downtrend during the 1<sup>st</sup> 3 quarters of 2021 but managed to close the year at almost the same volume last year. This category is largely driven by the on-premise operations which have been the most affected market segment by the community and mobility restrictions.

Breakdown of the sales volume performance by category follows:

*(In thousands)*

<b>Category</b>	<b>2021</b>	<b>% to Total</b>	<b>2020</b>	<b>% to Total</b>	<b>% Change</b>
Brandy	3,473	77.8%	2,489	73.5%	39.5%
Other spirits	533	11.9%	533	15.8%	0.0%
Wines	220	4.9%	167	4.9%	31.7%
Specialty beverages	240	5.4%	197	5.8%	21.8%
<b>Total Cases Sold</b>	<b>4,466</b>	<b>100.0%</b>	<b>3,386</b>	<b>100.0%</b>	<b>31.9%</b>

### **Cost of Sales**

The Group's cost of sales increased by 36.5% for the year ended December 31, 2021, this is relative to the increase in sales. Sales mix is a factor as well.

### **Gross Profit**

The minimal decrease in the gross profit rate in 2021 is attributed to sales mix and the impact of conditional discounts and execution of customer-initiated promotional activities. There were no significant increase in product costs, taxes and other import charges during the year. The group ensures seamless customs releasing process permitting incoming goods to be delivered to the warehouse facilities at reasonable costs and avoiding unnecessary charges.

### **Operating Expenses**

Operating expenses increased by 55.4% in 2021 mainly due to increased trade deals, promotional activities, distribution costs, depreciation of office improvements, and amortizations for new leased office and warehouse facilities. The increase also includes the professional fees, taxes and filing fees incurred in connection with the parent company's shares swap transaction implemented sometime in May 2021 and the related follow-on offering and listing of additional common shares of the parent company at the Philippine Stock Exchange in November 2021

### **Share in the Net Losses of an Investee**

Share in the net operating losses from equity-accounted investments in an associate amounted to P14.52 million in 2021 or a decrease of 41.5% as compared to the share in the loss in 2020 amounting to P24.83 million. The decrease was mainly due to the marketing supports extended by the investee's brand owners during the second quarter of 2021. Investee's sales grew by 8% in 2021 as compared to 2020.

### **Other Income (Charges)- Net**

Other income (net of other charges) amounted to P17.11 million in 2021, improved significantly when compared to the net other charges of P30.72 million in 2020. This is due to significant decrease in the interest expense particularly on bank loans and advances from related parties.

### **Net Income**

The Group's net income for the year ended December 31, 2021 amounted to P1.58 billion or an increase of P405.63 million or 34.4% compared to the net income of P1.18 billion in 2020. This is due to significant increase in sales, cost-saving measures, the 2020 income tax savings amounting to P32.69 million and the tax savings effect of lower income tax rate in the current period resulting from the implementation of the CREATE law.

## II. Consolidated Financial Position

The Group's consolidated audited financial position as at December 31, 2021 are shown below together with the comparative figures based on the pro-forma consolidated audited financial position as of December 31, 2020:

<i>(in thousands)</i>	December 31, 2021	% to Total Assets	December 31, 2020	% to Total Assets	% Change
Cash and cash equivalents	P7,700,929	54.4%	P2,534,103	28.9%	203.9%
Trade and other receivables – net	2,042,263	14.4%	1,574,625	18.0%	29.7%
Inventories	3,519,298	24.9%	3,659,336	41.8%	(3.8%)
Prepaid expenses and other current assets	555,423	3.9%	639,010	7.3%	(13.1%)
<b>Total Current Assets</b>	<b>13,817,913</b>	<b>97.7%</b>	<b>8,407,074</b>	<b>95.9%</b>	<b>64.4%</b>
Right-of-use assets – net	176,112	1.2%	185,853	2.1%	(5.2%)
Property and equipment – net	26,740	0.2%	32,213	0.4%	(17.0%)
Deferred income tax assets - net	4,107	0.0%	4,762	0.1%	(13.8%)
Investment in an associate	78,388	0.6%	93,361	1.1%	(16.0%)
Other noncurrent assets	46,074	0.3%	40,497	0.5%	13.8%
<b>Total Noncurrent Assets</b>	<b>331,421</b>	<b>2.3%</b>	<b>356,686</b>	<b>4.1%</b>	<b>(7.1%)</b>
<b>Total Assets</b>	<b>P14,149,334</b>	<b>100.0%</b>	<b>P8,763,760</b>	<b>100.0%</b>	<b>61.5%</b>
Trade and other payables	P1,286,839	9.1%	1,325,766	15.1%	(2.9%)
Due to related parties	106,700	0.8%	200,553	2.3%	(46.8%)
Loan payable	-	-	42,000	0.5%	(100.0%)
Dividends payable	348,210	2.5%	300,000	3.4%	16.1%
Income tax payable	148,598	1.0%	185,438	2.1%	(19.9%)
Lease liabilities – current	54,118	0.4%	52,553	0.6%	3.0%
Provisions	11,975	0.1%	11,975	0.1%	0.0%
<b>Total Current Liabilities</b>	<b>1,960,440</b>	<b>13.9%</b>	<b>2,118,285</b>	<b>24.2%</b>	<b>(7.5%)</b>
Lease liabilities - net of current portion	128,740	0.9%	149,407	1.7%	(13.8%)
Retirement benefits liability	17,972	0.1%	15,330	0.2%	17.2%
<b>Total Noncurrent Liabilities</b>	<b>146,712</b>	<b>1.0%</b>	<b>164,737</b>	<b>1.9%</b>	<b>(10.9%)</b>
<b>Total Liabilities</b>	<b>2,107,152</b>	<b>14.9%</b>	<b>2,283,022</b>	<b>26.1%</b>	<b>(7.7%)</b>
Capital stock	1,450,875	10.3%	1,150,875	13.1%	26.1%
Additional paid in capital	25,447,900	179.8%	21,421,033	244.4%	18.8%
Retained earnings (deficit)	5,988,812	42.3%	4,752,639	54.2%	26.0%
Equity adjustments from common control transactions	(20,848,500)	-147.3%	(20,848,500)	(237.9%)	0.0%
Accumulated remeasurements on retirement benefits	3,552	0.0%	4,691	0.1%	(24.3%)
Other reserves	(457)	0.0%	-	-	0.0%
<b>Total Equity</b>	<b>12,042,182</b>	<b>85.1%</b>	<b>6,480,738</b>	<b>73.9%</b>	<b>85.8%</b>
	<b>P14,149,334</b>	<b>100.0%</b>	<b>P8,763,760</b>	<b>100.0%</b>	<b>61.5%</b>

### Working Capital

As at December 31, 2021 the Group's working capital increased to P11.86 billion from just P6.29 billion as at December 31, 2020. Current ratios are 7.05x and 3.97x as of December 31, 2021 and 2020, respectively.



### **Current Assets**

**Cash and cash equivalents** amounted to P7.70 billion as of December 31, 2021 or 54.4% of total assets. The balance includes the net proceeds from the follow on offering amounting P4.35 billion. It mainly consists of short-term placements.

**Trade and other receivables** amounted to P2.04 billion as of December 31, 2021 or 14.4% of total assets. It mainly consists of trade receivables from various customers. The increase of 29.7% is due to the significant increase in sales in 4<sup>th</sup> quarter. There is also a further improved credit and collection process and transitions to more negotiable credit terms. Average collection period improved to 59 days in 2021 compared to the 87 days in 2020

**Inventories** amounted to P3.52 billion or 24.9% of total assets. Sales efficiency lowered average age of inventory to 162 days in 2021 from 258 days in 2020.

**Prepaid expenses and other current assets** amounted to P555.42 million or 3.9% of the total assets. The amount decreased by 13.1% or P83.59 million compared to the balance of P639 million as of December 31, 2020 due to applications of advance payments to suppliers against shipments received during 4<sup>th</sup> quarter of 2021.

### **Noncurrent Assets**

As at December 31, 2021, total noncurrent assets amounted to P331.42 million or 2.3% of total assets.

**Right-of-use assets (ROU)** represents the values recognized from long-term lease contracts covering office and warehouse facilities. Net book value as of December 31, 2021 is at P176.11 million. The net decrease of 5.2% was due the net effect of new lease agreement covering the use of office spaces, renewal of lease contract on the use of warehouse and the amortizations recognized during the period.

**Property and equipment-net** book values amounted to P26.74 million, representing 0.2% of total assets. This account mainly consists of the leasehold improvements on offices and warehouses. The net decrease of 17.0% from the December 31, 2020 net book value of P32.21 million was mainly due to additional improvements and the depreciation during the period.

**Investment in an associate** amounted to P78.39 million or 0.6% of total assets. This represents the group's 30% equity interest in Pernod Ricard Philippines which was made in February 2019.

**Other non-current assets** amounted to P46.07 million or 0.3% of total assets. It mainly consists of excess tax credits carried over from previous years, input tax and the refundable deposits from the lease contracts.

### **Current Liabilities**

As at December 31, 2021 total current liabilities amounted to P1.96 billion equivalent to 13.9% of total assets. It includes payable to trade suppliers amounting to P1.29 billion which were settled in January 2022.

**Trade and other payables** amounted to P1.29 billion or 9.1% of total assets. The decrease of 2.9% from the December 31, 2020 balance of P1.33 billion was due to the net effect of new purchases and payments to trade suppliers, both local and foreign.

**Due to related parties**, represents payable for management fees amounted to P100.7 million as of December 31, 2021.

**Dividends payable** as of December 31, 2021 amounted P348.21 million which pertains to the cash dividend declared in December 2021 at P0.24 per share or about 30% of the consolidated net income for the year ended December 31, 2020 in line with the company's dividend policy. Dividends payable as of December 31, 2020 amounting to P300 million were fully paid to COSCO in 2021.

**Income tax payable** amounted to P148.60 million as of December 31, 2021 is 19.9% lower than the income tax payable as of December 31, 2020 due to the income tax savings effect of lower corporate income tax rate under CREATE law.

**Lease liabilities** due within the year amounted to P54.12 million representing lease payable for the use of warehouses and offices.

**Provisions** amounting to P11.98 million was set up as provision for any probable liabilities that may arise as a result of conducting the group's business.

#### **Noncurrent Liabilities**

As at December 31, 2021, total non-current liabilities amounted to P146.71 million, equivalent to 1.0% of total assets.

**Lease liabilities** payable for the succeeding year until the end of the lease agreements on the use of warehouses and offices amounted to P128.74 million. Net decrease of 13.8% pertains to the new lease agreement on the use of office spaces, renewal of lease agreement on use of warehouse and the reclassification of current portion of the lease liabilities.

**Retirement benefit liability** which represents the present value of the defined benefits retirement obligations amounted to P17.97 million as of December 31, 2021.

#### **Equity**

As at December 31, 2021 total equity amounted to P12.04 billion or 85.1% of total assets.

**Capital stock** amounted to P1.45 billion as of December 31, 2021. The increase is due to the issuance of additional new common shares resulting from the offer and sale to the public of 3,000,000,000 primary common shares on November 19, 2021, 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% following the Share-Swap Transaction implemented with Cosco Capital sometime in May 2021.

**Additional paid in capital** amounted to P25.45 billion of which, P21.33 billion resulted from 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 11.250 billion new shares issued by the Company in favor of Cosco Capital pursuant to the share swap transaction between the Company and Cosco. This amount is net of P46.8 million pertaining to shares issuance costs incurred during the follow-on offering transaction.

The balance also includes additional paid in capital from the follow-on offering of 3,000,000,000 primary shares amounting to P4.07 billion, net of the share issuance cost of P126.33 million.

**Retained earnings** amounted to P5.99 billion representing the aggregated retained earnings of the Company and the subsidiaries as of December 31, 2021.

**Equity adjustments from common control transactions** amounting to P20.85 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 P3.55 million as of December 31, 2021.

### III. Sources and Uses of Cash

The Group's primary sources of liquidity are basically its net operating cash inflows augmented by availment from banks loan facilities as and when required.

A brief summary of the consolidated cash flows during the comparative years are shown below:

<i>(In thousands)</i>	<b>For the year ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Net cash from operating activities	<b>P1,366,499</b>	P3,592,551
Net cash used in investing activities	<b>(13,481)</b>	(34,091)
Net cash from (used in) financing activities	<b>3,813,808</b>	(1,466,427)
Net increase in cash and cash equivalents	<b>P5,166,826</b>	P2,092,033

Net cash from operating activities during the current year is basically attributable to net effect of increase in sales, further improvement of collection process, settlement of trade payable accounts, purchase of inventory requirements and other related current operating requirements. Net cash from the operating activities of the previous year were mainly due to collections and the lower spending in this period due to the effects of the community lockdowns caused by pandemic.

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

Net cash from financing activities in 2021 primarily came from the proceeds from follow on offering of primary shares of the Company on November 19, 2021 as well as settlements of advances from related parties, bank loan and cash dividends paid during the year.

### IV. 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.

**THE KEEPERS HOLDINGS, INC.**  
(Formerly DA VINCI CAPITAL HOLDINGS, INC.),  
**AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2021, 2020 and 2019**

With Independent Auditors' Report



# The Keepers Holdings

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **The Keepers Holdings, Inc. and Subsidiaries** (the "Group"), is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, as at and for year ended December 31, 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 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group'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 Board of Directors, has audited the financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the Board of Directors, has expressed its opinion on the fairness of presentation upon completion of such audit.

**LUCIO L. CO**  
Chairman of the Board

**JOSE PAULINO L. SANTAMARINA**  
President

**MA. EDITHA D. ALCANTARA**  
Treasurer

Signed this 11th day of April 2022.

**SUBSCRIBED AND SWORN** to before me this **APR 11 2022** in the City of Manila, Philippines, affiants exhibited to me competent proof of their respective identities.

Lucio L. Co  
Jose Paulino L. Santamarina  
Ma. Editha D. Alcantara

TIN ID No. 108-975-971  
TIN ID No. 255-968-021  
TIN ID No. 171-668-333

**ATTY. JOHN EDWARD TRINIDAD ANG**

Notary Public for the City of Manila - Extended until June 30, 2022

Notarial Commission No. 2020-033

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Book No. CV11  
Series of 2022

The Keepers Holdings, Inc.  
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No. 900 Romualdez Street, Pasig City  
Tel. No. (85) 522-8801-04

Roll No. 68731 MCLE Compliance No. V0017136-Jan.24, 2015



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The KPMG Center, 6/F  
6787 Ayala Avenue, Makati City  
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Internet www.home.kpmg/ph  
Email ph-inquiry@kpmg.com

## REPORT OF INDEPENDENT AUDITORS

The Stockholders and Board of Directors  
**The Keepers Holdings, Inc. and Subsidiaries**  
**(Formerly Da Vinci Capital Holdings, Inc.)**  
No. 900 Romualdez Street  
Paco, Manila

### *Opinion*

We have audited the consolidated financial statements of The Keepers Holdings, Inc. (formerly “Da Vinci Capital Holdings, Inc.”) and its Subsidiaries (the “Group”), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2021, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2021, 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 Consolidated Financial Statements* section of our report. We are independent of the Group 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 consolidated 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.

Firm Regulatory Registration & Accreditation:  
PRC-BOA Registration No. 0003, valid until November 21, 2023  
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)  
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)  
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



## *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### *Revenue Recognition (P11.03 billion)*

Refer to Note 3 to the consolidated financial statements.

#### *The risk*

Revenue is not complex but it is a significant measure to evaluate the Group's performance, which increases the risk of material misstatement that revenue may be inappropriately recognized.

#### *Our response*

We performed the following audit procedures, among others, on revenue recognition:

- We evaluated and assessed the revenue recognition policies of the Group in accordance with PFRS 15, *Revenue from Contracts with Customers*.
- We evaluated and assessed the design and operating effectiveness of the key controls over the revenue process.
- We tested, on a sample basis, sales transactions to supporting documentation such as sales invoices with corresponding customer acknowledgement, delivery documents and value-added-tax returns throughout the current period, as applicable, to ascertain that the revenue recognition criteria are met.
- We tested, on a sample basis, sales transactions for a selected period before and after year-end to supporting documentation such as sales invoices with corresponding customer acknowledgement and delivery documents, to assess whether these transactions are recorded in the correct reporting period.
- We tested specific journal entries posted to revenue accounts to identify unusual or irregular items.
- We performed substantive analytical review procedures over revenues such as, but not limited to, gross profit analysis, ratio analysis, and yearly and monthly analyses of sales per product/brand, volume and customer.
- We reviewed the adequacy of the Group's disclosure in respect of revenue.





### *Impact of Business Combination*

Refer to Note 5 to the consolidated financial statements.

#### *The risk*

As part of the Board of Directors (BOD) of The Keepers Holdings, Inc. (TKHI) and Cosco Capital, Inc. (Cosco) business plan to revive the listing standing of TKHI and subsequently for a follow-on offering, the BOD of TKHI approved the increase in authorized capital stock of the Company in which Cosco subscribed to the increase in the shares of stock through a share-swap agreement entered between the two entities. Cosco transferred its 100% ownership in the shares of stock of Montosco, Inc. (MI), Meritus Prime Distributions, Inc. (MPDI), and Premier Wine Distributions Inc. (PWSI) in exchange for such shares of stock of TKHI. Such transaction presented regulatory and accounting considerations primarily with the Philippine Securities and Exchange Commission (SEC) on the approval of the share-swap transaction for the issuance of the additional shares of stock of TKHI. TKHI submitted a valuation report to the SEC to support the valuation of the shares of stock issued by TKHI.

The transaction presented accounting and reporting considerations which need to be reviewed and checked as TKHI would already be required under PFRS 10, *Consolidated Financial Statements* to prepare consolidated financial statements.

#### *Our response*

We performed the following audit procedures, among others, on the business combination:

- We obtained an understanding of the transaction and evaluated management's judgment on whether these acquisitions qualify as businesses, and how these should be accounted for, by reference to agreements, documents and applicable standards and pronouncements related to the transaction.
- We inspected necessary executed documents related to the equity transaction including application documents submitted to SEC and correspondences between the Group and SEC.
- In applying the pooling of interest method using the restatement approach, we verified the restatements from prior year audited reports.
- Where the Group used its experts to perform the valuation of the entities involved in the transaction, we assessed the competence, capabilities, and objectivity of such Group's expert. We also verified the key inputs made in the valuation from prior year audited reports.
- We tested the reasonableness of the transaction costs allocated as a deduction to equity or those charged to profit or loss item.
- We tested specific journal entries posted to equity-related accounts to identify unusual or irregular items.
- We reviewed the adequacy of the Group's disclosure in respect to the business combination.





### *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, 2021, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 17-A and Annual Report for the year ended December 31, 2021 are expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated 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 consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

### *Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

### *Auditors' Responsibilities for the Audits of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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, actions taken to eliminate threats or 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 consolidated 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.

The engagement partner on the audits resulting in this independent auditors' report is Mr. Gregorio I. Sambrano, Jr.

**R.G. MANABAT & CO.**

A handwritten signature in black ink that reads "Gregorio I. Sambrano, Jr." with a stylized flourish at the end.

GREGORIO I. SAMBRANO, JR.

Partner

CPA License No. 088825

SEC Accreditation No. 88825-SEC, Group A, valid for five (5) years  
covering the audit of 2021 to 2025 financial statements

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 8854082

Issued January 3, 2022 at Makati City

April 21, 2022

Makati City, Metro Manila

**THE KEEPERS HOLDINGS, INC.**  
**(Formerly DA VINCI CAPITAL HOLDINGS, INC.) AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(In Thousands)

	<i>Note</i>	<b>December 31, 2021</b>	December 31, 2020 (As restated - Note 5)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	6, 25	<b>P7,700,929</b>	P2,534,103
Trade and other receivables - net	7, 25	<b>2,042,263</b>	1,574,625
Inventories	8	<b>3,519,298</b>	3,659,336
Prepaid expenses and other current assets	9	<b>555,423</b>	639,010
<b>Total Current Assets</b>		<b>13,817,913</b>	8,407,074
<b>Noncurrent Assets</b>			
Right-of-use assets - net	20	<b>176,112</b>	185,853
Property and equipment - net	10	<b>26,740</b>	32,213
Deferred income tax assets - net	22	<b>4,107</b>	4,762
Investment in an associate - net	11	<b>78,388</b>	93,361
Other noncurrent assets	12	<b>46,074</b>	40,497
<b>Total Noncurrent Assets</b>		<b>331,421</b>	356,686
		<b>P14,149,334</b>	P8,763,760
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Trade and other payables	13, 25	<b>P1,286,839</b>	P1,325,766
Due to related parties	15, 25	<b>106,700</b>	200,553
Loans payable	14, 25	-	42,000
Dividends payable	16, 25	<b>348,210</b>	300,000
Income tax payable		<b>148,598</b>	185,438
Lease liabilities - current	20, 25	<b>58,118</b>	52,553
Provisions	23	<b>11,975</b>	11,975
<b>Total Current Liabilities</b>		<b>1,960,440</b>	2,118,285
<b>Noncurrent Liabilities</b>			
Lease liabilities - net of current portion	20, 25	<b>128,740</b>	149,407
Retirement benefits liability	21	<b>17,972</b>	15,330
<b>Total Noncurrent Liabilities</b>		<b>146,712</b>	164,737
<b>Total Liabilities</b>		<b>2,107,152</b>	2,283,022

Forward

		December 31, 2021	December 31, 2020 (As restated - Note 5)
<b>Equity</b>	<i>16</i>		
Capital stock	<i>16,5</i>	<b>P1,450,875</b>	P1,150,875
Additional paid-in capital	<i>5</i>	<b>25,447,900</b>	21,421,033
Retained earnings:			
Unappropriated		<b>5,038,812</b>	3,802,639
Appropriated	<i>16</i>	<b>950,000</b>	950,000
Equity adjustments from common control transactions	<i>5</i>	<b>(20,848,500)</b>	(20,848,500)
Accumulated remeasurements on retirement benefits	<i>21</i>	<b>3,552</b>	4,691
Other reserves		<b>(457)</b>	-
<b>Total Equity</b>		<b>12,042,182</b>	6,480,738
		<b>P14,149,334</b>	P8,763,760

*See Notes to Consolidated Financial Statements.*

**THE KEEPERS HOLDINGS, INC.**  
**(Formerly DA VINCI CAPITAL HOLDINGS, INC.) AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(In Thousands, Except Per Share Data)

	<i>Note</i>	<b>2021</b>	<b>Years Ended December 31</b>	
			2020 (As restated - Note 5)	2019 (As restated - Note 5)
<b>NET SALES</b>		<b>P11,034,613</b>	P8,167,404	P10,717,397
<b>COST OF GOODS SOLD</b>	17	<b>8,095,233</b>	5,931,960	8,258,904
<b>GROSS PROFIT</b>		<b>2,939,380</b>	2,235,444	2,458,493
<b>OPERATING EXPENSES</b>	18	<b>947,204</b>	609,489	773,771
<b>INCOME FROM OPERATIONS</b>		<b>1,992,176</b>	1,625,955	1,684,722
<b>SHARE IN NET LOSSES OF AN ASSOCIATE</b>	11	<b>(14,516)</b>	(24,833)	(8,763)
<b>OTHER INCOME (CHARGES) - Net</b>	19	<b>17,106</b>	(30,716)	(39,450)
<b>INCOME BEFORE INCOME TAX</b>		<b>1,994,766</b>	1,570,406	1,636,509
<b>PROVISION FOR INCOME TAX</b>	22	<b>410,383</b>	391,650	418,781
<b>NET INCOME</b>		<b>1,584,383</b>	1,178,756	1,217,728
<b>OTHER COMPREHENSIVE LOSS</b>				
<i>Item that will never be reclassified to profit or loss in subsequent periods</i>				
Share in other comprehensive loss of an associate	11	<b>(457)</b>	-	-
Remeasurement losses on retirement benefits		<b>(904)</b>	(841)	(2,352)
Deferred income tax		<b>(235)</b>	152	428
		<b>(1,596)</b>	(689)	(1,924)
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>P1,582,787</b>	P1,178,067	P1,215,804
<b>BASIC AND DILUTED EARNINGS PER SHARE</b>	24	<b>P0.13</b>	P0.10	P0.11

*See Notes to Consolidated Financial Statements.*

**THE KEEPERS HOLDINGS, INC.**  
**(Formerly DA VINCI CAPITAL HOLDINGS, INC.) AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(In Thousands)

	Note	2021	Years Ended December 31	
			2020 (As restated - Note 5)	2019 (As restated - Note 5)
<b>CAPITAL STOCK</b>				
Balance at beginning of year, as previously reported	5, 16	<b>P25,875</b>	P25,875	P25,875
Share swap transaction	5	<b>1,125,000</b>	1,125,000	1,125,000
Balance at beginning of year, as restated		<b>1,150,875</b>	1,150,875	1,150,875
Issuance of common shares	16	<b>300,000</b>	-	-
Balance at end of year		<b>1,450,875</b>	1,150,875	1,150,875
<b>ADDITIONAL PAID-IN CAPITAL</b>				
Balance at beginning of year, as previously reported	5	<b>46,033</b>	46,033	46,033
Share swap transaction	5	<b>21,375,000</b>	21,375,000	21,375,000
Balance at beginning of year, as restated		<b>21,421,033</b>	21,421,033	21,421,033
Issuance of common shares	16	<b>4,200,000</b>	-	-
Share issuance costs	16	<b>(173,133)</b>	-	-
Balance at end of year	16	<b>25,447,900</b>	21,421,033	21,421,033
<b>RETAINED EARNINGS (DEFICIT)</b>				
Unappropriated:				
Balance at beginning of year, as previously reported		<b>(57,863)</b>	(56,774)	(55,726)
Share swap transaction	5	<b>3,860,502</b>	2,880,657	1,711,881
Balance at beginning of year, as restated		<b>3,802,639</b>	2,823,883	1,656,155
Net income for the year, as restated		<b>1,584,383</b>	1,178,756	1,217,728
Dividend declaration	16	<b>(348,210)</b>	(200,000)	(50,000)
	5, 16	<b>5,038,812</b>	3,802,639	2,823,883
Appropriated:				
Balance at beginning of year, as previously reported		-	-	-
Share swap transaction	5, 16	<b>950,000</b>	950,000	950,000
	5, 16	<b>950,000</b>	950,000	950,000
Balance at end of year		<b>5,988,812</b>	4,752,639	3,773,883

Forward



<b>Years Ended December 31</b>				
		<b>2021</b>	2020 (As restated - Note 5)	2019 (As restated - Note 5)
<b>EQUITY ADJUSTMENTS FROM COMMON CONTROL TRANSACTIONS</b>				
Balance at beginning of year, as previously reported	5	P -	P -	P -
Share swap transaction	5	<b>(20,848,500)</b>	(20,848,500)	(20,848,500)
Balance at end of year, as restated	5, 16	<b>(20,848,500)</b>	(20,848,500)	(20,848,500)
<b>ACCUMULATED REMEASUREMENTS ON RETIREMENT BENEFITS</b>				
Balance at beginning of year, as previously reported	21	-	-	-
Share swap transaction	5	<b>4,691</b>	5,380	7,304
Balance at beginning of year, as restated		<b>4,691</b>	5,380	7,304
Remeasurement loss on retirement benefits during the year	21	<b>(1,139)</b>	(689)	(1,924)
Balance at end of year		<b>3,552</b>	4,691	5,380
<b>OTHER RESERVES</b>				
Balance at beginning of year		-	-	-
Share in other comprehensive loss of an associate	11	<b>(457)</b>	-	-
Balance at end of year		<b>(457)</b>	-	-
		<b>P12,042,182</b>	P6,480,738	P5,502,671

See Notes to Consolidated Financial Statements.

**THE KEEPERS HOLDINGS, INC.**  
**(Formerly DA VINCI CAPITAL HOLDINGS, INC.) AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In Thousands)

		Years Ended December 31		
		2021	2020 (As restated - Note 5)	2019 (As restated - Note 5)
Note				
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
	Income before income tax	<b>P1,994,766</b>	P1,570,406	P1,636,509
	Adjustments for:			
	Depreciation and amortization	10, 18, 20 <b>73,557</b>	63,852	33,055
	Interest income	6, 19 <b>(24,272)</b>	(21,926)	(4,781)
	Share in net losses of an associate	11 <b>14,516</b>	24,833	8,763
	Interest expense	14, 15 19, 20 <b>9,101</b>	31,392	74,461
	Unrealized foreign exchange losses (gain) - net	<b>5,967</b>	16,613	(1,061)
	Retirement benefits costs	21 <b>2,214</b>	2,185	1,644
	Operating income before working capital changes	<b>2,075,849</b>	1,687,355	1,748,590
	Decrease (increase) in:			
	Trade and other receivables	<b>(467,638)</b>	747,568	(422,344)
	Inventories	<b>140,038</b>	1,085,347	(1,076,210)
	Prepaid expenses and other current assets	<b>83,587</b>	402,114	424,569
	Increase (decrease) in trade and other payables	<b>(42,329)</b>	12,187	464,373
	Cash generated from operations	<b>1,789,507</b>	3,934,571	1,138,978
	Income taxes paid	<b>(446,290)</b>	(363,946)	(364,868)
	Interest received	6, 19 <b>24,272</b>	21,926	4,781
	Retirement benefits paid	21 <b>(990)</b>	-	(132)
	Net cash from operating activities	<b>1,366,499</b>	3,592,551	778,759
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
	Additions to property and equipment	10 <b>(9,710)</b>	(25,705)	(5,284)
	Additions to other noncurrent assets	<b>(5,577)</b>	(8,386)	(2,488)
	Proceeds from disposal of property and equipment	<b>1,806</b>	-	-
	Acquisition of shares of stock	11 <b>-</b>	-	(126,957)
	Net cash used in investing activities	<b>(13,481)</b>	(34,091)	(134,729)

Forward

<b>Years Ended December 31</b>				
			2020	2019
	<b>Note</b>	<b>2021</b>	(As restated - Note 5)	(As restated - Note 5)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from issuance of stocks		<b>P4,500,000</b>	P -	P -
Payments of:				
Dividends	16	<b>(300,000)</b>	(50,000)	(275,000)
Share issuance costs		<b>(173,133)</b>	-	-
Due to related parties		<b>(93,853)</b>	-	-
Lease liabilities - principal portion	20	<b>(65,541)</b>	(40,496)	(26,774)
Loans payable	14	<b>(42,000)</b>	(784,000)	(621,000)
Interest	14, 20	<b>(11,665)</b>	(30,370)	(81,157)
Advances from a stockholder		-	(659,652)	(104,848)
Advances received from related parties	15	-	1,091	1,155
Proceeds from availment of:				
Loans payable	14	-	97,000	520,000
Notes payable		-	-	120,000
Net cash provided by (used in) financing activities	27	<b>3,813,808</b>	(1,466,427)	(467,624)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>				
		-	(3)	(36)
<b>NET INCREASES IN CASH AND CASH EQUIVALENTS</b>				
		<b>5,166,826</b>	2,092,030	176,370
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>				
		<b>2,534,103</b>	442,073	265,703
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>				
	6	<b>P7,700,929</b>	P2,534,103	P442,073

See Notes to Consolidated Financial Statements.

**THE KEEPERS HOLDINGS, INC.**  
**(Formerly DA VINCI CAPITAL HOLDINGS, INC.) AND SUBSIDIARIES**

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(Amounts in Thousands, Except Par Value,  
Per Share Data and Number of Shares)

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**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 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 resulted 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

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%. On April 29, 2021, the Parent Company filed a request with the PSE for the grant of MPO Exemption Period for the minimum public float requirements of the PSE and the SEC (the "minimum public ownership (MPO) Rule") 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.

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. On September 20, 2021, the Company filed an amended Registration Statement which was rendered effective by SEC on October 7, 2021. The Permit to Sell ("PTS") of the Company's Offer Shares was issued by SEC on November 3, 2021.

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 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 approved by 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 on November 19, 2021, the Parent Company became 77.54% owned by Cosco, a company incorporated in the Philippines. The follow-on offering also increased the Parent Company's public ownership to 20.94% in compliance with the MPO rule. The remaining 1.52% is owned by Invescap. As at December 31, 2021, Cosco is the immediate and ultimate parent of TKHI and its 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 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 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 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*
<b>Liquor Distribution</b>		
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 years ended December 31, 2021, 2020 and 2019 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 year ended December 31, 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 was 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.

### Functional and Presentation Currency

The 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.

### Authorization for Issuance of the Consolidated Financial Statements

The accompanying consolidated financial statements of the Group as at December 31, 2021 and 2020 were approved and authorized for issuance by the Group's BOD on April 11, 2022.

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## **3. Summary of Significant Accounting Policies**

The accounting policies set out below have been applied consistently to all periods presented in these 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, 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 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 applies 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.

#### Consolidation

The 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.

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 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. 2012-01, *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 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 consolidated statement of financial position;
- The consolidated statements of comprehensive income reflect 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 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 December 31, 2021 and 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 December 31, 2021 and 2020.

#### Impairment of Financial Assets

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 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 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 consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by 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, 2021 and 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.

#### Inventories

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 consolidated statements 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 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 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 consolidated 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 consolidated statements 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

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 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 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.

#### 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.

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 has single segment, which is the sale of sale of spirits, wines and specialty beverages to customers.

The measurement policies of the Group used for segment reporting under PFRS 8, *Operating Segments* are the same as those used in the consolidated financial statements. There have been no changes in the measurement methods used to determine reported segment profit or loss from prior periods.

#### 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 consolidated financial statements but are disclosed in the notes to consolidated financial statements unless the outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to 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 consolidated financial statements. Events after the reporting date that are not adjusting events are disclosed in the notes to 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 consolidated financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Group's consolidated financial statements.

The Group plans to adopt the following amended standards on the respective effective dates, as applicable.

#### *Effective April 1, 2021*

- *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.

The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Earlier application is permitted. 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.

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 are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. 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 in the financial statements in which the company first applies the amendments.

- 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. It applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.
  - 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.

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

The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

In November 2021, the International Accounting Standards Board issued the Exposure Draft, Non-Current Liabilities with Covenants after considering stakeholder feedback on the December 2020 tentative agenda decision issued by the IFRS Interpretations Committee about the amendments. The exposure draft proposes to again amend IAS 1 as follows:

- Conditions which the entity must comply within twelve months after the reporting period will have no effect on the classification as current or non-current.
- Additional disclosure requirements will apply to non-current liabilities subject to such conditions to enable the assessment of the risk that the liability could become repayable within twelve months.

- Separate presentation in the statement of financial position will be required for non-current liabilities for which the right to defer settlement is subject to conditions within 12 months after the reporting period.
- The effective date of the amendments will be deferred to no earlier than January 1, 2024.
- *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 remains 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 include 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.

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#### 4. Management's Use of Judgments, Accounting Estimates and Assumptions

The preparation of the 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 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 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.

#### *Determination of whether the Group is acting as a Principal or an Agent*

The Group is a principal if it controls the specified good before it is transferred to a customer. The Group is an agent if its performance obligation is to arrange for the provision of the specified good by another party and the Group does not control the good before it is transferred to the customer. The Group concluded that it is acting as principal in its revenue arrangements.

#### 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 P2,058,828 and P1,591,129 as at December 31, 2021 and 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 December 31, 2021 and 2020 amounted to P3,519,298 and P3,659,336, respectively (see Note 8). No allowance to reduce inventory to NRV was recognized for the years ended December 31, 2021, 2020 and 2019.

#### *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 consolidated financial statements. There is no change in the estimated useful lives of property and equipment for the years ended December 31, 2021 and 2020.

The carrying amounts of property and equipment as at December 31, 2021 and 2020 amounted to P26,740 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 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 consolidated financial position and 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 years ended December 31, 2021, 2020 and 2019, 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 P281,240 and P311,427 as at December 31, 2021 and 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 P17,972 and P15,330 as at December 31, 2021 and 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 P4,107 and P4,762 as at December 31, 2021 and 2020, respectively (see Note 22).

For the years ended December 31, 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 December 31, 2021 and 2020, the Group has not recognized deferred income tax assets arising from temporary differences amounting to a total of P17,037 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 December 31, 2021 and 2020. No provision for probable losses was recognized by the Group for the three years ended December 31, 2021 (see Note 23).

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## **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 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 consolidated statement of changes in equity.

The comparative financial information as at December 31, 2020 and for the years ended December 31, 2020 and 2019 were restated as if the entities had been combined for the years 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			Adjustments	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		
<b>ASSETS</b>						
<b>Current Assets</b>						
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
<b>Total Current Assets</b>	-	5,666,797	1,417,131	1,323,146	-	8,407,074
<b>Noncurrent Assets</b>						
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
<b>Total Noncurrent Assets</b>	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			Adjustments	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		
<b>LIABILITIES AND EQUITY</b>						
<b>Current Liabilities</b>						
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
<b>Total Current Liabilities</b>	<b>9,948</b>	<b>1,439,504</b>	<b>206,827</b>	<b>462,006</b>	<b>-</b>	<b>2,118,285</b>
<b>Noncurrent Liabilities</b>						
Lease liabilities - net of current portion	-	80,724	-	68,683	-	149,407
Retirement benefits liability	-	3,072	694	11,564	-	15,330
<b>Total Noncurrent Liabilities</b>	<b>-</b>	<b>83,796</b>	<b>694</b>	<b>80,247</b>	<b>-</b>	<b>164,737</b>
<b>Total Liabilities</b>	<b>9,948</b>	<b>1,523,300</b>	<b>207,521</b>	<b>542,253</b>	<b>-</b>	<b>2,283,022</b>
<b>Equity</b>						
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
<b>Total Equity</b>	<b>14,045</b>	<b>4,272,505</b>	<b>1,211,216</b>	<b>982,972</b>	<b>-</b>	<b>6,480,738</b>
	P23,993	P5,795,805	P1,418,737	P1,525,225	P -	P8,763,760

The restated amounts in the consolidated statement of comprehensive income for the years ended December 31, 2020 and 2019 as a result of the retrospective accounting of the business combination under common control were as follows:

	December 31, 2020				Consolidated Statement of Comprehensive Income, As Restated
	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			
		Statement of Comprehensive Income of MI	Statement of Comprehensive Income of MPDI	Statement of Comprehensive Income of 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 income (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
<b>Net income (loss)</b>	(1,089)	1,070,463	66,647	42,735	1,178,756
<b>OTHER COMPREHENSIVE LOSS</b>					
<i>Item that will never be reclassified to profit or loss in subsequent periods</i>					
Remeasurement gain (loss) on retirement benefits	-	(334)	200	(707)	(841)
Deferred income tax	-	-	(60)	212	152
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	(P1,089)	P1,070,129	P66,787	P42,240	P1,178,067

	December 31, 2019				
	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 -	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
<b>Net income (loss)</b>	<b>(1,048)</b>	<b>1,109,686</b>	<b>62,051</b>	<b>47,039</b>	<b>1,217,728</b>
<b>OTHER COMPREHENSIVE LOSS</b>					
<i>Item that will never be reclassified to profit or loss in subsequent periods</i>					
Remeasurement gain (loss) on retirement benefits	-	(925)	83	(1,510)	(2,352)
Deferred income tax	-	-	(25)	453	428
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>(P1,048)</b>	<b>P1,108,761</b>	<b>P62,109</b>	<b>P45,982</b>	<b>P1,215,804</b>

The restated amounts in the consolidated statement of cash flows for the years ended December 31, 2020 and 2019 as a result of the retrospective accounting of the business combination under common control were as follows:

	December 31, 2020				Consolidated Statement of Cash Flows, As Restated
	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			
		Statement of Cash Flows of MI	Statement of Cash Flows of MPDI	Statement of Cash Flows of PWSI	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
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 gain	-	16,696	-	(83)	16,613
Retirement benefits costs	-	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
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Additions to property and equipment	-	(15,491)	(46)	(10,168)	(25,705)
Additions to other noncurrent assets	(96)	(5,680)	(20)	(2,590)	(8,386)
Cash used in investing activities	(96)	(21,171)	(66)	(12,758)	(34,091)

Forward

December 31, 2020					
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		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Payments of:					
Advances from a stockholder	P -	(P659,500)	P -	(P152)	(P659,652)
Loans payable	-	(120,000)	(351,000)	(313,000)	(784,000)
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)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	-	(3)	-	-	(3)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	-	2,009,224	4,395	78,411	2,092,030
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	-	167,845	44,277	229,951	442,073
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	P -	P2,177,069	P48,672	P308,362	P2,534,103

December 31, 2019					
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		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Income (loss) before income tax	(P1,048)	P1,479,997	P90,713	P66,847	P1,636,509
Adjustments for:					
Depreciation and amortization	-	16,352	3,883	12,820	33,055
Interest expense	-	34,725	14,785	24,951	74,461
Interest income	-	(3,195)	(188)	(1,398)	(4,781)
Share in net loss of an associate	-	-	-	8,763	8,763
Retirement benefits costs	-	303	211	1,130	1,644
Unrealized foreign exchange loss (gain)	-	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
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Additions to property and equipment	-	(3,436)	(34)	(1,814)	(5,284)
Additions to 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)

Forward



December 31, 2019					
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		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Payments of:					
Advances from a stockholder	P -	P -	P -	(P104,848)	(P104,848)
Loans payable	-	(353,000)	(98,000)	(170,000)	(621,000)
Dividends	-	(200,000)	(75,000)	-	(275,000)
Lease liabilities	-	(14,160)	(3,312)	(11,420)	(28,892)
Interest	-	(37,543)	(13,816)	(27,680)	(79,039)
Proceeds from availment of loans payable	-	120,000	394,000	126,000	640,000
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)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	-	85,243	(7,903)	99,030	176,370
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	-	82,602	52,180	130,921	265,703
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	P -	P167,845	P44,277	P229,951	P442,073

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 in 2021 amounting to P46,800 is deducted against additional paid-in capital as at December 31, 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 paid-in capital 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)
Paid-in capital 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 and for the years ended December 31, 2020 and 2019.

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**6. Cash and Cash Equivalents**

This account consists of:

	<b>Note</b>	<b>2021</b>	2020 (As restated - Note 5)
Cash on hand		<b>P1,747</b>	P1,516
Cash in banks	25	<b>1,274,488</b>	636,115
Cash equivalents	25	<b>6,424,694</b>	1,896,472
		<b>P7,700,929</b>	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 P1,096, P1,563 and P4,648 for the years ended December 31, 2021, 2020, and 2019, 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 P23,176, P20,363 and P133 for the years ended December 31, 2021, 2020, and 2019, respectively (see Note 19).

## 7. Trade and Other Receivables

This account consists of:

	<i>Note</i>	2021	2020 (As restated - Note 5)
Trade:			
Third parties		<b>P1,150,478</b>	P880,444
Related parties	15	<b>875,685</b>	675,136
Less allowance for ECLs		<b>(2,621)</b>	(2,621)
		<b>2,023,542</b>	1,552,959
Nontrade:			
Third parties		<b>15,629</b>	18,717
Related parties	15	<b>1,857</b>	1,347
Others		<b>1,235</b>	1,602
	25	<b>P2,042,263</b>	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:

	2021	2020 (As restated - Note 5)
Balance at beginning of the year	<b>P2,621</b>	P4,125
Write-off	-	(1,504)
Balance at end of the year	<b>P2,621</b>	P2,621

## 8. Inventories

This account consists of:

	<i>Note</i>	2021	2020 (As restated - Note 5)
At cost:			
Spirits		<b>P3,343,387</b>	P3,428,067
Wines		<b>98,806</b>	154,094
Specialty beverages		<b>77,105</b>	77,175
	17	<b>P3,519,298</b>	P3,659,336

Cost of inventories charged to "Cost of goods sold" amounted to P8,095,233, P5,931,960 and P8,258,904 for the years ended December 31, 2021, 2020, and 2019, respectively (see Note 17).

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**9. Prepaid Expenses and Other Current Assets**

This account consists of:

	<b>2021</b>	2020 (As restated - Note 5)
Prepaid duties and taxes	<b>P431,852</b>	P561,297
Advances to suppliers	<b>118,333</b>	39,316
Prepaid import charges	<b>589</b>	320
Input VAT	<b>-</b>	31,603
Other prepaid expenses	<b>4,649</b>	6,474
	<b>P555,423</b>	P639,010

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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
<b>Cost</b>							
January 1, 2019*	P41,169	P18,291	P11,500	P6,795	P -	P2,773	P80,528
Additions*	2,419	650	1,063	-	1,021	131	5,284
Disposal*	(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
Disposal*	(630)	-	-	-	-	-	(630)
December 31, 2020*	45,144	39,073	13,753	6,896	2,221	2,987	110,074
Additions	3,650	5,020	707	-	333	-	9,710
Disposals and retirement	(10,093)	(13,421)	(5,733)	(2,927)	-	(1,746)	(33,920)
<b>December 31, 2021</b>	<b>38,701</b>	<b>30,672</b>	<b>8,727</b>	<b>3,969</b>	<b>2,554</b>	<b>1,241</b>	<b>85,864</b>
<b>Accumulated Depreciation and Amortization</b>							
January 1, 2019*	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
Disposal*	(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
Depreciation and amortization	4,376	6,891	1,078	43	880	109	13,377
Disposals	(10,093)	(11,616)	(5,733)	(2,926)	-	(1,746)	(32,114)
<b>December 31, 2021</b>	<b>30,115</b>	<b>14,451</b>	<b>7,748</b>	<b>3,928</b>	<b>1,702</b>	<b>1,180</b>	<b>59,124</b>
<b>Net Book Value</b>							
December 31, 2020*	P9,312	P19,897	P1,350	P85	P1,399	P170	P32,213
<b>December 31, 2021</b>	<b>P8,586</b>	<b>P16,221</b>	<b>P979</b>	<b>P41</b>	<b>P852</b>	<b>P61</b>	<b>P26,740</b>

\*As restated (see Note 5)

Depreciation and amortization expense charged as part of "Operating Expenses" in profit or loss amounted to P13,377, P10,370 and P7,245 for the years ended December 31, 2021, 2020, 2019, respectively (see Note 18).

The cost of fully depreciated property and equipment still in use amounted to P38,043 and P58,224 as at December 31, 2021 and 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 December, 2021 and 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 December 31, 2021 and 2020:

	2021	2020
Balance at beginning of year	<b>P93,361</b>	P118,194
Share in net loss	<b>(14,516)</b>	(24,833)
Share in other comprehensive loss	<b>(457)</b>	-
Balance at end of year	<b>P78,388</b>	P93,361
	<b>2021</b>	2020
<b>Percentage ownership interest</b>	<b>30%</b>	30%
Current assets	<b>P541,610</b>	P592,719
Noncurrent assets	<b>166,860</b>	186,311
Current liabilities	<b>469,888</b>	480,426
Noncurrent liabilities	<b>22,191</b>	32,305
<b>Net assets</b>	<b>216,391</b>	266,299
PWSI's share of net assets	<b>64,917</b>	79,890
Goodwill	<b>13,471</b>	13,471
<b>Carrying amount of investment in an associate</b>	<b>P78,388</b>	P93,361

The following table shows the PWSI's share in net income (loss) of investee ended December 31, 2021 and 2020:

	2021	2020
Revenue	<b>P632,899</b>	P585,611
Net income loss for the year	<b>(P48,386)</b>	(P82,776)
<b>The Group's share in net loss at 30%</b>	<b>(P14,516)</b>	(P24,833)
Other comprehensive loss for the year	<b>(P1,522)</b>	P -
<b>The Group's share in other comprehensive loss at 30%</b>	<b>(P457)</b>	P -

## 12. Other Noncurrent Assets

This account consists of:

	<i>Note</i>	2021	2020 (As restated - Note 5)
Excess tax credits		<b>P23,234</b>	P23,234
Refundable deposits	20, 25	<b>16,565</b>	16,504
Others		<b>6,275</b>	759
		<b>P46,074</b>	P40,497

Excess tax credits pertain to prepaid taxes carried over from previous taxable years.

## 13. Trade and Other Payables

This account consists of:

	<i>Note</i>	2021	2020 (As restated - Note 5)
Trade payables - third parties		<b>P967,997</b>	P1,032,672
Non-trade payables:			
Third parties		<b>169,508</b>	147,633
Related parties	15	<b>1,857</b>	5,183
Statutory obligations		<b>89,172</b>	91,650
Accrued expenses		<b>58,305</b>	48,628
	25	<b>P1,286,839</b>	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:

	<i>Note</i>	<b>2021</b>	2020 (As restated - Note 5)
Balances at beginning of year		<b>P42,000</b>	P729,000
Payments made		<b>(42,000)</b>	(784,000)
Availment of loan		-	97,000
Balances at end of year	27	<b>P -</b>	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, 2019. 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.

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.

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 a total of P55,000 for this loan in September 2020 and November 2020. The remaining balance of P42,000 was paid in January 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 loans were used to finance the Group's working capital requirements.

Interest expense recognized in profit or loss amounted to P70, P16,196 and P44,617 for the years ended December 30, 2021, 2020 and 2019, respectively (see Note 19). Interest payable arising from these loans amounting to nil and P2,564 as at December 31, 2021 and 2020, was recorded as part of non-trade payables under "Trade and Other Payables" account.

## 15. Related Party Transactions

Transactions and account balances with related parties as at and for the years ended December 31 are as follows:

Category/Transaction	Ref	Year	Transactions During the Year	Outstanding Balance			Terms	Conditions
				Receivable	Payable	Due to Related Parties		
<b>Ultimate Parent Company</b>								
Dividends	16	2021	P348,210	P -	P348,210	P -	Due and demandable	Unsecured
	16	2020	200,000	-	300,000	-		
Management fee	a	2021	-	-	-	106,700	Due and demandable;	Unsecured
	a	2020	-	-	-	106,700	non-interest-bearing	
<b>Entities under Common Control</b>								
Sales of good	7, b	2021	3,236,093	875,685	-	-	30 days credit term;	Unsecured;
	7, b	2020	2,266,932	675,136	-	-	non-interest bearing	no impairment
Lease expense	20, c	2021	69,211	-	186,858	-	Payable on a monthly	Unsecured
	20, c	2020	61,037	-	201,960	-	basis	
Advances	d	2021	-	-	-	-	Payable on demand;	Unsecured
	d	2020	-	-	-	86,000	interest-bearing	
Interest expense	d	2021	-	-	-	-	Payable on demand	Unsecured
	d	2020	1,720	-	2,508	-		
Reimbursement of expenses	e	2021	3,715	1,857	1,857	-	Payable on demand;	Unsecured;
	e	2020	4,023	1,347	2,675	-	non-interest-bearing	no impairment
<b>Stockholder</b>								
Advances	f	2021	-	-	-	-	Refer to Note f	Refer to
	f	2020	1,091	-	-	7,853		Note f
Interest expense	f	2021	-	-	-	-	Refer to note f	Refer to
	f	2020	6,119	-	-	-		Note f
		<b>2021</b>		<b>P877,542</b>	<b>P536,925</b>	<b>P106,700</b>		
		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 4.5% for year ended December 31, 2020, with maturities of two (2) years.

Interest expense recognized in profit or loss relating to the cash advances amounted to nil, P1,720 and P1,062 for the years ended December 31, 2021, 2020 and 2019.

- e. This represents cash advances to and from related parties as at December 31, 2021 and 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 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 nil, P6,119 and P26,664 for the years ended December 31, 2021, 2020 and 2019.

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 December 31, 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

During 2021, payment of registration fees amounting to P88,884 for the increase in authorized capital stock of and follow-on offering of TKHI was paid in advance by MI to Cosco. As at December 31, 2021, the outstanding balance of this amount is P79,204. There were no other transactions and balances to be eliminated.

### Key Management Personnel

The compensation of the key management personnel of the Group, by benefit type, are as follows:

	2021	2020	2019
Short-term employee benefits	<b>P4,228</b>	P4,228	P4,215
Retirement benefit costs	<b>146</b>	161	111
	<b>P4,374</b>	P4,389	P4,326

## 16. Equity

### Capital Stock

As at December 31, 2021 and 2020, the Parent Company's capital stock, at P0.10 par value per share consists of the following number of shares:

	December 31, 2021		December 31, 2020	
	Shares	Amount	Shares	Amount
<b>Authorized</b> P0.10 par value	<b>20,000,000,000</b>	<b>P2,000,000</b>	20,000,000,000	P2,000,000
Issued and Outstanding, as previously reported - P0.023 par value	<b>1,124,999,969</b>	<b>P25,875</b>	1,124,999,969	P25,875
Share swap transaction - P0.10 par value	<b>11,250,000,000</b>	<b>1,125,000</b>	11,250,000,000	1,125,000
Effect of changes in par value	<b>(866,249,656)</b>	-	(866,249,656)	-
Issuance of shares (FOO)	<b>3,000,000,000</b>	<b>300,000</b>	-	-
Issued and Outstanding, as restated - P0.10 par value	<b>14,508,750,313</b>	<b>P1,450,875</b>	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)
June 30, 2021	Issuance of capital stocks via shares swap	P2.00	11,250,000,000
November 19, 2021	Issuance of capital stocks - FOO	P1.50	3,000,000,000
Total outstanding shares as at December 31, 2021			14,508,750,313

\*The accounting for the share swap arrangement was applied retrospectively (see Note 5)

As at December 31, 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 were 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. On September 20, 2021, the Company filed an amended Registration Statement which was rendered effective by SEC on October 7, 2021. The Permit to Sell (“PTS”) of the Company’s Offer Shares was issued by SEC on November 3, 2021.

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 approved by the stockholders on May 28, 2021.

#### Additional Paid-in Capital

Presented below is the Parent Company’s additional paid-in capital:

	<b>Note</b>	<b>2021</b>	2020 (As restated - Note 5)
Balance at beginning of year, as previously reported		<b>P46,033</b>	P46,033
Share swap transaction	5	<b>21,375,000</b>	21,375,000
Balance at beginning of year, as restated		<b>21,421,033</b>	21,421,033
Issuance of shares (FOO)		<b>4,200,000</b>	-
Share issuance costs		<b>(173,133)</b>	-
Balances at end of year		<b>P25,447,900</b>	P21,421,033

Related transaction costs from the share swap transaction paid and incurred for the year ended 2021 amounting to P173,133 is deducted against additional paid-in capital as at December 31, 2021. Transaction costs is composed of fees for the increase in authorized capital stock, professional fees, listing fees and documentary stamp taxes.

#### Retained Earnings

##### *Declaration of Dividends*

On December 21, 2021, the Group’s BOD approved the declaration of cash dividend equivalent to P0.024 per share or an aggregate amount of P348,210. These dividends were paid on January 17, 2022.

##### *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. Such amount is paid during 2021.

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 was expected to be completed in December 2021 but was deferred at a later date because of the pandemic.

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### 17. Cost of Goods Sold

This account consists of:

	<i>Note</i>	<b>2021</b>	2020	2019
Inventories at beginning of year		<b>P3,659,336</b>	P4,744,683	P3,668,473
Net purchases		<b>7,955,195</b>	4,846,613	9,335,114
Total goods available for sale		<b>11,614,531</b>	9,591,296	13,003,587
Inventories at end of year	8	<b>(3,519,298)</b>	(3,659,336)	(4,744,683)
	8	<b>P8,095,233</b>	P5,931,960	P8,258,904

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### 18. Operating Expenses

This account consists of:

	<i>Note</i>	<b>2021</b>	2020	2019
Distribution costs		<b>P324,278</b>	P213,853	P180,888
Advertisement		<b>295,977</b>	139,310	293,968
Salaries and other employee benefits		<b>97,664</b>	86,251	81,479
Depreciation and amortization	10, 20	<b>73,557</b>	63,852	33,055
Taxes and licenses		<b>58,238</b>	26,891	56,472
Outside services		<b>34,903</b>	34,400	65,305
Legal and professional fees		<b>22,108</b>	2,461	-
Insurance		<b>10,062</b>	12,001	9,280
Transportation and travel		<b>5,310</b>	5,011	10,128
Utilities and communication		<b>4,603</b>	6,310	10,557
Representation and entertainment		<b>842</b>	934	3,507
Miscellaneous		<b>19,662</b>	18,215	29,132
		<b>P947,204</b>	P609,489	P773,771

## 19. Other Income (Charges)

This account consists of:

	<i>Note</i>	<b>2021</b>	2020	2019
Interest income	6	<b>P24,272</b>	P21,926	P4,781
Investment income		<b>13,725</b>	-	-
Foreign exchange gain (losses) - net		<b>(12,756)</b>	(23,271)	31,041
Interest expense	14, 15, 20	<b>(9,101)</b>	(31,392)	(74,461)
Bank charges		<b>(358)</b>	(272)	(972)
Others		<b>1,324</b>	2,293	161
		<b>P17,106</b>	(P30,716)	(P39,450)

## 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 P16,565 and P16,504 as at December 31, 2021 and 2020, respectively, which are shown under "Other noncurrent assets" account in the consolidated statements of financial position (see Note 12).

The movements and balances of the right-of-use assets and lease liabilities are as follows:

### i. Right-of-Use Assets

	<i>Note</i>	<b>2021</b>	2020 (As restated - Note 5)
Balance at beginning of year		<b>P185,853</b>	P34,046
Additions		<b>50,439</b>	205,289
Amortization charge for the year	18	<b>(60,180)</b>	(53,482)
Balance at end of year		<b>P176,112</b>	P185,853

### ii. Lease Liabilities

	<i>Note</i>	<b>2021</b>	2020 (As restated - Note 5)
Balance at beginning of year		<b>P201,960</b>	P37,167
Additions		<b>50,439</b>	205,289
Interest charge for the year	19	<b>9,031</b>	7,357
Payments made		<b>(74,572)</b>	(47,853)
Balance at end of year	27	<b>P186,858</b>	P201,960

As at December 31, 2021 and 2020, the Group's lease liabilities are classified in the consolidated statements of financial position as follows:

	<b>2021</b>	2020 (As restated - Note 5)
Current	<b>P58,118</b>	P52,553
Noncurrent	<b>128,740</b>	149,407
	<b>P186,858</b>	P201,960

Maturity analyses of the undiscounted lease liabilities as at December 31, 2021 and 2020 are as follows:

	<b>Undiscounted Lease Payments</b>	<b>Interest</b>	<b>Present Value of Lease Liabilities</b>
Not later than one year	<b>P65,082</b>	<b>P6,964</b>	<b>P58,118</b>
Later than one year but not later than five years	<b>135,047</b>	<b>6,307</b>	<b>128,740</b>
<b>Balances at December 31, 2021</b>	<b>P200,129</b>	<b>P13,271</b>	<b>P186,858</b>

	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	P18,198	P201,960

iii. Amounts recognized in profit or loss for the years ended December 31:

	<b>Note</b>	<b>2021</b>	2020	2019
Amortization expense	18	<b>P60,180</b>	P53,482	P25,810
Interest on lease liabilities	19	<b>9,031</b>	7,357	2,118
		<b>P69,211</b>	P60,839	P27,928

iv. Amounts recognized in the consolidated statements of cash flows for the years ended December 31:

	<b>2021</b>	2020	2019
Total cash outflow for leases	<b>P74,572</b>	P47,853	P28,892

## 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 consolidated statements of financial position. Annual cost is determined using the projected unit credit method. The Group's latest actuarial valuation date is December 31, 2021.

The table below shows the present value of the defined benefits retirement obligation or the retirement benefits liability and its components as at December 31:

	<b>2021</b>	2020 (As restated - Note 5)
<b>Balance at beginning of year</b>	<b>P15,330</b>	P12,304
<b>Recognized in Profit or Loss</b>		
Current service cost	<b>1,608</b>	1,547
Interest cost	<b>606</b>	638
	<b>2,214</b>	2,185
<b>Recognized in Other Comprehensive Income (Loss)</b>		
Actuarial loss (gain) arising from:		
Change in demographic assumptions	<b>(764)</b>	1,115
Change in financial assumptions	<b>1,173</b>	319
Experience adjustments	<b>1,009</b>	(593)
	<b>1,418</b>	841
Benefits paid	<b>(990)</b>	-
<b>Balance at end of year</b>	<b>P17,972</b>	P15,330

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, 2021 and 2020, accumulated remeasurements on retirement benefits amounted to P3,552 and P4,691, respectively, as presented in the consolidated statements of financial position.

The principal actuarial assumptions (in percentages) used to determine retirement benefits are as follows:

	<b>2021</b>	2020
Discount rate	<b>5.08%</b>	3.95%
Future salary increases	<b>8.00% to 10.00%</b>	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 December 31, 2021 and 2020.

As at December 31, 2021 and 2020, the reasonably possible changes to one of the relevant actuarial assumptions, while holding all other assumptions constant, would have affected the defined benefits obligation by the amounts below:

	<b>December 31, 2021</b>		December 31, 2020	
	<b>Defined Benefits Obligation</b>		Defined Benefits Obligation	
	<b>1 Percent Increase</b>	<b>1 Percent Decrease</b>	1 Percent Increase	1 Percent Decrease
Discount rate	<b>(P813)</b>	<b>P440</b>	(P804)	P435
Salary increase rate	<b>1,265</b>	<b>(1,027)</b>	1,253	(1,020)

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:

	<b>Carrying Amount</b>	<b>Contractual Cash Flows</b>	<b>Within 1 Year</b>	<b>Within 1 - 5 Years</b>	<b>More than 5 Years</b>
<b>2021</b>	<b>P17,972</b>	<b>P14,348</b>	<b>P872</b>	<b>P7,760</b>	<b>P5,716</b>
2020	15,330	13,529	764	8,902	3,863

## **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:

- 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.
- 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:

	<b>2021</b>	2020	2019
Current	<b>P409,450</b>	P391,699	P418,118
Deferred	<b>933</b>	(49)	663
	<b>P410,383</b>	P391,650	P418,781

The Group's provision for current income tax represents regular corporate income tax (RCIT) in all years presented.

MI elected to avail of the optional standard deduction (OSD) which is equivalent to 40% of total gross income for the years ended December 31, 2021, 2020 and 2019. 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 December 31 are as follows:

	2021	2020	2019
Income before income tax	<b>P1,994,766</b>	P1,570,406	P1,636,509
Provision for income tax at the statutory income tax rate*	<b>P498,692</b>	P471,122	P490,953
Additions to (reductions from) income taxes resulting to the tax effects of:			
Availment of optional standard deduction	<b>(65,762)</b>	(92,655)	(246,874)
Impact of CREATE Act	<b>(31,617)</b>	-	-
Change in unrecognized deferred income tax asset	<b>8,297</b>	6,364	(1,399)
Interest income subjected to final tax	<b>(6,150)</b>	(6,578)	(1,434)
Share in net loss of an associate	<b>3,629</b>	7,450	-
Non-deductible expenses	<b>3,294</b>	5,947	177,535
Provision for income tax	<b>P410,383</b>	P391,650	P418,781

\*Statutory income tax rate for the year ended December 31, 2021 is 25% while for the years ended December 31, 2020 and 2019 is 30%

The components of the Group's net deferred income tax assets as at December 31, 2021 and 2020 are as follows:

	2021	2020
Retirement benefits liability	<b>P3,145</b>	P3,678
PFRS 16, Leases adjustment	<b>368</b>	323
Allowance for expected credit losses on trade receivables	<b>655</b>	786
Unrealized foreign exchange gains - net	<b>(61)</b>	(25)
	<b>P4,107</b>	P4,762

#### TKHI

As at December 31, 2021 and 2020, TKHI has carryforward benefits of unused NOLCO amounting to P43,748 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 2021 are as follows:

Years Incurred	Amount	Applied Previous Year	Applied Current Year	Expired	Ending Balance	Expiry Date
2018	P715	P -	P -	P715	P -	2021
2019	1,048	-	-	-	1,048	2022
2020	1,089	-	-	-	1,089	2025*
2021	41,612	-	-	-	41,612	2026*
	<b>P44,464</b>	<b>P -</b>	<b>P -</b>	<b>P715</b>	<b>P43,749</b>	

\*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:

	2021	2020 (As restated - Note 5)
PFRS16, Leases adjustment	<b>P7,174</b>	P4,110
Retirement benefits liability	<b>5,370</b>	3,887
Unrealized foreign exchange loss - net-	<b>4,493</b>	16,696
	<b>P17,037</b>	P24,693

## 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 December 31, 2021 and 2020 are as follows:

	2021	2020 (As restated - Note 5)
Balances at beginning of year	<b>P11,975</b>	P13,901
Provision used during the year	-	(1,926)
Balances at end of year	<b>P11,975</b>	P11,975

No provision for probable losses was recognized by the Group for the years ended December 31, 2021 and 2020.

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## 24. Earnings Per Share

Basic/diluted EPS of the Group is computed as follows:

<i>(In thousands, except per share data)</i>	<b>2021</b>	2020	2019
Net income (a)	<b>P1,584,642</b>	P1,178,756	P1,217,728
Weighted average number of common shares outstanding for the period* (b)	<b>11,883,750</b>	11,508,750	11,508,750
Basic EPS (a/b)	<b>P0.13</b>	P0.10	P0.11

*\*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:

	<b>Number of Common Shares</b>	<b>Proportion to Period</b>	<b>Weighted Average</b>
Outstanding shares at the beginning and November 19	<b>11,508,750,313</b>	<b>10.5/12</b>	<b>10,070,156,524</b>
Shares outstanding as of December 31, 2021	<b>14,508,750,313</b>	<b>1.5/12</b>	<b>1,813,593,789</b>
			<b>11,883,750,313</b>

The Group has no potential dilutive instruments as at December 31, 2021 and 2020, hence, diluted EPS is the same as the basic EPS.

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## 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:

	<b>Note</b>	<b>2021</b>	2020
Cash in banks	6	<b>P1,274,488</b>	P636,115
Cash equivalents	6	<b>6,424,694</b>	1,896,472
Trade and other receivables	7	<b>2,042,263</b>	1,574,625
Refundable deposits	12	<b>16,565</b>	16,504
		<b>P9,758,010</b>	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 December 31, 2021 and 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 December 31, 2021 and 2020:

	December 31, 2021		
	Gross Carrying Amount	Impairment Loss Allowance	Credit-impaired
Current (not past due)	P1,638,334	P -	No
1 - 30 days past due	389,204	-	No
31 - 120 days past due	17,346	2,621	Yes
<b>Balance at December 31, 2021</b>	<b>P2,044,884</b>	<b>P2,621</b>	

	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
<b>Balance at December 31, 2020</b>	<b>P1,577,246</b>	<b>P2,621</b>	

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 allowance for impairment in respect of trade and other receivables of the Group as a result of the expected credit loss assessment amounted to nil P2,621 as at December 31, 2021 and 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.

#### 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 the contractual maturities of financial liabilities as at December 31, 2021 and 2020:

	December 31, 2021			
	Carrying Amount	Contractual Cash Flows	1 Year or Less	More than 1 Year
<b>Financial Liabilities</b>				
Trade and other payables*	P1,197,667	P1,197,667	P1,197,667	P -
Due to related parties	106,700	106,700	106,700	-
Dividends payable	348,210	348,210	348,210	-
Lease liabilities	186,858	200,129	65,082	135,047
<b>Total</b>	<b>P1,839,435</b>	<b>P1,852,706</b>	<b>P1,717,659</b>	<b>P135,047</b>

\*Excluding statutory obligations amounting to P89,172.

	December 31, 2020			
	Carrying Amount	Contractual Cash Flows	1 Year or Less	More than 1 Year
<b>Financial Liabilities</b>				
Trade and other payables*	P1,231,552	P1,185,488	P1,185,488	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	-
<b>Total</b>	<b>P1,978,573</b>	<b>P1,950,763</b>	<b>P1,790,367</b>	<b>P160,396</b>

\*Excluding statutory obligations amounting to P91,650 and accrued interest payable amounting to P2,654.

\*\*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 December 31, 2021 and 2020:

	December 31, 2021					PHP
	USD	SGD	EUR	AUD	GBP	Equivalent
Foreign currency - denominated monetary assets:						
Cash	784	-	-	-	-	39,674
Trade and other receivables	2	-	30	6	1	2,075
	<b>786</b>	<b>-</b>	<b>30</b>	<b>6</b>	<b>1</b>	<b>41,749</b>
Foreign currency - denominated monetary liabilities:						
Trade payables	(173)	-	(14,536)	-	-	(852,879)
Net foreign currency - denominated monetary asset (liabilities)	<b>613</b>	<b>-</b>	<b>(14,506)</b>	<b>6</b>	<b>1</b>	<b>(811,130)</b>

December 31, 2020					
	USD	SGD	EUR	AUD	PHP Equivalent
Foreign currency - denominated monetary assets:					
Cash	98	-	-	-	4,731
Trade and other 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:

	2021	2020
USD	50.56	48.04
SGD	-	35.74
EUR	58.07	58.69
AUD	36.18	36.40
GBP	66.19	63.66

The following table demonstrates sensitivity of cash flows due to changes in foreign exchange rates with all variables held constant.

December 31, 2021		
	Percentage Decrease in Foreign Exchange Rates	Increase (Decrease) in Income before Income Tax
USD	5.24%	P1,219
EUR	(2.76%)	17,128
AUD	(0.62%)	(1)
GBP	3.97%	2

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 remain 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:

	<b>December 31, 2021</b>	December 31, 2020
Debt	<b>P2,107,152</b>	P2,283,022
Equity	<b>12,042,182</b>	6,480,738
Debt to equity ratio	<b>0.17:1</b>	0.35:1

The Group is not subject to externally imposed capital requirements.

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## **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.

As at December 31, 2021 and 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.

	December 31, 2021	
	Carrying Amount	Fair Value
<b>Financial Assets at Amortized Cost</b>		
Cash in banks	P1,274,488	P1,274,488
Cash equivalents	6,424,694	6,424,694
Trade and other receivables - net	2,042,263	2,042,263
Refundable deposits	16,565	16,549
	<b>P9,758,010</b>	<b>P9,757,994</b>
<b>Other Financial Liabilities</b>		
Trade and other payables	P1,197,667	P1,197,667
Due to related parties	106,700	106,700
Dividends payable	348,210	348,210
	<b>P1,652,667</b>	<b>P1,652,667</b>
December 31, 2020		
	Carrying Amount	Fair Value
<b>Financial Assets at Amortized Cost</b>		
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
	<b>P4,123,716</b>	<b>P4,123,698</b>
<b>Other Financial Liabilities</b>		
Trade and other payables	P1,231,552	P1,231,552
Due to related parties	203,061	203,061
Dividends payable	300,000	300,000
Loans payable	42,056	42,056
	<b>P1,776,669</b>	<b>P1,776,669</b>

## 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:

	December 31, 2021					Total
	Loan Payable	Accrued Interests	Dividends Payable	Lease Liabilities	Due to Related Parties	
Balances at beginning of year	P42,000	P2,564	P300,000	P201,960	P200,553	P747,077
<b>Changes from Financing Cash Flows</b>						
Payments of:						
Dividends payable	-	-	(300,000)	-	-	(300,000)
Loans payable	(42,000)	-	-	-	-	(42,000)
Lease liabilities - principal portion	-	-	-	(65,541)	-	(65,541)
Due to related parties	-	-	-	-	(93,853)	(93,853)
Interest	-	(2,634)	-	(9,031)	-	(11,665)
<b>Total Changes from Financing Cash Flows</b>	<b>(42,000)</b>	<b>(2,634)</b>	<b>(300,000)</b>	<b>(74,572)</b>	<b>(93,853)</b>	<b>(513,059)</b>
<b>Liability-related Other Changes</b>						
Additions from new lease agreements entered during the year						
Interest expense	-	70	-	50,439	-	50,439
Dividends declared	-	-	348,210	9,031	-	348,210
Total liability-related other changes	-	70	348,210	59,470	-	407,750
Balances at end of year	P -	P -	P348,210	P186,858	P106,700	P641,768

	December 31, 2020						
	Loans Payable	Accrued Interests	Advances from a Stockholder	Dividends Payable	Lease Liabilities	Due to Related Parties	Total
Balances at beginning of year	P729,000	P1,542	P659,500	P150,000	P37,167	P199,614	P1,776,823
Changes from Financing Cash Flows							
Payments of:							
Loans payable	(784,000)	-	-	-	-	-	(784,000)
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	(702,896)	(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	P42,000	P2,564	P -	P300,000	P201,960	P200,553	P747,077

	December 31, 2019						
	Loans Payable	Accrued Interests	Advances from a Stockholder	Dividends Payable	Lease Liabilities	Due to Related Parties	Total
Balances at beginning of year	P710,000	P8,238	P659,500	P375,000	P44,716	P303,307	P2,100,761
Changes from Financing Cash Flows							
Payments of:							
Loans payable	(621,000)	-	-	-	-	-	(621,000)
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 loans payable	640,000	-	-	-	-	-	640,000
Advances received from related parties	-	-	-	-	-	1,155	1,155
Total changes from financing cash flows	(4,302)	(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	P729,000	P1,542	P659,500	P150,000	P37,167	P199,614	P1,776,823





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## **INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

The Stockholders and Board of Directors  
**The Keepers Holdings, Inc.**  
**(formerly "Da Vinci Capital Holdings, Inc.")**  
No. 900 Romualdez Street  
Paco, Manila

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of The Keepers Holdings, Inc. (formerly "Da Vinci Capital Holdings, Inc.") and Subsidiaries (the "Group") as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, and have issued our report thereon dated April 21, 2022.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements of the Group taken as a whole. The Supplementary Schedule of Financial Soundness Indicators, including their definitions, formulas and calculations, and their appropriateness or usefulness to the intended users, are 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.

Firm Regulatory Registration & Accreditation:  
PRC-BOA Registration No. 0003, valid until November 21, 2023  
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)  
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)  
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



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 consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2021 and 2020 and for each of three years in the period ended December 31, 2021 and no material exceptions were noted (see Annex A).

**R.G. MANABAT & CO.**

GREGORIO I. SAMBRANO, JR.

Partner

CPA License No. 088825

SEC Accreditation No. 88825-SEC, Group A, valid for five (5) years  
covering the audit of 2021 to 2025 financial statements

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 8854082

Issued January 3, 2022 at Makati City

April 21, 2022

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 audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of The Keepers Holdings, Inc. (formerly “Da Vinci Capital Holdings, Inc.”) and Subsidiaries (the “Group”) as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 included in this Form 17-A, and have issued our report thereon dated April 21, 2022.

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements of the Group taken as a whole. The supplementary information included in the following accompanying additional components are 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

Firm Regulatory Registration & Accreditation:

PRC-BOA Registration No. 0003, valid until November 21, 2023

SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)

IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)

BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024

financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



These supplementary information are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not required parts of the basic consolidated financial statements. Such supplementary information have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

**R.G. MANABAT & CO.**

A handwritten signature in black ink that reads "Gregorio I. Sambrano, Jr." with a stylized flourish at the end.

GREGORIO I. SAMBRANO, JR.

Partner

CPA License No. 088825

SEC Accreditation No. 88825-SEC, Group A, valid for five (5) years  
covering the audit of 2021 to 2025 financial statements

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 8854082

Issued January 3, 2022 at Makati City

April 21, 2022

Makati City, Metro Manila

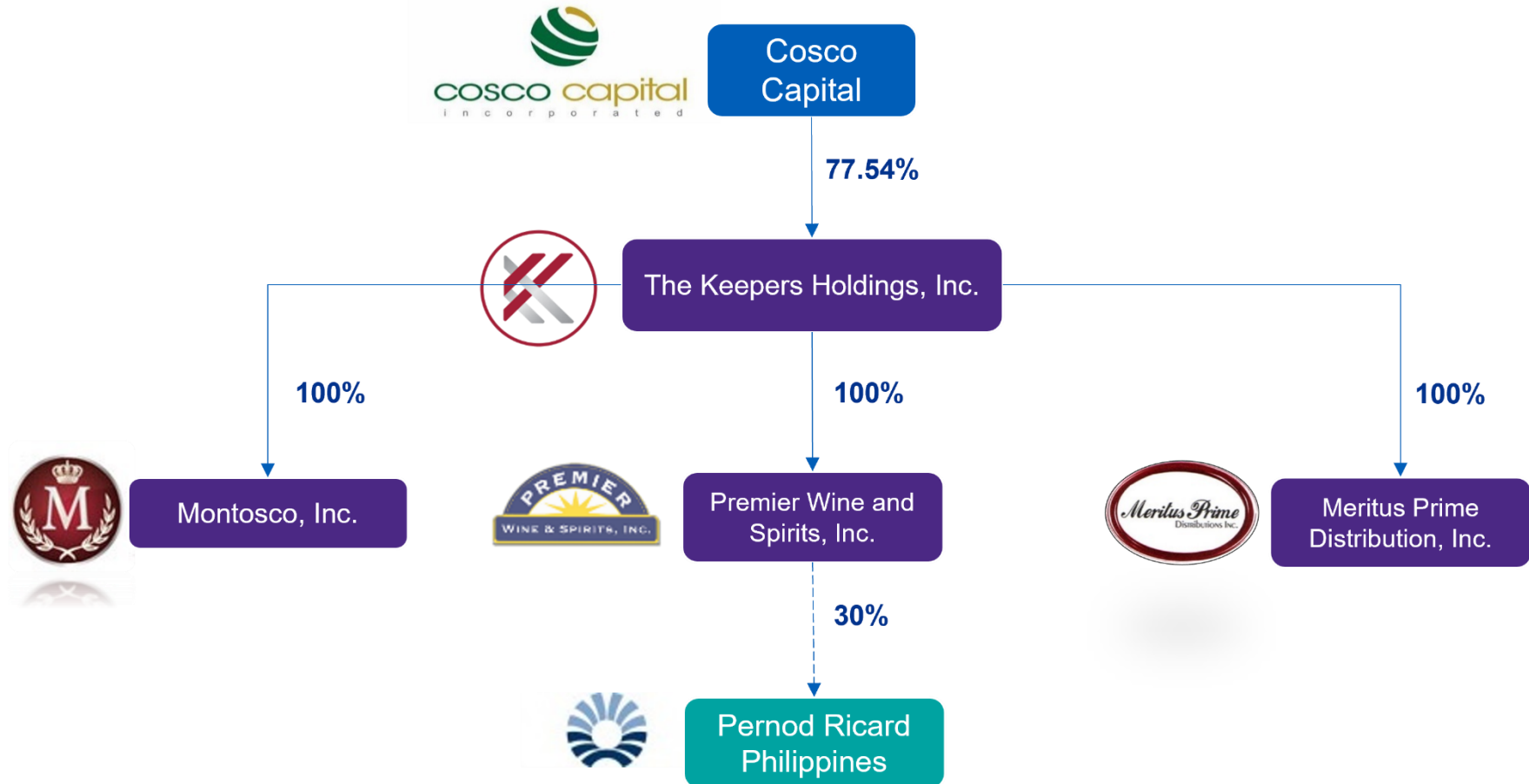
**THE KEEPERS HOLDINGS, INC.**  
**(Formerly DA VINCI CAPITAL HOLDINGS, INC.) AND SUBSIDIARIES**  
**(Amounts in Thousands)**

**AS AT DECEMBER 31, 2021**

Ratio	Formula	2021	2020
Current ratio	Total Current Assets divided by Total Current Liabilities  Total current assets P13,817,913 Divide by: Total current liabilities 1,960,440 <hr/> 7.05	<b>7.05</b>	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 P13,817,913 Less: Inventories 3,519,298 Prepaid expenses other current assets 555,423 <hr/> Quick assets 9,743,192 Divide by: Total current liabilities 1,960,440 <hr/> Acid-test ratio 4.97	<b>4.97</b>	1.94
Debt-to-equity ratio	Debt-to equity ratio (Total liabilities over total equity)  Total liabilities P2,107,354 Divide by: Total equity 12,042,182 <hr/> 0.17	<b>0.17</b>	0.35
Asset-to-equity ratio	Asset-to-equity ratio (Total assets over total equity)  Total assets P14,149,958 Divide by: Total equity 12,042,182 <hr/> 1.18	<b>1.18</b>	1.35

		<b>2021</b>	2020
Solvency ratio	Solvency ratio (Profit plus depreciation and amortization over total liabilities)  Net income P1,584,383 Add: Depreciation and amortization 73,557 <hr/> Total 1,657,940 Divide by: Total liabilities 2,107,152 <hr/> Solvency ratio 0.79 <hr/>	<b>0.79</b>	0.67
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 P1,657,940 Divide by: Interest expense on loans - <hr/> Nil <hr/>	<b>Nil</b>	70.53
Return on equity	Return on Equity (Net Income by Average Total Equity)  Net income P1,584,383 Divide by: Average total equity 9,261,460 <hr/> 0.17 <hr/>	<b>0.17</b>	0.20
Return on assets	Return on Assets (Net Income by Average Total Assets)  Net income P1,584,383 Divide by: Average total assets 11,456,547 <hr/> 0.14 <hr/>	<b>0.14</b>	0.13
Net profit margin	Net profit margin (Profit over net sales)  Net income P1,584,383 Divide by: Net sales 11,034,613 <hr/> 0.14 <hr/>	<b>0.14</b>	<b>0.14</b>

**THE KEEPERS HOLDINGS, INC. (Formerly DA VINCI CAPITAL HOLDINGS, INC.) AND SUBSIDIARIES**  
**Map of Group of Companies Within which the Company Belongs**  
**As at December 31, 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	P7,699,182	P7,699,182	P24,272
Various customers - Trade and other receivables - net	N/A	2,042,263	2,042,263	-
Various lessors - Refundable deposits	N/A	16,565	16,565	-

\*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
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**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 -	P88,884	P9,680	P -	P79,204	P -	P79,204

**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	14,508,750,313	-	11,469,926,768	313	3,038,823,232

**THE KEEPERS HOLDINGS, INC. (Formerly DA VINCI CAPITAL HOLDINGS, INC.) AND SUBSIDIARIES**  
**SCHEDULE H. PROCEEDS FROM FOLLOW-ON OFFERING**

---

1. Gross and net proceeds as disclosed in the final prospectus

Estimated Gross Proceeds	P4,500,000,000
Estimated Net Proceeds	4,357,000,000

---

2. Actual gross and net proceeds

Gross Proceeds	P4,500,000,000
Net Proceeds	4,354,481,374

---

3. Expenditure where the proceeds were used:

Underwriting fees for the offer	P97,578,947
Selling fees paid to the PSE Trading Participants	9,000,000
Documentary stamp taxes	3,000,000
SEC registration, research and listing fees	2,464,430
PSE listing fee	8,400,000
Professional fees	24,700,306
Other expenses (including printing costs, logistics and miscellaneous expenses)	374,943
<b>Total offering expenses</b>	<b>P145,518,626</b>

---

4. Balance of the proceeds as of end of reporting period

Gross Proceeds	P4,500,000,000
Offering expenses for the year ended December 31, 2021	(145,518,626)
<b>Unused Proceeds as at December 31, 2021</b>	<b>P4,354,481,374</b>

---

**RECONCILIATION OF RETAINED EARNINGS  
AVAILABLE FOR DIVIDEND DECLARATION  
AS AT DECEMBER 31, 2021**  
(Amounts in Thousands)

**THE KEEPERS HOLDINGS, INC.**  
**(Formerly DA VINCI CAPITAL HOLDINGS, INC.)**  
No. 900 Romualdez Street, Paco, Manila

<b>Deficit, January 1, 2021</b>	<b>(P57,863)</b>
<b>Adjustments in previous year's reconciliation</b>	<b>-</b>
<b>Deficit, as adjusted, January 1, 2021</b>	<b>(57,863)</b>
<b>Net income for the year ended December 31, 2021</b>	<b>P316,554</b>
<b>Less: Non-actual/unrealized income net of tax</b>	
Equity in net income of associate/joint venture	P -
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	-
<b>Sub-total</b>	<b>-</b>
<b>Add: Non-actual losses</b>	
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)	-
<b>Sub-total</b>	<b>-</b>
<b>Net income actually incurred during the period</b>	<b>316,554</b>
Add (Less):	
Dividend declarations during the period	<b>(348,210)</b>
Appropriations of Retained Earnings during the period	-
Reversals of appropriations	-
Treasury shares	-
<b>Deficit, as adjusted, December 31, 2021,</b>	<b>(P89,519)</b>



# ANNEX "D"

Excerpt from the 2021  
Consolidated Audited Financial  
Statement of The Keepers Holdings, Inc.

## 15. Related Party Transactions

Transactions and account balances with related parties as at and for the years ended December 31 are as follows:

Category/Transaction	Ref	Year	Transactions During the Year	Outstanding Balance			Terms	Conditions
				Receivable	Payable	Due to Related Parties		
<b>Ultimate Parent Company</b>								
Dividends	16	2021	P348,210	P -	P348,210	P -	Due and demandable	Unsecured
	16	2020	200,000	-	300,000	-		
Management fee	a	2021	-	-	-	106,700	Due and demandable;	Unsecured
	a	2020	-	-	-	106,700	non-interest-bearing	
<b>Entities under Common Control</b>								
Sales of good	7, b	2021	3,236,093	875,685	-	-	30 days credit term;	Unsecured;
	7, b	2020	2,266,932	675,136	-	-	non-interest bearing	no impairment
Lease expense	20, c	2021	69,211	-	186,858	-	Payable on a monthly	Unsecured
	20, c	2020	61,037	-	201,960	-	basis	
Advances	d	2021	-	-	-	-	Payable on demand;	Unsecured
	d	2020	-	-	-	86,000	interest-bearing	
Interest expense	d	2021	-	-	-	-	Payable on demand	Unsecured
	d	2020	1,720	-	2,508	-		
Reimbursement of expenses	e	2021	3,715	1,857	1,857	-	Payable on demand;	Unsecured;
	e	2020	4,023	1,347	2,675	-	non-interest-bearing	no impairment
<b>Stockholder</b>								
Advances	f	2021	-	-	-	-	Refer to Note f	Refer to
	f	2020	1,091	-	-	7,853		Note f
Interest expense	f	2021	-	-	-	-	Refer to note f	Refer to
	f	2020	6,119	-	-	-		Note f
		<b>2021</b>		<b>P877,542</b>	<b>P536,925</b>	<b>P106,700</b>		
		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 4.5% for year ended December 31, 2020, with maturities of two (2) years.

Interest expense recognized in profit or loss relating to the cash advances amounted to nil, P1,720 and P1,062 for the years ended December 31, 2021, 2020 and 2019.

- e. This represents cash advances to and from related parties as at December 31, 2021 and 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 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 nil, P6,119 and P26,664 for the years ended December 31, 2021, 2020 and 2019.

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 December 31, 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

During 2021, payment of registration fees amounting to P88,884 for the increase in authorized capital stock of and follow-on offering of TKHI was paid in advance by MI to Cosco. As at December 31, 2021, the outstanding balance of this amount is P79,204. There were no other transactions and balances to be eliminated.

Key Management Personnel

The compensation of the key management personnel of the Group, by benefit type, are as follows:

	<b>2021</b>	2020	2019
Short-term employee benefits	<b>P4,228</b>	P4,228	P4,215
Retirement benefit costs	<b>146</b>	161	111
	<b>P4,374</b>	P4,389	P4,326

ANNEX "E"



**cosco capital**  
i n c o r p o r a t e d

Sustainability Report

**2021**

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# CONTEXTUAL INFORMATION

**Name of Organization:**

Cosco Capital, Inc.

**Location of Headquarters:**

No. 900 Romualdez St., Paco Manila 1007

**Location of Operations:**

Nationwide – Philippines

**Report Boundary:**

Legal entities  
(e.g. subsidiaries)  
included in this report



Including all its subsidiaries namely;



**Retail**

Puregold Price Club, Inc. (and its subsidiaries): Kareila Management Corporation (S&R Warehouses, S&R Pizza, Inc., Entenso Equities, Inc.)



**Liquor Distribution**

The Keepers Holdings Inc. (and its subsidiaries): Montosco, Inc., Meritus Prime Distribution, Inc., Premier Wine and Spirits, Inc.

**Real Estate and Property Leasing**

Nation Realty, Inc., Patagonia Holdings Corp., Ellimac Prime Holdings, Inc., Fertuna Holdings Corp., Pure Petroleum Corp., NE Pacific Shopping Centers Corporation (NPSCC)



**Specialty Retail**

Office Warehouse, Inc.

**Business Model:**

Including Primary Activities, Brands, Products and Services

Cosco Capital, Inc. is an investment holding company. It has a diversified portfolio of business interests in retail, real estate, liquor distribution, and other specialty business.

**Reporting Period:**

2021

**Highest Ranking Person responsible for this report:**

John T. Hao

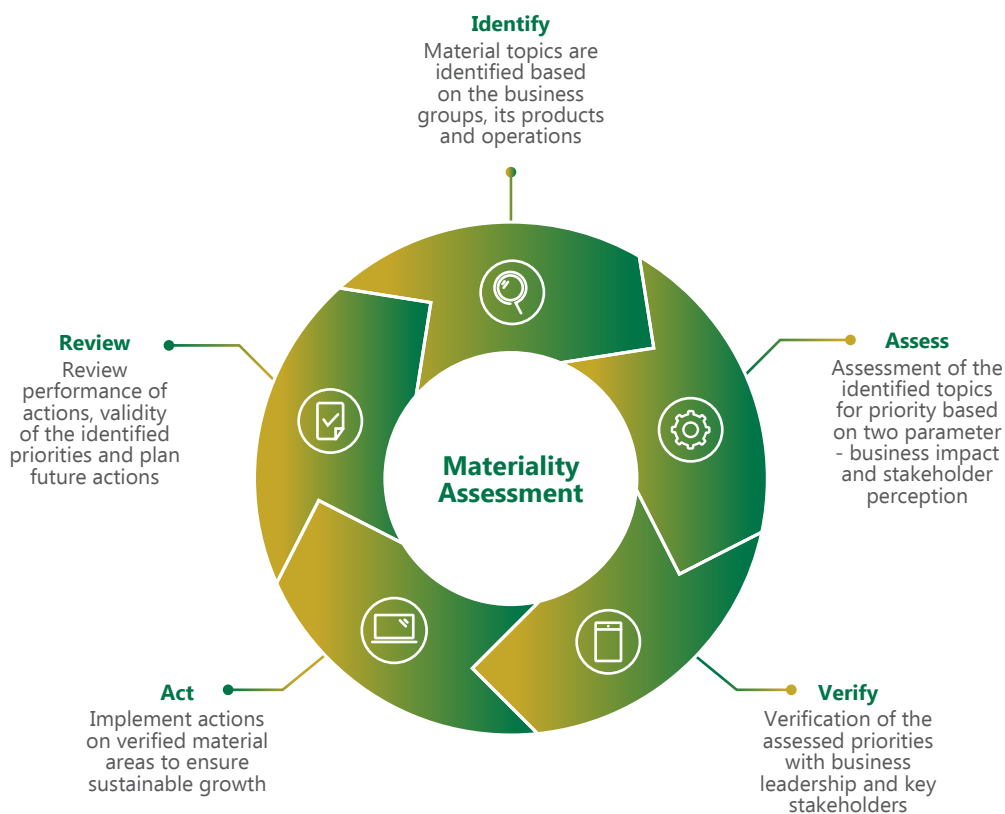
Investor Relations and Sustainability Officer

# MATERIALITY PROCESS

The process of sustainability reporting is fairly new to Cosco Capital and has been initiated after the mandate from the Securities and Exchange Commission (SEC) of the Philippines, since 2019. The onset of the pandemic immediately after this mandate required Cosco Capital to invest energy in other aspects of the business over the last 2 years to ensure business performance and commitment to its stakeholder community. With the economy and business landscape getting to a new sense of normal, the company is actively pursuing its sustainability efforts by establishing a foundation.

In the above context, the company’s approach to materiality during 2021 was not well documented. However, the longevity of the business and its consistently strong performance over several decades indicates that the business and its leaders are focusing on what is material to its economic sustainability performance. While 2022 will see a well-articulated approach backed by well documented evidence of implementation, this 2021 report outlines the general process followed when it comes to understanding what is material to the business and its sustainability performance – covering economic, environmental, social and governance aspects.

The materiality assessment process is built on the strong knowledge of the landscape the business is operating in given its varied yet connected set of sectors that it focuses on. Tapping best practices from the GRI (Global Reporting Initiative) standards on materiality assessment, it has helped us understand business risks and opportunities, follow an iterative approach to ensure continuous improvement and keep tabs with the evolving market landscape.



This report is a consolidation of all available data and information on specific relevant and material sustainability topics related to environment, social, and governance (ESG) aspects. The Securities and Exchange Commissions (SEC) Memorandum Circular 2020-04 was also utilized as a guidebook for writing the sustainability report.

Our management’s goals and targets are also presented to help achieve the UN Sustainability Development Goals. An ad-hoc team was created to gather data, monitor and identify materiality topics, and approved by the top executives of the company.



# Economic Contribution





# Economic Contribution



## Direct Economic Value Generated and Distributed

Disclosures	Units	2020	2021
Direct Economic Value Generated (Revenue)	PHP	180,474,149,423.00	177,632,322,217.00
Direct Economic Value Distributed:			
a. Operating Costs	PHP	20,147,712,147.00	21,587,628,337.00
b. Employee Wages and Benefits	PHP	2,804,785,115.34	3,038,541,960.86
c. Payments to Suppliers/Other Operating Costs	PHP	145,021,699,420.00	140,822,162,365.00
d. Dividends given to Stockholders and Interest Payments to Loan Providers	PHP	1,480,137,972.19	2,373,252,876.00
e. Taxes given to Government	PHP	5,291,596,005.31	4,253,790,185.79
f. Investments to Community	PHP	25,125,192.00	10,670,000.00

Based on the economic performance data of Cosco Capital in the years 2020 and 2021, there has been:

- An increase in operating costs, employee wages and benefits in 2021 as a result of business expansion and resulting increase in operating hours;
- Significant increase in dividends and interest payments in 2021 compared to 2020, because of increase in interests paid by the grocery retail segment and declared increase in dividends.
- Reduced taxes paid to the government as a result of reduction of income taxes by the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act in May, 2021.
- A significant drop in the Corporate Social Responsibility spend in 2021; however, the reality is 2020 presented a significant spike since the business was responding to the pandemic and serving the community to cope with it.

## Impacts and Management Approach

### Contribution to local economic growth

Through the continuous growth and expansion of the business in key strategic geographic locations nationwide, Cosco Capital directly contributed to the growth of the fast-moving consumer goods (FMCG) and the real estate sectors in the Philippines. This led to a boost in the gross domestic product of the local economy.

### Local livelihood enhancement

The expansion of Cosco Capital's business meant creation of new jobs, livelihood opportunities for small and medium enterprises through its reseller TNAP and Kaindustriya programs and positive impact on local producers and suppliers through increase in materials and local produce purchased.

### Building community welfare

Cosco Capital contributed to local community development in various ways. One of the most successful CSR activities of the year was the scholarship program to both the 22 children of the Cosco Group employees and another 359 external deserving students. For 2021, there was a total of 381 educational scholarships by the corporate social responsibility arm of Cosco Capital, Inc., the Luis Co Chi Kiat Foundation, Inc. (LCCKFI).

### Management Approach:

While the top management is focused on driving the group towards market expansion and innovation by encouraging the establishment of new supermarkets and warehouse clubs nationwide, the finance teams in each of the businesses closely monitor the financial performance and ensure compliance to reporting and auditing according to local laws and regulations. CSR activities are closely managed by Luis Co Chi Kiat Foundation, the corporate social responsibility arm of the Cosco Capital Group.

## Risks and Management Approach

### Market risks (competition, supply, credit, pricing)

Given the diverse nature of the business, uncertainties in global markets due to the pandemic, and changing consumer behaviors, Cosco Capital is highly vulnerable to market risks. These have the potential to directly impact the survival of the business. However, since a significant proportion of the group's business deals in essentials, we believe that this is a moderate risk – but Cosco Capital still takes all precautionary measures required to abate its effects, as highlighted in the management approach.

### Regulatory and Compliance Risk

Since the Cosco group's business has diversified branches of activities and multiple stakeholders involved, breaches in regulatory and compliance related matters are considered serious risks to the functioning of the business, since this will impact government and community trust on the business.

### Natural Disasters

Being in a disaster-prone country like the Philippines, the business – along with the rest of the country – is vulnerable to natural disasters and extreme events; specifically, typhoons and tsunamis. The major risk stemming from these disasters is the adverse impact it causes on human life, infrastructure, and also economic activity.

### Management Approach:

Cosco Capital believes that continuous innovation and expansion into the different regional markets in the Philippines is an effective way deal with market risks – larger the footprint, the larger the economies of scale – this helps cushioning the negative impacts. The group therefore endeavors to strengthen the Tindahan ni Aling Puring (TNAP) and Kaindustriya reseller programs, as well as the Perks program for direct customers. In order to protect the supply chain against shocks, the group maintains strong relationships with suppliers by building their capacity on sustainable production as well as an efficient supply chain in order to minimize the cost of logistics.

To address regulatory and compliance risk, the group has watertight policies in place for all businesses, including Whistle-Blowing Policies, Insider Trading Policies, and Conflict of Interest Policies. To view these policies for the Puregold business, [click here](#). The compliance team also monitors all regulatory requirements and ensures adherence to these.

The group has business-level Disaster Preparedness Manuals in place to use during emergencies. The Puregold Manual, for instance, contains natural disasters and fire contingency plans, and a four-phase plan to respond to earthquakes, typhoons, floods, volcanic eruptions, and droughts, including evacuation plans, emergency hotlines, and the presence of ERT-recommended medical equipment. In addition to the response plan, the manual also specifies preventive action including water conservation strategy for droughts and energy efficiency to conserve electricity for availability during blackouts.

## Opportunities and Management Approach

### Expanding into online platforms

After the pandemic, the group believes that conducting business through technology platforms could be greatly beneficial – putting in place an app for online grocery shopping, is one of the planned activities.

### Enabling farmers through direct buying

Working with farmers directly has multiple benefits – accessing and selling fresh produce to improve competitiveness and customer satisfaction, enhancing their earning potential, improving their livelihood and reducing 'costs in transit'. In the future, the group plans to establish a direct connection with farmers to source materials and bring it to market.

### Management Approach:

Cosco Capital intends to invest adequate amount of resources into reliable technology, human capital and training for employees to maintain and continuously enhance its existing ventures into online applications and platforms to improve its services to and engagement with its customers. To enable direct selling by farmers, the group plans to conduct an assessment of farmers in areas surrounding the group stores, materials available, and quality of produce – in order to explore the potential of partnerships with them.

# Climate-Related Risks and Opportunities



## Plastic Packaging

The use of plastic bags to package customer items is considered a threat to the environment because they take a very long time to degrade and can contaminate the soil and the waterways. To help cushion the risks of plastic bags, Cosco Capital group has worked towards significant reduction of its usage. Some of the company stores are using recyclable cartons for packaging in compliance with the regulations of local government units having jurisdiction of the area – but the group plans to expand this initiative to the rest of its stores in due time and sees this as a great opportunity to not only reduce the impact of the business on the environment, but also to indirectly spread awareness among customers about the importance of using recyclable packaging. For instance, the S&R business has stopped purchasing plastic since second half 2021, and the food service is looking towards using more reusable plates / utensils instead of disposable or plastic alternatives. In 2021, both Puregold and S&R has reduced around 100 million plastic bags used in its operations.



### Food Waste

Food wastes and other solid wastes are generated from the food and fresh section where the group processes meat, fish, and other poultry products. The scraps coming from preparation of these fresh food products go to containers of third-party accredited solid waste haulers to the landfill. However, an opportunity that the Cosco Capital Group sees in the future is the potential to treat such waste by sending it to authorized sludge plants or biological filters – which means that this waste will be reused as compost, or for other applications (such as biogas).



### Energy Consumption

The energy consumption of Cosco Capital group stores and the fleet of vehicles used to transfer merchandise, including the vehicles used by third-party logistics and suppliers, require a lot of energy consumption, and consequently, emissions. The group uses gas and diesel to run its vehicles. On renewable energy, S&R business currently has solar installations in 12 of its stores. Puregold business has already awarded contracts for two rooftop solar projects of 700-800 kWh capacity, and plans to add 5-10 more rooftop solar projects across its stores each succeeding year. While S&R plans to expand its rooftop solar projects to all 22 S&R warehouse clubs by 2023. The group plans to continue to maximize the potential of solar energy use in the future. A lot of energy efficiency projects (detailed in the “environmental performance” section) have also been implemented.

*In a nutshell, Cosco Capital recognizes the fact that the environmental impact created by the group has a ripple effect on the community as a whole, and that being mindful of the group's contribution to climate change is necessary to co-exist sustainably in the society. Therefore, the group is looking towards mitigation and adaptation strategies towards addressing these climate risks. In the next 24 months, the group will come up with an initial “Climate Change Response Program” to lay down the group's initiatives, strategies, and targets in response to the global call for all corporate citizens to act towards keeping global warming well below 2 degrees Celsius. The recently concluded UN Environmental Assembly (UNEA 5.2) reached a landmark milestone of more than 175 countries agreeing to sign a global instrument for plastic monitoring and reduction. The importance of private sector contribution has been highlighted significantly. Given the nature of Cosco Capital's operations, the company will actively find ways to contribute and comply with such global standards.*

**The group believes this is a long term journey and commits to regularly revisit its goals, commitments and actions within its chosen priority areas to remain relevant and contribute to the larger sustainability agenda.**



# Anti-corruption



Training on Anti – Corruption Policies and Procedures			
Disclosures	Units	2020	2021
Percentage of Employees to whom the Organization's Anti – Corruption Policies and Procedures have been Communicated To	%	100	100
Percentage of Business Partners to whom the Organization's Anti – Corruption Policies and Procedures have been Communicated To	%	100	100
Percentage of Directors and Management that have Received Anti – Corruption Training	%	100	100
Percentage of Employees that have Received Anti – Corruption Training	%	70	70

Incidents of Corruption			
Disclosures	Units	2020	2021
Number of Incidents in which Directors were Removed or Disciplined for Corruption	#	0	0
Number of Incidents in which Employees were Dismissed or Disciplined for Corruption	#	29	0
Number of Incidents when Contracts with Business Partners were Terminated due to Incidents of Corruption	#	0	0

The table above represents data on training on anti-corruption policies and procedures, and incidents of corruption in the Cosco Capital Group over the past couple of years. 100% of all employees and partners are aware of the Group's anti-corruption policies and procedures. Moreover, all members of the Board of Directors as well as Senior Management of the group undergo an annual Good Corporate Governance Seminar conducted by SEC-accredited training institutions which include a refresher on anti-corruption policies and procedures. As compared to 2020, when 29 incidents of employees being dismissed / disciplined for corruption took place, there were no such incidents in 2021.

## Impacts and Management Approach

### **Improved goodwill, Risk: Tarnishing of reputation**

The Cosco Capital Group has a strict stand against corruption or any breaches of regulatory compliance by the group or the stakeholders associated with it. By monitoring this closely, the group ensures increased stakeholder trust in the business and improved goodwill and reputation over a period of time, in addition to helping establish a good relationship with local governments. Additionally, the group's anti-corruption stand also sends out a clear message to society that adherence to the law of the land is an utmost priority for everyone.

### **Management Approach:**

The group has strict protocols in place to ensure adherence to the anti-corruption stand – which are defined by the code of conduct. The employee code of conduct, for instance, specifies protocols for conduct against persons, conduct in the performance of duty, conduct of general inefficiency / negligence, infractions on attendance, company property, conduct harmful to health and sanitation, fraudulent conduct, conduct against public moral, and habitual delinquency.

## Opportunities and Management Approach

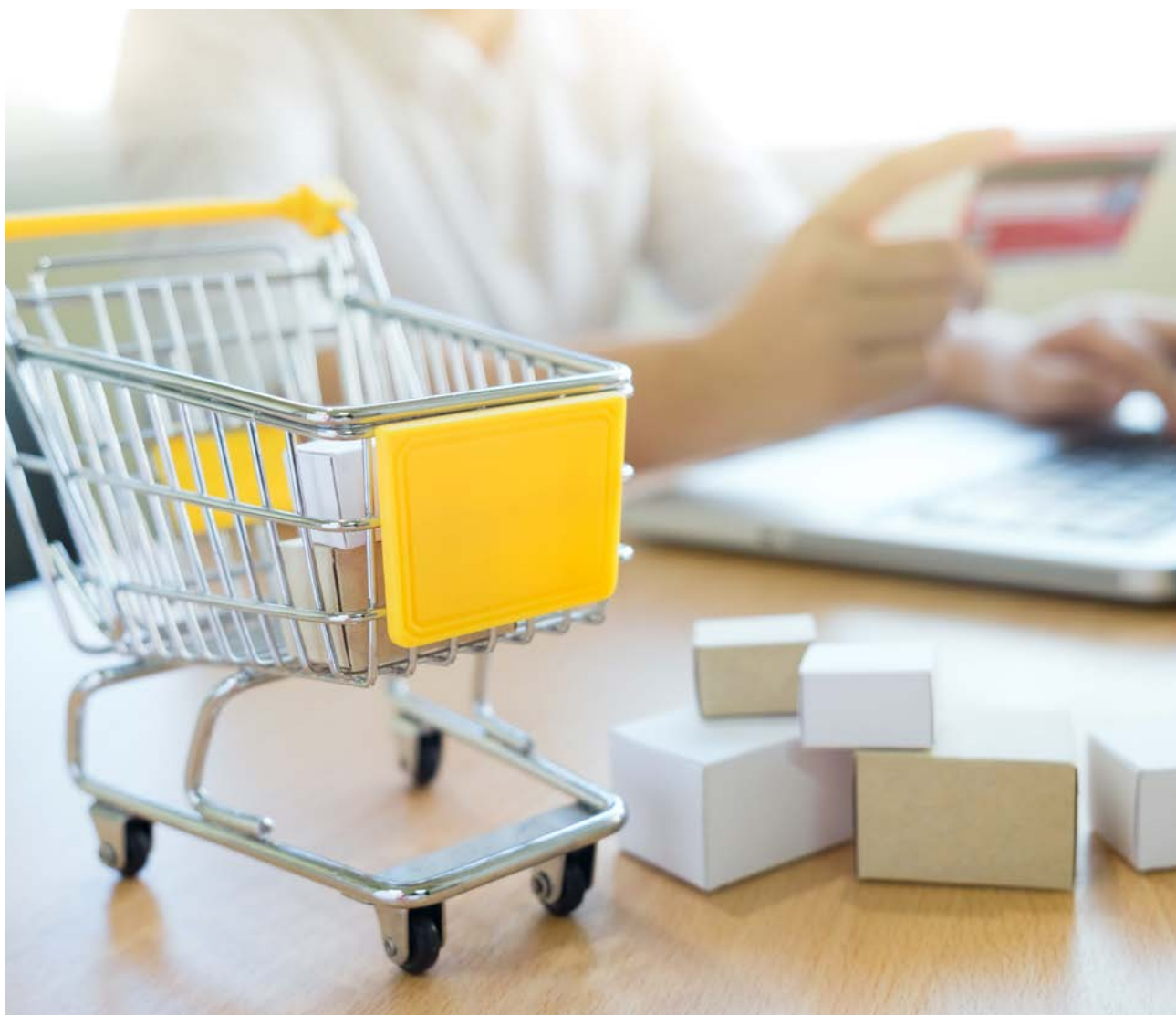
### **Readiness for newer, ESG-focused compliance requirements**

As Cosco Capital gears itself up for adopting and institutionalizing an ESG-oriented culture, the group expects continuing updates and/or issuances on new compliance requirements to come in year-on-year. The group looks forward to prepare itself to meet these new requirements and the fresh host of anti-corruption policies that will follow.

### **Management Approach:**

The group plans to conduct detailed research of future ESG goals that the businesses seek to fulfill, and thereafter, create a comprehensive framework of the compliance requirements that follow – in order to be prepared for it in advance.

# Procurement Practices



Proportion of Spending on Local Suppliers			
Disclosures	Units	2020	2021
Percentage of Procurement Budget Used for Significant Locations of Operations that is Spent on Local Suppliers*	%	92	93

As per the data above, the percentage of procurement budget used on local suppliers was 93% in 2021, which indicates the group's commitment to sourcing most of the materials locally except for some international brands that are stocked at the stores particularly for the S&R Warehouse Club outlets.



## Impacts and Management Approach

### Minimization of carbon footprint

By ensuring significant local procurement, the group ensures minimal carbon footprint in its supply chain compared to international sourcing. Additionally, this also provides a boost to the local economy.

#### Management Approach:

The group has a standard operating procedure in place to ensure screening, selection and maintenance of relationship with vendors. This includes collecting information on their policies and products and ensuring alignment with the needs of Cosco Capital.

## Risks and Management Approach

### Supplier non-compliance to / capacity building on ESG considerations

Cosco Capital seeks to integrate ESG incrementally into the group's activities completely in the long run. However, a potential risk associated with this is non-compliance of suppliers to ESG considerations that matter to the group. But the group also sees this as a potential opportunity to build local capacity and be a positive influence on the community.

#### Management Approach:

Along with the plan to integrate sustainability into the Group, Cosco Capital also seeks to prepare a capacity building plan for suppliers, in order to build their capacity on ESG matters and adherence to them.





# Environment Performance



# Resource Management



Energy Consumption within the Organization				
Disclosures	Units	2020	2021	
Renewable Resources	GJ	13,025.59	28,448.60	
Gasoline	GJ	4,794.28	9,205.51	
LPG	GJ	191,240.39	69,355.01	
Diesel	GJ	3,759.29	5,794.32	
Electricity	kWh	331,177,376.16	449,654,452.50	

The table above shows the energy consumption within the organization for the years 2020 and 2021.

- The year on year increase in diesel and gasoline consumption is largely a reflection of incomplete data collection in 2020. The group expects to address these challenges moving forward given the complete data set available for the current reporting period (2021)
- Energy consumption from renewable resources has increased in 2021 compared to 2020 because of the installation of rooftop solar units in more stores in the year 2021.

## Impacts and Management Approach

### Energy and Cost Efficiency

Energy consumption at the Cosco Capital group mainly stems from the use of electricity in the stores, gasoline and diesel for vehicles, and LPG used by tenants. By managing energy consumption in a responsible manner, the group can ensure minimal pressure on natural resources in surrounding communities and also achieve cost efficiency in the long run.

### Management Approach:

The Operations team across businesses manages energy consumption and data monitoring at Cosco Capital. In the group's endeavor to switch to clean energy alternatives, rooftop solar units have been installed in 12 S&R warehouse clubs, and 12,682,357 KWH of electricity was produced from them as of November 2021. Additionally, all Puregold stores and S&R Warehouse clubs have adopted 100% LED lighting in 2021. Puregold targets a 5-10% energy reduction based on a 3-year rolling average, from gasoline, diesel, and LPG use in operations, as well as from its upcoming solar installations. Building ID lighting in Puregold stores was also shifted to LED starting 5 years ago.

## Risks and Management Approach

### Poor monitoring of energy consumption

Given the multiple business locations and the community lockdowns in the past couple of years, the collection and monitoring of energy data on a continuous basis had been affected. This affected our ability to monitor energy consumption data properly, and thereafter, to implement initiatives towards improving energy efficiency.

### Management Approach:

An energy efficiency policy is being formulated and developed by the energy efficiency engineers at Puregold Price Club, with responsibilities that include preparing communication records, monitoring reports, audit reports, and documentation on energy reduction initiatives. Through this policy, the group seeks to monitor baseline energy use of each store. Additionally, an Energy efficiency and conservation plan will be drafted based on the requirements of the Department of Energy (DOE) Republic Act No. 11285 – the Energy Efficiency & Conservation Act.

## Opportunities and Management Approach

### Increase in renewable energy use

In the forthcoming years, the footprint of rooftop solar energy use is planned to be expanded much more, with installations in 5 stores for the S&R group being planned in 2022. This is planned to be extended to all stores in the next few years, and presents a great opportunity for the group to be a significant contributor of renewable energy use in the Philippines – this could create a positive influence on visitors to the stores and tenants.

### Management Approach:

Policies and procedures for renewable energy use are being developed for all businesses. For instance, Puregold Price Club is developing such policies to establish targets to offset energy generation and assess current performance of stores using renewable energy.

Water Consumption within the Organization			
Disclosures	Units	2020	2021
Water Consumption	m <sup>3</sup>	1,622,648.49	1,146,713.94
Water Recycled and Reused	m <sup>3</sup>	720	25,411.75

The above table showcases water consumption in the years 2020 and 2021. Water consumption reduced marginally in 2021 as compared to 2020, because of the COVID-19 induced lockdowns. The difference in the figures for “water recycled and reused” is largely a reflection of incomplete data collection in 2020. The group expects to address these challenges moving forward given the complete data set available for the current reporting period (2021)

## Impacts and Management Approach

### Water savings

Water consumption is mainly for cleaning, toilet use, and drinking – across all the businesses. By implementing water saving initiatives across the group, Cosco Capital ensures that water availability in surrounding communities is not impacted adversely. Water efficiency also improves within the organization, making the employees more conscious about saving water.

### Management Approach:

Rainwater catchment and grey water initiatives have been implemented in the Puregold business to reduce overall potable water demand, and rainwater harvesting has been introduced in two S&R stores as well. Seven stores in the Puregold group and one store under construction has provision for grey water.

## Risks and Management Approach

### Inefficient water management

Water conservation as a practice requires constant monitoring and adoption of behavior change; however, this was interrupted frequently due to the slew of lockdowns that happened in the past couple of years. A risk that resulted from this – which is present even now – inconsistency in behavior that affects adoption of water conservation as a culture.

### Management Approach:

Similar to energy conservation, baseline water consumption is estimated by identifying water consuming systems in the operation, and identifying existing processes that affect water consumption. This helps analyze water consumption and identify areas where interventions are required with spontaneity.

## Risks and Management Approach

### Expansion of water recycling programmes

With time, Cosco Capital plans to expand its water recycling initiatives to all its businesses in order to achieve 100% reuse of water within the operations. This is a potential opportunity to reduce pressure on water bodies in surrounding areas, and also to inculcate water conservation as a culture into the group's operations.

### Management Approach:

A water efficiency plan is underway (for the Puregold group), wherein protocols for proper use of water systems, monitoring of water consumption, procurement of water efficient products and services, maintenance of water systems, and conducting of water audits are specified. It also includes processes for communicating target reduction and water efficiency initiatives and monitoring and recording of the implementation plan.



# Environmental Impact Management



Air Emission and GHG			
Disclosures	Units	2020	2021
Direct (Scope 1) GHG Emissions	Tonnes CO <sub>2</sub> e	11,785.34*	5,094.80
Energy indirect (Scope 2) GHG Emissions	Tonnes CO <sub>2</sub> e	209,304.10*	284,181.61

\*Restatement of 2020 data: Scope 1 –11,785.34 Tonnes CO<sub>2</sub>e; Scope 2 –209,304.10 Tonnes CO<sub>2</sub>e  
 Instead of previously reported: Scope 1 – 13,914.21 Tonnes CO<sub>2</sub>e; Scope 2 – 102,382.52 Tonnes CO<sub>2</sub>e  
 The restatement was made due to the recalculation of source magnitude or quantity provided from previous report

Air Pollutants			
Disclosures	Units	2020	2021
NOX	kg	1.660000	0.000033
SOX	kg	N/A	N/A
Persistent Organic Pollutants (POPs)	kg	N/A	N/A
Volatile Organic Compounds (VOCs)	kg	N/A	N/A
Hazardous Air Pollutants (HAPs)	kg	N/A	N/A
Particulate Matter (PM)	kg	N/A	N/A

## Impacts and Management Approach

### Minimal pollution

Cosco Capital's emissions are mainly from its fleet of vehicles used for deliveries and energy consumption in stores and buildings. By reducing the release of hazardous / GHG emissions, the group can ensure minimal air pollution and health hazards for both people within the organization and in the communities surrounding group sites.

### Management Approach:

All the businesses in the group implement initiatives to prevent GHG or hazardous emissions and mitigate them as far as possible. For instance, in Puregold stores, 60-80% of the chillers have been converted to the R400 series, which contain more environmentally-friendly hydrofluorocarbons.

## Risks and Management Approach

### Inefficient water management

Though Cosco Capital takes all measures to ensure minimal hazardous emissions, not monitoring emissions from obsolete / old equipment causes the risk of pollution.

### Management Approach:

The Engineering and Maintenance team continuously monitors the efficiency of all equipment and emissions released by them; any issues are immediately identified and addressed by repairing / replacing the equipment in question.

Solid Waste			
Disclosures	Units	2020	2021
Total Solid Waste Generated	kg	3,807,924.33	5,565,462.09
Reusable	kg	16,562,812.78	1,203,000.00
Recyclable	kg	N/A	N/A
Composted	kg	576,421.99	900,000.00
Incinerated	kg	N/A	N/A
Residuals / Landfilled	kg	N/A	N/A

Hazardous Waste			
Disclosures	Units	2020	2021
Total Weight of Hazardous Waste Generated	kg	175,405.08	297,050.16
Total Weight of Hazardous Waste Transported	kg	12,756.38	220,674.56

Effluents			
Disclosures	Units	2020	2021
Total Volume of Water Discharges	m <sup>3</sup>	1,290,322.90	1,022,588.25
Percent of Wastewater Recycled	%	2.8	3

The tables above show the amount of solid waste and hazardous waste generated in 2020 and 2021.



While there was a sizeable increase in solid waste generated, resulting from the easing of lockdowns towards the festive season of 2021, the reduction in reusable waste was a result of more waste being composted.

The amount of hazardous waste increased as a result of increased volumes of busted bulbs, used oils, and electronic wastes generated in 2021. However, the volume of water discharges decreased owing to wastewater recycling.

## Impacts and Management Approach

### Prevention of health hazards / pollution

Solid wastes generated by the Cosco Capital Group are quite diverse, and hazardous waste comprises BFL, used oils, batteries, and electronics. Responsible management of solid, hazardous, and liquid wastes by Cosco Capital ensures lesser impact of fumes and odor from this waste on the people handling it, as well as on surrounding communities. This also prevents resultant health hazards among people.

### Management Approach:

All businesses have implemented several initiatives on waste reduction and recycling and wastewater recycling, to minimize negative environmental impact. Here are some examples:

1. S&R group has introduced a recycling program to reuse and resell carton boxes and plastics, to use recyclable containers for oils, to deploy reusable plates and cutlery in the food service program, and stopped the purchase of plastic since the second half of 2021. S&R also has 22 wastewater treatment facilities that are compliant with the Clean Water Act.
2. Puregold stores decreased plastic bag usage by 38% in 2021 comparing to the previous year, with 63% of stores using paper bags, and the remaining 37% using biodegradable plastic bags. Puregold Price Club also has 135 wastewater treatment facilities that are compliant with the Clean Water Act.

## Risks and Management Approach

### Risk of improper management of solid / liquid wastes

Improper management of solid / liquid wastes could lead to adverse environmental and health impacts on the people within the Cosco Capital group as well as communities surrounding the business.

### Management Approach:

A solid waste management plan is being developed by various businesses including Puregold Price Club Inc, setting a waste reduction target, reviewing existing policies and procedures on waste management and performing a waste audit covering sources of waste in project operations, types of waste generated, and amount of waste generated.

## Opportunities and Management Approach

### Risk of improper management of solid / liquid wastes

Expanding waste recycling initiatives across the group is a definite, profitable opportunity for the group, since it signals cost efficiency in the long run due to reduction in costs of transporting waste, as well as positive environmental impact.

### Management Approach:

A group waste management strategy will be put in place, which lays out a work plan for achieving minimal waste generation / waste recycling at all business units.

# Environmental Compliance



Non-compliance with Environmental Laws and Regulations			
Disclosures	Units	2020	2021
Total Amount of Monetary Fines for Non – Compliance with Environmental Laws and / or Regulations	PHP	180,000	87,500*
No. of Non – Monetary Sanctions for Non – Compliance with Environmental Laws and / or Regulations	#	1	1
No. of Cases Resolved through Dispute Resolution Mechanism	#	3	10

\*Violations are from 2015, 2017 and 2019 cases

## Impacts and Management Approach

### **Protect the Environment and Resources/ Compliance Obligations**

Non-compliance with Environmental Laws and Regulations has an important impact to the protection of environment and its resources that may affect the stakeholders. Violation of environmental laws is just a consequence of damage already committed against the environment. Inability to address this will pose a risk to environment and company's reputation.

### **Management Approach:**

The group consistently keeps on identifying the cause of the violation and resolve it with immediate and permanent compliance. The group aims to enhance further its policies and practices to ensure protection of its environment and resources.

## Risks and Management Approach

### **Risk of improper management of solid / liquid wastes**

To promote awareness, Cosco will continue the dissemination of information to all its employees, contractors, suppliers and other stakeholders on the importance of environmental laws and regulations, preventing future incidents of non-compliance and violations



# Social Responsibility



# Employee Management



Employee Hiring and Benefits, Employee Data				
Disclosures	Units	2020	2021	
Total Number of Employees	#	11,331	11,647	
a. Number of Female Employees	#	6,383	6,594	
b. Number of Male Employees	#	4,948	5,053	
Attrition Rate	% Rate	14.98	13	
Ratio of Lowest Paid Employee Against Minimum Wage	Ratio	0	0	

The table above shows the proportion of male and female employees in the organization. The group has a higher female workforce and follows a strict non-discrimination policy across its employee lifecycle. The group also observed a healthy drop in attrition rate during the year.

The table below shows the list of benefits availed by employees in the years 2020 and 2021 and there were no significant changes in these numbers in these two years.



List of Benefits	% of Female Employees Who Availed for the Year		% of Male Employees Who Availed for the Year	
	2020	2021	2020	2021
SSS	22.2	19	14.27	17
PhilHealth	2.12	1	0.65	0
PAG – IBIG	0	17	0	14
Parental Leaves	1.98	1	1.96	1
Vacation Leaves	93.80	78	90.17	82
Sick Leaves	93.80	77	89.83	80
Medical Benefits	55.12	57	27.25	37
Housing Assistance	0	0	0	0
Retirement Fund	0	0	0	0
Further Education Support	0.26	0	0.04	0
Telecommuting	0.02	0	0	0
Flexible – Working Hours	33.94	9	32.05	6

## Impacts and Management Approach

### Employee welfare

The attrition rates at Cosco Capital are directly impacted by the way they are treated at the workplace; and this impacts both their productivity and the group's relationship with them. Cosco Capital's employee benefit structures are designed to foster employee satisfaction and retention.

### Gender Balance

Cosco Capital has a strict stand against discrimination by gender or any other grounds at the workplace. This helps maintain a healthy gender balance in the group's businesses.

### Management Approach:

The Human Resource team is responsible for all matters related to employee satisfaction and development. The group HR policy governs and prescribes guidelines with regard to this. Under the mandate of the group HR policy, some of the key aspects covered include:

- Company Safety Policies
- Drug Free Workplace Policy
- Mental Health Policy
- Paternity Leave Policy
- Company Policy and Rule on HIV / AIDS / STD

## Risks and Management Approach

### Poor Employee Engagement

During the pandemic, establishing a moral and physical connect with all employees turned out to be very challenging. This led to the very plausible risk of poor employee engagement.

#### Management Approach:

During the past two years, the group put in all efforts to keep employee interaction ongoing, including online sessions to keep conversations active. All the employees in the group reached out to each other during times of crisis, and employee morale sustained throughout this challenging period.

## Opportunities and Management Approach

### Improving employee retention

Cosco Capital has a clear objective towards improving employee retention, and also to improve its rankings on popular forums on the parameter of being the “best place to work” / “best work culture”.

#### Management Approach:

The group seeks to do this by strengthening the benefits program over and above legal / compliance requirements, and tailoring support towards employee needs and requirements.

Employee Training and Development				
Disclosures	Units	2020	2021	
<b>Total Training Hours Provided to Employees</b>				
a. Female Employee	Hours	36,800	175,470	
b. Male Employee	Hours	28,352	123,674	
<b>Average Training Hours Provided to Employees</b>				
a. Female Employee	Hours/Employee	5.77*	27	
b. Male Employee	Hours/Employee	5.73*	24	

\*Restatement of 2020 data: Ave. Training Hours a. Female Employees – 5.77 hrs/employee b. Male Employees – 5.73 hrs/employee  
 Instead of previously reported: a. Female Employees – 112 hrs/employee b. Male Employees – 112 hrs/employee  
 The restatement was made due to the recalculation of the data in 2020 based from GRI Standards.

The table above shows the total number of training hours provided to employees. These numbers increased significantly in 2021 as compared to 2020, as a result of training programs resuming after the pandemic as the company converted training materials for virtual trainings instead of in-store and physical trainings.

## Risks and Management Approach

### Improved employee productivity

By providing suitable training to employees, the group ensures that their knowledge and skills are continuously updated – leading to improved productivity of employees and better performance at work.

#### Management Approach:

Both specific, department wise training, and general trainings were provided to employees – depending on the types of roles they perform. E.g. disaster preparedness training is provided to all employees, whereas anti-theft / shoplifting training is provided to store employees. These help them apply learnings on the job as well as build their personal knowledge base.

## Risks and Management Approach

### Discontinuity of trainings due to pandemic

The continued lockdown periods created the potential risk of discontinuity in training programs, leading to the danger of employees not learning skills required to perform their jobs.

#### Management Approach:

As far as possible, training materials designs were converted for virtual trainings during the pandemic; and since store-based trainings continued even during the pandemic, this did not turn out to be a huge risk for the retail wing. In the future, there are plans to digitize all learning materials with audio-visual demos, in order to ensure their portability.

## Opportunities and Management Approach

### Personalized training programs

With time, the Cosco Capital group seeks to introduce personalized training programs for employees that help garner mutual benefits for both employees and the organization. The design of these programs would be to help employees with individual career progression and performance improvement.

#### Management Approach:

A needs assessment of the training requirements of various employees will be conducted followed by curation of a list of training programs (online) that employees can choose from. Thereafter, expert opinion on the content of each of these training programs will be obtained – and modules developed internally or sourced externally depending on feasibility.



<b>Labor – Management Relations</b>			
<b>Disclosures</b>	<b>Units</b>	<b>2020</b>	<b>2021</b>
% of Employees Covered with Collective Bargaining Agreements	%	N/A	N/A
Number of Consultations Conducted with Employees Concerning Employee – Related Policies	#	2	0

<b>Diversity and Equal Opportunity</b>			
<b>Disclosures</b>	<b>Units</b>	<b>2020</b>	<b>2021</b>
% of Female Workers in the Workforce	%	56.33	57
% Male Workers in the Workforce	%	43.67	43
Number of Employees from Indigenous Communities and/ or Vulnerable Sector*	#	123	238

## Impacts and Management Approach

### Gender Balance

Cosco Capital has a strict stand against discrimination by gender or any other grounds at the workplace; and the group never allows any parameters to come in the way of recruitment, as well. This helps maintain a healthy gender balance in the group's businesses, and also aids in retention of both male and female employees.

### Management Approach:

The Company has a number of policies that support women at the workplace:

- Breastfeeding Policy
- Maternity Leave Policy
- Leave for Victims of Violence Against Women
- Policy against Sexual Harassment
- Solo Parents Policy
- Policy for Special Leave for Women

## Risks and Management Approach

### Risks of incidents of discrimination

Given the number of branches that every business has, there is a potential risk of incidents of discrimination going unnoticed. This could tarnish the reputation of the group as a reputed workplace and affect employee retention in the long run.

### Management Approach:

As per the policies highlighted in the above sections, strict actions against discriminatory acts are taken as per the law. These grievances are monitored on an everyday basis and escalated quickly for action, not providing scope for repetition of any of such acts.

## Opportunities and Management Approach

### Inclusive Hiring

Right now, Cosco Capital does not engage in any specific hiring based on inclusivity and there is no discrimination in hiring. However, in future, the group seeks to reserve a percentage of its roles for special groups such as single / disabled men / women, people from multicultural communities, etc.

### Management Approach:

A stock-taking exercise of existing roles that can be filled by people from diverse backgrounds will be conducted; and thereafter, an official policy on inclusive hiring will be released on the public domain.

# Workplace Conditions, Labor Standards, and Human Rights



Occupational Health and Safety			
Disclosures	Units	2020	2021
Safe Man-Hours	Man-Hours	26,559,864*	28,323,984
No. of Work – Related Injuries	#	7	4
No. of Work – Related Fatalities	#	0	0
No. of Work – Related Ill-Health	#	0	84
No. of Safety Drills	#	420	249

\*Restatement of 2020 data: Safe Man-Hours –26,559,864 Man-Hours. Instead of previously reported: Safe Man-Hours – 42,997,803 Man-Hours. The restatement was made due to Safe Man-Hours recalculation

The table above shows safety data for the years 2020 and 2021. While safe man-hours increased in line with the country opening up post the pandemic, the number of work-related injuries dropped. However, the number of work-related ill health instances increased significantly as a result of the second wave of the COVID-19 pandemic.

## Impacts and Management Approach

### Zero Injury Workplace

By following safety protocols in a strict manner, the Cosco Capital Group is rapidly moving towards creating a zero-injury workplace. This has not been achieved so far; however, the group plans to get there in the future. This will ensure a safer and more comfortable work environment for workers and increase their trust and loyalty in the group.

### Management Approach:

There are Safety Policies for every business, with clauses specified for each business's context. For instance, the Puregold Price Club's Safety Policy specifies employee and supervisor responsibilities, safety precautions per work area (offices, store / selling area, warehouse area, and electrical room). The business also has a COVID-19 Safety Manual, which specifies new normal safety and preventive practices at work and defines how COVID is transmitted so everybody could work together towards its prevention. In addition to this, the Puregold business has a Critical Incident Management Manual that specifies the organizational structure for managing such critical incidents, the Incident Command System, Evacuation and Relocation procedures, Damage Assessment and Recovery methods, and an Emergency Management Cycle.

## Risks and Management Approach

### Hiccups to integrating safety as a culture

As already highlighted in some of the previous sections, there were a lot of hiccups to training programs in general and safety related drills during the pandemic, posing the risk of employees not following protocols accurately. In the long run, this also jeopardizes the integration of safety as a culture in the group.

### Management Approach:

Safety drills are an ongoing practice at Cosco Capital and its associated businesses, and safety seminars are a part of the orientation program for all employees. For instance, the S&R business has the following safety training programs in place under the RMD program:

- 8 hours health and safety seminar for all employees
- Fire Incident and Safety Orientation for Food Service and Quick Service Restaurants
- Safety Orientation for Newly Hired Employees of QSRs and Food Service
- Fire Drills and Seminars for Distribution Centers and Warehouses
- Creation of Emergency Response Team for DCM
- Creation of Health and Safety Committee for DCM
- Monthly Health and Safety Meeting
- Bi-Annual Security and Safety Audit

The group also aims to institutionalize such mandatory topics through digital and self-paced learning approaches moving forward to take pandemic related issues out of the equation.

**SOCIAL RESPONSIBILITY**

Labor Laws and Human Rights			
Disclosures	Units	2020	2021
No. of Legal Actions or Employees Grievance	Man-Hours	26,559,864*	28,323,984

No. of Legal Actions or Employees Grievance			Reference in Company Policy
Topic	2020	2021	
Forced Labor	No	No	
Child Labor	No	No	
Human Rights	Yes	Yes	Anti-sexual Harassment Policy Company Policy & Rule on STD/HIV/AIDS, Drug-Free Workplace Policy

The above table shows that there were zero incidents of grievance involving forced or child labor – though guidelines on these are not specifically spelled out in any of the workplace policies. The same policies highlighted in the workplace policies section also govern labor laws and human rights; therefore, the management approach for this topic is also similar.



# Supply Chain Management



Supplier Accreditation Policy:  
ANNEX 1 SUPPLIER ACCREDITATION POLICIES AND PROCEDURES

Sustainability Topics when accrediting Suppliers	2020	2021	Reference in Company Policy
Environmental Performance	No	No	
Forced Labor	No	No	
Child Labor	No	No	
Human Rights	No	No	
Bribery and Corruption	No	No	

The table above shows that none of the ESG topics listed is covered in supplier accreditation policies and procedures.

## Impacts and Management Approach

### Sustainable Supply Chain

By ensuring that suppliers meet sustainability standards, the group can establish the presence of ESG standards throughout the value chain. This will ensure that the highest ESG standards are maintained in all products and services offered by the group.

#### Management Approach:

The group plans to launch a supplier ESG policy wherein standards to be met by suppliers on environmental, economic, and social aspects are specified and communicated to all suppliers. Thereafter, capacity building will be carried out for these suppliers to bring them up to speed on these criteria and the criticality of following them.

## Risks and Management Approach

### Supplier non-compliance to ESG parameters

A definite risk that the Cosco Capital Group foresees is supplier non-compliance to ESG parameters, either because of lack of awareness, lack of willingness or lack of capacity to invest in related actions. This could affect Cosco Capital's objectives to integrate ESG into the value chain.

#### Management Approach:

Given that Cosco Capital's suppliers are extremely diverse, largely local and have been used to a certain way of operation, bringing them on board for adoption of ESG parameters takes a lot of investment in terms of time and resources. So the group shall take a measured and progressive approach to foster adoption of sustainable practices. The group seeks to start a supplier ESG screening process at a basic level, followed by incremental application of these screening criteria to tier 1, 2, and 3 of the supply chain as years progress.

## Opportunities and Management Approach

### 100% Local Procurement

Currently, around 93% of all material is obtained locally. In future, Cosco Capital seeks to shift to 100% local procurement in order to foster sustainability and also to encourage local suppliers.

#### Management Approach:

An assessment of current products that are sourced from abroad will be conducted, in order to replace them with similar quality, local alternatives that can be bought from local suppliers. Though some products are exclusively sourced from abroad to meet the needs of customers, these will be re-assessed in the near future – and, if not replaced, will at least be sourced with minimal carbon footprint (ex: sea travel instead of air).

# Relationship with Community



Operations with significant impacts on local communities	Location	Vulnerable groups	Impact on Indigenous people	Collective/individual rights	Mitigating measures or enhancement measures
Use of plastic	Some stores	N/A	No	N/A	We comply with LGU regulations that prohibit the use of plastic as packaging for items bought from the supermarkets. We are promoting the use of eco-bags or recyclable bags in our stores. We are studying more ways we can address this problem.
Food Waste	All stores	N/A	No	N/A	The company is complying with the Solid Waste Act. But it is in the process of establishing its Food Waste Management Program to address this material topic.
Water Usage	All stores/offices	N/A	No	N/A	The company is complying with the Philippine Clean Water Act of 2004. The company has existing programs in water conservation, water re-use program of treated wastewater, and the use of rainwater for cleaning our facilities.
Food Safety	All stores	N/A	No	N/A	The company has a systematic way of tracking expired or near expiry merchandise. However, we are drafting a Food Safety Policy to address this material topic.
Fleet Fuel Management	All stores	N/A	No	N/A	The company is preparing an Energy Management Policy to address this topic.
Environmental and Social Impacts in the supply chain	All stores	N/A	No	N/A	The company will adopt an effective Supply Chain Management Policy to address this material topic.
Data Security	All stores/offices	N/A	No	N/A	The company has implemented a Data Privacy Policy in compliance with existing Data Privacy Law and is regularly reviewing areas of improvements and effectiveness.
Air Emissions for Refrigeration	All stores	N/A	No	N/A	The company is preparing an Environmental Compliance Policy to address this topic.
Labor Practices	All stores/offices	N/A	No	N/A	The company is compliant with labor laws. But the company is still preparing for a comprehensive Labor Practices Manual to address this material topic.
Energy Management	All stores	N/A	No	N/A	The company is preparing an Environmental Compliance Policy to address this topic.

Vulnerable sector included children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents and the poor, or the base of the pyramid (BOP; Class D and E).



# Customer Management



Health and Safety			
Disclosures	Units	2020	2021
No. of Substantiated Complaints on Product or Service Health and Safety*	#	120	312
No. of Complaints Addressed	#	120	312

Marketing and Labeling			
Disclosures	Units	2020	2021
No. of Substantiated Complaints on Marketing and Labelling*	#	172	80
No. of Complaints Addressed	#	172	80

The tables above show the number of complaints on product health and safety and marketing and labeling. The number of complaints have opposite performance on these two aspects relative to 2020.

## Impacts and Management Approach

### Customer trust and goodwill

Over time, stocking up / investing on only high-quality products and engaging in transparent branding and marketing will ensure increased customer trust and goodwill in the business, and ensure business survival in the long run.

#### Management Approach:

The Group has strict quality standards that need to be met by all suppliers, for all businesses including the retail and food service group. There has been a spike in the number of complaints on health and safety in 2021; however, the Group is doubling its efforts to ensure that no product negatively impacts the health of customers.

## Risks and Management Approach

### Jeopardy to customer health and safety

As highlighted in the data, there have been several complaints of customer health and safety in the past year. Such incidents could affect the well-being of the customers and also affect the group's reputation, threatening the standing of the business in the long run.

#### Management Approach:

For the retail and the food service business which face the utmost danger of customer complaints on health and safety, the Group is preparing a Food Safety program to specify standards for suppliers and to ensure correct information is displayed on products. Strict compliance to expiry dates shall be implemented when it comes to display of products.

## Opportunities and Management Approach

### Introduction of customer feedback surveys

In the very near future, the Cosco Capital group seeks to introduce customer satisfaction surveys that help obtain an idea of actual public opinion on the quality of the group's products and services. While market opinions are currently monitored in an informal manner, the group seeks to formalize this in the future and introduce a structured survey to measure such opinions.

#### Management Approach:

A consultant / third party expert will be hired to conduct the customer feedback survey every year, wherein structured questionnaires are used to assess customer opinion. In the long run, this will be converted into an in-store experience / group-driven endeavor wherein the customer uses an app to fill in their feedback on the spot.

Customer Privacy			
Disclosures	Units	2020	2021
No. of Substantiated Complaints on Customer Privacy*	#	1	0
No. of Complaints Addressed	#	1	0
No. of Customers, Users, and Account Holders whose Information is Used for Secondary Purposes	#	0	0

Data Security			
Disclosures	Units	2020	2021
No. of Data Breaches, including Leaks,	#	1	1

There was one breach of customer / data privacy in 2021 (in the S&R business), which is described below:

On Nov. 14, 2021, a data security breach involving a total of 22,000 entries of personal information were leaked. However, this did not contain any financial information. The said incident was reported to NPC within the prescribed period of seventy-two (72) hours of getting to know about the breach. The breach affected the email service, membership, and other service programs. The Point-Of-Sale system, financial and operations systems (eg. ERP) were unaffected, which allowed the company to continue operations. The breach was done through a new generation of ransomware attacks wherein the threat actors demanded a ransom amount that the company did not subscribe to. Post this incident, the S&R business intensified existing security controls and measures to prevent such events in the future. The company rebuilt the affected systems with improved features and put in place stronger security practices.

## Impacts, Risks and Management Approach

### Customer Trust

Safe storage and usage of customer data by the group will lead to increased customer trust in the business, because of their belief that their data is in safe hands. This will increase their loyalty in the business and bring repeat customers to the business. Breaches in data privacy could have a serious impact on the business's reputation.

### Management Approach:

The group adheres to the principles of Data Privacy Act (RA 10173) and comply with the best data privacy practices sanctioned in its Implementing Rules and Regulations and Memorandum Circulars issued by the National Privacy Commission.

Cosco Capital Data Privacy Policy [https://www.coscocapital.com/corporategovernance.do?category\\_id=18252](https://www.coscocapital.com/corporategovernance.do?category_id=18252)

## Opportunities and Management Approach

### Introduction of customer feedback surveys

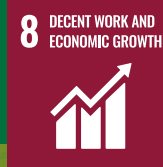
In the future, the group seeks to use customer data in a positive manner, to customize the services offered by the group to each individual customer.

### Management Approach:

This program wherein data is used optimally for customer satisfaction is the most relevant in the store-based businesses, where customers keep coming back. A system will be designed such that with prior customer consent, deals that go beyond general discounts and offer customized packages to customers based on what they buy will be put in place, to help them obtain a memorable experience while shopping with the group stores.

## LINKAGE TO THE UN SUSTAINABLE DEVELOPMENT GOALS (SDGS)

### Economic Contribution



**Php 4.25B**  
Taxes paid to the Government



**97%**  
of Cosco economic value generated distributed to key stakeholders



**Php 10.7M**  
Invested to scholarship and community development



**Php 3B**  
Employee wages and benefits



**11,647**  
Total no. of direct employees  
>95% local hiring



**0**  
Incidents of Corruption

### Environment Performance



**157**  
Wastewater treatment facilities compliant with Clean Water Act



**2%**  
Clean energy used. Solar rooftop installation in **12** stores.



**57%**  
Direct GHG Emissions Reduction



**99.97%**  
Compliant to Environmental Laws & Regulations



**100%**  
of Puregold and S&R stores were converted to LED lamps.



**100M**  
Reduction of plastic bags used in Puregold and S&R stores. 63% Puregold stores use paper bags.

### Social Responsibility



**753**  
Scholars graduated  
**107** Passed licensure exam  
**381** Current no. of scholars



**56%**  
Female employees in the workforce



**238**  
Employees from indigenous communities and vulnerable sector



**4,325**  
Employees attended technical and behavioral skills training



**612**  
Employees in Puregold and S&R promoted



**0**  
legal actions or employee grievance on forced or child labor



## Product or Service Contribution to UN SDGs



**Societal Value/  
Contribution to  
UN SDGs**

### Key Products and Services **RETAIL OPERATION**

#### Potential Negative Impact of Contribution

Cosco's retail business continues to touch the lives of countless people by introducing inclusive social programs for small and medium-sized enterprises (SMEs) across the country. Not only do the programs generate a sustainable means of livelihood for members, it also supports the micro-economy where these businesses thrive. With the absence of the programs, the possibility to nurture their livelihood opportunities may no longer be achieved and might eliminate the possibilities to create an improvement in their businesses.

#### Potential Negative Impact of Contribution

The company will continue to provide programs that will generate a sustainable means of livelihood for TNAP members such as educational programs that will serve as an avenue for the company to share its expertise to small business owners.

Puregold will ensure that they will also support the micro-economy where a large percentage of TNAP members thrive their businesses.

Puregold will continue to hosts annual conventions for Tindakan ni Aling Puring (TNAP) and KAINdustriya members to learn, collaborate, and even elevate their business goals.



**Societal Value/  
Contribution to  
UN SDGs**

### Key Products and Services **RETAIL OPERATION**

#### Potential Negative Impact of Contribution

LCCK Foundation Inc. created scholarship programs for gifted but underprivileged and deserving students. The company strongly believes that they can make a difference to the lives of the youth through the education programs developed under the foundation. If the foundation stops providing scholarship to its beneficiaries, students won't be able to have an access to quality education and quality life.

#### Potential Negative Impact of Contribution

The foundation will ensure that the beneficiaries will be able to recognize the value of education by being a ticket to a better life and future by continue providing scholarships to them.

Strengthen the partnership with the Universities and Local State Colleges to reach out the youth. Strengthening the commitment will also be observed by implementing and supporting activities set by the foundation to provide the beneficiaries a quality education and a quality life.



**Societal Value/  
Contribution to  
UN SDGs**

#### Key Products and Services

## RETAIL OPERATION, LIQUOR DISTRIBUTION, REAL ESTATE, SPECIALTY RETAIL

#### Potential Negative Impact of Contribution

As a company engaged in a highly competitive field, Cosco Capital Inc. supports a diverse workforce and aims to achieve a fair work environment for all of its employees. Even if the company practices and observes gender equality within the workplace, it is still unavoidable and might create more problems if not resolved immediately.

#### Potential Negative Impact of Contribution

Encourage and ensure women's full and effective participation and equal opportunities within the company to promote diversity.

All employees should have an access and enjoy the same rewards, resources and opportunities regardless of its gender.



**Societal Value/  
Contribution to  
UN SDGs**

#### Key Products and Services

## RETAIL OPERATION

#### Potential Negative Impact of Contribution

The company's retail sector has made an enormous investment in promoting clean water and sanitation in most of its branches. Without access to clean water and sanitation, employees and customers might link to a transmission of several diseases, which are among the leading causes of mortality and morbidity.

#### Potential Negative Impact of Contribution

Improve efforts toward water treatment, and the industrial water recycling by continuing to establish sewage treatment plants compliant with the standards set by the Department of Environment and Natural Resources.

The company shall abide by the provisions of Republic Act No. 9275 or the Clean Water Act.



**Societal Value/  
Contribution to  
UN SDGs**

#### Key Products and Services

## RETAIL OPERATION

#### Potential Negative Impact of Contribution

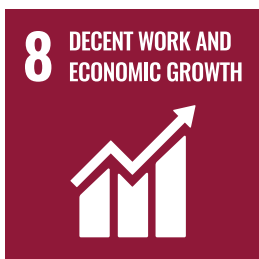
The production process of solar energy which generates a small amount of hazardous materials.

Refrigerants and AC used in branches that emits hazardous elements that might contribute to climate change.

#### Potential Negative Impact of Contribution

Activities will be implemented in order to manage the amount of hazardous material carefully, to prevent health and environmental problems.

In terms of reducing greenhouse gas emissions, ACs and refrigeration are being converted and upgraded to climate-friendly refrigerants.



**Societal Value/  
Contribution to  
UN SDGs**

#### Key Products and Services

## RETAIL OPERATION, LIQUOR DISTRIBUTION, REAL ESTATE, SPECIALTY RETAIL

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#### Potential Negative Impact of Contribution

As the COVID-19 pandemic took over the world, Cosco Capital, Inc. continues to provide their employees with decent work opportunities since thousands of its employees depend on the company for their jobs and livelihoods. If the company does not provide them with decent work, the lives of these employees and their families will not improve, and they will most likely to suffer from poverty, inequalities, and even abuse during this time of pandemic.

#### Potential Negative Impact of Contribution

The company will continue providing decent jobs for all of its employees by developing their skills, paying them a living wage so that they can have the capability to provide the needs of their families.

The company will ensure all employees are covered with benefits mandated by law, and their safety and security are protected.

The company will continue to expand and create more decent jobs to help the economy to grow further.



**Societal Value/  
Contribution to  
UN SDGs**

#### Key Products and Services

## RETAIL OPERATION

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#### Potential Negative Impact of Contribution

Inequality is a major obstacle to a sustainable economic growth. The company is working on ways to contribute to reducing inequalities by hiring employees from vulnerable sector such as Persons with Disabilities (PWD) and Single-Parents. If the company does not provide them the opportunity, they will not be able to provide the needs for their families and potentially deprive them to become a part of an inclusive culture where they can show their full potential.

#### Potential Negative Impact of Contribution

The company shall provide the vulnerable sector with an access to same rewards, benefits, resources, and opportunities to promote equality in the workplace.

**12** RESPONSIBLE CONSUMPTION AND PRODUCTION



**Societal Value/  
Contribution to  
UN SDGs**

**Key Products and Services**

**RETAIL OPERATION**

**Potential Negative Impact of Contribution**

The company potentially contributes to the world's problems of food waste, greenhouse gas emissions, and even the increasing cases of obesity.

Considering its rapidly growing operations, Cosco Capital recognizes the impact it has on the environment. The company has taken measures to prioritize the efficient management of its resources. Converting lighting to Light Emitting Diode (LED) lighting fixtures is one of the activities that the company does to ensure our sustainable consumption.

**Potential Negative Impact of Contribution**

Our company is the market for manufacturers and consumers. We are in position to demand or influence responsible and sustainable consumption and production from each side.

The company shall take advantage of such a role to promote responsible consumption and production. It is in a position to require its suppliers to be sustainable and encourage its consumers to change their shopping and eating behaviors and make them more inclined to support sustainable products and to eat healthier food.

The company has taken an active step to convert 100% of its properties with LED to reduce its carbon footprint and contribution to greenhouse gas emissions.

**13** CLIMATE ACTION



**Societal Value/  
Contribution to  
UN SDGs**

**Key Products and Services**

**RETAIL OPERATION, LIQUOR DISTRIBUTION,  
REAL ESTATE, SPECIALTY RETAIL**

**Potential Negative Impact of Contribution**

The use of plastic bags as a package container of our customers when they buy items from our store;

Food waste and other solid waste from processing food in our stores;

Fuel consumption of our stores and the fleet of vehicles we use to transfer our merchandise, including the vehicles used by our third-party logistics and suppliers.

All contribute to various levels of air, water, and land pollution.

**Potential Negative Impact of Contribution**

The company is in a position to require its suppliers to be sustainable and encourage its consumers to change their shopping and eating behavior and make them more inclined to support sustainable products and to eat healthier food.

As our business is located in a third- world country and even along the path of several storms every year; it is very vulnerable to experience the effects of climate change.

Thus, we must manage our business activities to a level that has the minimum damaging impact on our environment by investing in low- carbon development and practicing recycling and even promote recycling to its customers, suppliers, and in the communities where it operates.





**Societal Value/  
Contribution to  
UN SDGs**

### Key Products and Services

## RETAIL OPERATION, LIQUOR DISTRIBUTION, REAL ESTATE, SPECIALTY RETAIL

### Potential Negative Impact of Contribution

Cosco Capital Group supports the concept of having a good corporate governance to support the long-term success and sustainability of the business. There has been no record of any incident of corruption or bribery involving the Company's directors which proves that it has good corporate governance since its policies regarding corruption have been communicated properly to the directors and employees of the company. But, high rank employees are at risk of corruption as long as the opportunity to do so exists in the organization.


### Potential Negative Impact of Contribution

The company shall commit to being more effective in its internal controls to purge opportunities to commit corruption or fraud.

The company shall enhance anti-corruption policies and procedures and train employees to abide by it.

The company shall continue with the orientation and strict implementation of anti-corruption policies and procedures.

# ANNEX 1 SUPPLIER ACCREDITATION POLICIES AND PROCEDURES

	<b>SUBJECT TITLE:</b> <b>SUPPLIER ACCREDITATION POLICIES &amp; PROCEDURES</b>
<b>1.0 OBJECTIVES</b>	<p>1.1 To provide policies and processes for supplier selection and requirement for accreditation to be strictly complied with by the authorized company personnel.</p> <p>1.2 To ensure to establish lasting relationship with the accredited suppliers who are capable to maintain the standard quality of products and services.</p>
<b>2.0 SCOPE</b>	<p>2.1 This document covers the policies and processes for SUPPLIERS OF TRADE MERCHANDISE particularly on the:</p> <p>2.1.1 Selection and Accreditation</p> <p>2.1.2 Information Updates and Maintenance</p> <p>2.1.3 Performance Evaluation</p> <p>2.2 This is applicable only to all Puregold Price Club, Inc. stores.</p>
<b>3.0 POLICIES</b>	<p>3.1 The Company upholds honesty, integrity, and fairness in all aspects of its business and expects the same in its relationships with its Suppliers. The highest ethical standards shall be employed in all procurement transactions, and Suppliers shall be chosen based on procurement policies and defined selection criteria.</p> <p>3.2 The responsibility in inspection, appraisal and accreditation of potential Supplier shall be carried out by Merchandising Department. The Personnel In-Charge shall have the qualifications and capabilities to evaluate the eligibility of the suppliers to be accredited.</p> <p>3.3 Merchandising Manager is expected to select the best possible sustainable supplier and to effectively achieve the set objectives. Selection of potential suppliers are determined and identified based on a set of parameters. These parameters include but are not limited to the following factors</p> <p>3.3.1 Quality of Product</p> <p>3.3.2 Logistics Service (supply chain, delivery methods and timeframe)</p> <p>3.3.3 Competitive pricing</p> <p>3.3.4 Communication</p> <p>3.3.5 Safety requirements</p> <p>3.3.6 Marketing / promotional activities</p> <p>3.4 Results of the assessment based on the defined criteria and agreed terms and conditions for selected supplier shall be documented in Product Evaluation Form (PEF). The PEF indicating the selected supplier shall be approved by the authorized Approver from the President's office.</p> <p>3.5 For suppliers under Consignment or Concessionaire terms, Offer and Acceptance Sheet must be accomplished and approved by the authorized approver from the President's office. The sheet must be duly signed by the Consignment/ Concessionaire supplier representative.</p> <p>3.5.1 All signed acceptance sheet must also have an attached signed Rules and Regulations on Consignors or Concessionaires. A copy of Acceptance sheet and rules and regulation should be given to Concessionaire/Consignor for guidance.</p> <p>3.6 All accredited suppliers should have a Vendor Information Sheet (VIS), completely accomplished by the Supplier's Authorized Representative and duly approved by the corresponding Senior Merchandising Manager. Approval from the Senior Merchandising Manager assures that the supplier information and details written in VIS are valid and required documents are completely obtained.</p>



**SUBJECT TITLE:**  
**SUPPLIER ACCREDITATION POLICIES & PROCEDURES**

The following are the required documents from the selected supplier of which photocopies are required to be submitted and attached on the VIS

- 3.6.1 BIR Certificate of Registration (COR)
- 3.6.2 Business Permit
- 3.6.3 Company Profile
- 3.6.4 Sales Invoice with Authority to Print (ATP)
- 3.6.5 Collection Receipt or Official Receipt with ATP
- 3.6.6 Other documents required by Finance Department


3.7 A vendor code is created in the system by the Personnel In-Charge assigned in Finance Department which shall serve as a unique reference number that the supplier has gone through the accreditation process. Details and profile of supplier are based on the submitted approved VIS by Merchandising Department.

3.7.1 All accredited suppliers shall be included and maintained in the Vendor Master file for management of supplier information. The Vendor Master file contains the company information and product listings of all accredited suppliers where the items will be purchased.

3.8 Only accredited suppliers shall provide required goods and services for the company. Only those items that has approved accreditation shall only be ordered from the accredited supplier.

3.9 For any changes or updates on Supplier's details, supplier must give information and submit necessary documents to Merchandising Department at least fifteen (15) working days before the effectivity of change.  
 VIS shall be accomplished based on the required updates and must be submitted to Finance Department

UPDATES	SUPPORTING DOCUMENTS REQUIRED	SYSTEM UPDATE
Change of name of existing vendor (same vendor but registered under a new name) Revisions in the previous set-up or defaults (changes in the vendor information except that information that can be overridden during Purchase Order preparation)	<ul style="list-style-type: none"> <li>• Taxpayer Record Update</li> <li>• COR</li> </ul> Change in address - COR Change in TIN - Taxpayer Record Update	Edit the name of existing vendor to name of new vendor.  Edit the information based on approved request of existing vendor.
Replacement of Old Vendor to New Vendor (Transactions will be made to the newly set-up vendor instead of previously maintained supplier.)	Same requirement for New Vendor	For the Old Vendor- encode 'NTBU' (Not to be used) prefix on the vendor name and tagged as 'I' (Inactive)  Create new vendor code for the replaced supplier.
Deactivation of Supplier (No replacement vendor)		Encode 'NTBU' (Not to be used) prefix on the vendor name and tagged as 'I' (Inactive).

	<p>SUBJECT TITLE: <b>SUPPLIER ACCREDITATION POLICIES &amp; PROCEDURES</b></p>
	<p>3.9.1 Merchandising Department shall provide written document to Supply Chain Dept., Finance Division and Store Operation of supplier's inactivity.</p> <p>3.9.2 Supplier's account related to inventory and financials must be cleared first prior to deactivation by Merchandising Department and Finance Division.</p> <p>3.9.3 Personnel In-charge in Finance Department shall update the supplier's information in the system on the effectivity date written on VIS and with complete required supporting documents.</p> <p>3.10 Review of accredited suppliers shall be performed three (3) months after PO creation for new supplier and on a periodic basis for existing suppliers. Merchandising Department and Supply Chain Department shall assess the supplier's performance based on set metrics and compliance on company's standard.</p> <p>3.11 Merchandising Department and Supply Chain Department shall communicate to supplier through online vendor management system provided on the criteria that has poor performance or does not able to meet the agreed standards on a monthly basis. Marketing strategies or programs or corrective actions from the supplier must be required to improve the key processes related to company's operations.</p>











cosco capital  
i n c o r p o r a t e d

# ANNEX "F"

## TRADEMARKS

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:

	<b>Title of Mark</b>	<b>Image</b>	<b>Date Registered</b>	<b>Valid Until</b>
1	Alfonso XO		May 5, 2008	Renewed until May 5, 2028
2	Alfonso		March 3, 2008	Renewed until March 3, 2028
3	Alfonso I		May 21, 2005	Renewed until May 21, 2025
4	Alfonso I Light		November 25, 2018	November 25, 2028
5	Alfonso Platinum		September 15, 2016	September 15, 2026
6	Alhambra		August 13, 2007	Renewed August 13, 2027
7	Don Luis		May 21, 2005	Renewed May 21, 2025
8	Escobar		September 11, 2020	September 11, 2030

The subsidiaries (Montosco, Meritus and Premier), 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.

## SUMMARY OF SEC 17- C REPORTS

The following are the summary of the SEC Form 17-C filed by the Company:

Date of Report	Date Filed with SEC
<b>February 19, 2021</b>	<b>February 19, 2021</b>
<p data-bbox="212 450 1410 528">Result of Special Board Meeting of Da Vinci Capital Holdings, Inc dated February 19, 2021</p> <p data-bbox="212 562 1410 640">The Board of Directors of Da Vinci Capital Holdings, Inc. has approved the following items today:</p> <ul data-bbox="363 651 1410 1783" style="list-style-type: none"> <li data-bbox="363 651 1410 763">• Ratification of Invescap Incorporated’s subscription of 25% of the proposed increase in the authorized capital stock of Da Vinci Capital Holdings, Inc. (the “<b>Corporation</b>”) from PhP327.6 million to PhP2 billion at par value.</li> <li data-bbox="363 831 1410 1155">• Approval of the Share Swap Transaction wherein the Corporation is authorized to enter into a Deed of Exchange of Shares with, and issue common shares of stock to, Cosco Capital, Inc., and in exchange and as consideration thereof, Cosco Capital shall assign 100% of its shares in the following unlisted companies in favor of the Corporation: <ul style="list-style-type: none"> <li data-bbox="411 1021 651 1055">(1) Montosco, Inc.</li> <li data-bbox="411 1066 884 1099">(2) Meritus Prime Distributions, Inc.</li> <li data-bbox="411 1111 847 1144">(3) Premier Wine and Spirits, Inc.</li> </ul> </li> <li data-bbox="363 1223 1410 1290">• Approval of the delegation to Management of the power to determine the final terms and conditions of the Share Swap, including the price/ratio, etc.</li> <li data-bbox="363 1357 1410 1424">• Authorization to apply with the Bureau of Internal Revenue for a Tax-Free Exchange Ruling.</li> <li data-bbox="363 1503 1410 1648">• Plan to conduct a follow-on-offering to comply with the minimum public ownership requirement and approval of the delegation to Management of the power to determine the conduct and the terms and conditions of the follow-on-offering.</li> <li data-bbox="363 1715 1410 1783">• Schedule of Annual/Special Stockholder’s Meeting and Setting of Record Date.</li> </ul> <p data-bbox="507 1850 1177 1883" style="text-align: center;">Record Date: <span style="float: right;">March 8, 2021</span></p> <p data-bbox="507 1895 1257 1928" style="text-align: center;">Special Stockholders’ Meeting: <span style="float: right;">April 8, 2021</span></p>	

And that the notices be issued in accordance with the alternative mode of notifying the stockholders about the meeting (via publication) and that the meeting be held via remote communication.

- Election of Mr. Jose Paulino Santamarina as President.
- Appointment of Ms. Imelda Lacap as Comptroller.
- Appointment of Ms. Baby Gerlie I. Sacro as Corporate Secretary.

**February 24, 2021**

**February 24, 2021**

Pursuant to the letter of the Exchange dated February 22, 2021, we are submitting the attached disclosure on the Company's changes in its Articles of Incorporation, increase in capital stock, share-swap transaction with Cosco Capital, Inc. and the intended follow-on-offering.

**March 9, 2021**

**March 9, 2021**

Comprehensive Corporate Disclosure of Da Vinci Capital Holdings, Inc.

This Comprehensive Corporate Disclosure will be updated when the material terms and conditions of the transaction have been fixed and agreements have already been signed.

For more details of the transactions and the companies involved therein, please see the attached Corporate Comprehensive Disclosure together with the Articles of Incorporation, By Laws, General Information Sheets, and Audited Financial Statements of the three liquor companies and Invescap Incorporated.

**March 10, 2021**

**March 10, 2021**

Amended Comprehensive Corporate Disclosure of Da Vinci Capital Holdings, Inc.

This Comprehensive Corporate Disclosure is herein amended to inform the stockholders and the investing public of the valuation price of three liquor companies subject of the share swap transaction.

No Deed of Exchange has been signed yet but as soon as the stockholders approve the transaction, both parties will sign the necessary documents and we will furnish the Exchange copies thereof.

For more details of the transactions and the companies involved therein, please see the attached Amended Corporate Comprehensive Disclosure together with the Articles of Incorporation, By Laws, General Information Sheets, and Audited Financial Statements of the three liquor companies and Invescap Incorporated.

**March 15, 2021**

**March 15, 2021**

Davin Board Approval March 15, 2021.

The Board of Directors of Da Vinci Capital Holdings, Inc. in its meeting today approved the following:



1. Treatment of Fractional Shares - the Company will top-up all fractional shares which resulted from the change of par value from P0.023 to P0.10.
2. Ratification of Management approval on the valuation of three liquor companies (Montosco, Inc., Meritus Prime Distributions, Inc., and Premier Wine and Spirits, Inc.) to be injected to Da Vinci Capital Holdings, Inc. in the amount of PhP22.5 billion.

Further details of the foregoing items will be provided in the Definitive Information Statement of the Company to be released on March 16, 2021.

**April 29, 2021**

**April 30, 2021**

Change in Par Value from PhP0.23 to PhP0.10

On October 26, 2020, the Board of Directors of Da Vinci Capital Holdings, Inc. approved to change the par value from PhP0.023 to PhP0.10. On November 20, 2020, the stockholders of the Company representing at least 85% of its outstanding shares approved the change in par value.

### Effects on Capital Structure

#### Issued Shares

Type of Security / Stock Symbol	Before	After
Common Share / DAVIN	1,124,999,969	258,749,992.87

#### Outstanding Shares

Type of Security / Stock Symbol	Before	After
Common Share / DAVIN	1,124,999,969	258,749,992.87

#### Listed Shares

Type of Security / Stock Symbol	Before	After
Common Share / DAVIN	1,124,999,969	258,749,992.87

### Procedure (s) for updating stock certificates

#### Details of Stock Transfer Agent

Name	BDO Unibank, Inc.
Address	15/F South Tower, BDO Corporate Center, H.V. Dela Costa St. cor. Makati Avenue, Makati City
Contact Person	Oliver Galvez

Inclusive dates when the old stock certificates can be replaced

Start Date	TBA
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End Date	TBA
Documentary Requirements	
Individual Shareholders	TBA
Corporate Shareholders	TBA
Date of availability of new stock certificates – TBA	
Procedures in case of lost stock certificates – TBA	
Please note that the shares illustrated under "after" column pertain only to current issued and outstanding shares of the Company and do not include the shares subject of the Invescap Subscription and the Share Swap Transaction.	
We will update the disclosure once we have finalized the documentary requirements and procedures with the Stock Transfer Agent and the treatment of fractional shares with the Securities and Exchange Commission.	
<b>April 29, 2021</b>	<b>April 30, 2021</b>
Change in Corporate Name to “The Keepers Holdings, Inc.”	
Change in Corporate Name from "Da Vinci Capital Holdings, Inc." to "The Keepers Holdings, Inc." as approved by the Company's Board of Directors on October 6, 2020 and the stockholders representing more than 2/3 of the outstanding capital stock on a meeting held on November 20, 2020.	
<b>Procedure (s) for updating stock certificates</b>	
Details of Stock Transfer Agent	
Name	BDO Unibank, Inc.
Address	15/F South Tower, BDO Corporate Center, H.V. Dela Costa St. cor. Makati Avenue, Makati City
Contact Person	Oliver Galvez
Inclusive dates when the old stock certificates can be replaced	
Start Date	TBA
End Date	TBA
Documentary Requirements	
Individual Shareholders	TBA
Corporate Shareholders	TBA

Date of availability of new stock certificates – TBA

Procedures in case of lost stock certificates – TBA

The Company will update the disclosure to provide the documentary requirements and procedures in changing the stock certificates once they have been finalized with the Stock Transfer Agent.

The new stock symbol will be disclosed after the approval of the Securities and Exchange Commission (SEC) of the Company's change of name.

**March 30, 2021**

**March 30, 2021**

Result of the Special Meeting of Da Vinci Capital Holdings, Inc. dated March 29, 2021.

The Board of Directors of Da Vinci Capital Holdings, Inc. in its meeting dated March 29, 2021, resolved to:

- (a) Accept the rescission of the Subscription Contract between the Company and Invescap in order to avoid further delays to the share swap transaction with Cosco Capital, Inc.;
- (b) Accept the offer by Cosco Capital, Inc. to subscribe to 11,250,000,000 common shares at P2.00 per share in support of the proposed increase in the Company's authorized capital stock via a share swap transaction; and
- (c) Postpone the Special Stockholders' Meeting of the Company set on April 8, 2021 due to the changes in the transactions. The Company will soon notify the stockholders of the next schedule of annual meeting.

To provide more details to the stockholders and the investing public, the Company will further amend the Corporate Comprehensive Disclosure previously submitted to these transactions.

**March 31, 2021**

**March 31, 2021**

Postponement of Special Stockholders' Meeting of Da Vinci Capital Holdings, Inc.

On March 29, 2021 the Board of Directors of Da Vinci Capital Holdings, Inc. approved the postponement of Special Stockholders' Meeting of Company set on April 8, 2021 due to changes in the Share Swap Transaction structure being undertaken by the Corporation. Appropriate notice for the postponement and the new date for the stockholders' meeting will be released to the stockholders.

**April 16, 2021**

**April 16, 2021**

In its meeting held today, April 16, 2021, the Board of Directors of Da Vinci Capital Holdings, Inc. approved the following items:

1. 2020 Audited Financial Statements
2. Valuation Report issued by Isla Lipana & Co., PwC, in connection with Da Vinci's Share Swap Transaction with Cosco Capital, Inc.
3. Annual Stockholders' Meeting on May 28, 2021, 10:00 am

Record Date: May 3, 2021

Manner of Voting: by proxy or in absentia

Agenda:

- a. Certification of Notice and Quorum
- b. Top-Up Plan for the Fractional Shares Resulting from the Proposed Increase in Authorized Capital stock
- c. Re-Election of Directors including independent directors
- d. Re-Appointment of External Auditor and fixing its remuneration
- e. Other Matters
- f. Adjournment

4. Special Stockholders' Meeting on May 28, 2021, 10:30 am

Record Date: May 3, 2021

Manner of Voting: by proxy or in absentia

Agenda:

- a. Certification of Notice and Quorum
- b. Ratification of Rescission of Subscription Contract between Da Vinci Capital Holdings, Inc. and Invescap Incorporated
- c. Approval of Share Swap Transaction with Cosco Capital, Inc.
- d. Waiver of Rights Offering on the Subscription of Shares by Cosco Capital, Inc.
- e. Follow-on Public Offering ("FOO") Program
- f. Other Matters
- g. Adjournment

**April 27, 2021**

**April 27, 2021**

***Annual Stockholders' Meeting of Da Vinci Capital Holdings Inc.*** In the special board meeting of Da Vinci Capital Holdings, Inc. held on April 27, 2021, the Company resolved to conduct only one Stockholders' meeting to be held on May 28, 2021. The details and agenda for the meeting are as follows:

Date: May 28, 2021  
Time: 10 am  
Record Date: May 3, 2021  
Manner of Voting: by proxy or in absentia  
Agenda:

- a. Certification of Notice and Quorum
- b. Top-Up Plan for the Fractional Shares Resulting from the Proposed Increase in Authorized Capital stock
- c. Ratification of Rescission of Subscription Contract between Da Vinci Capital Holdings, Inc. and Invescap Incorporated
- d. Approval of Share Swap Transaction of up to 11,250,000,000 Shares of Da Vinci Capital Holdings, Inc. in exchange for Cosco Capital Inc.'s 100% equity in the following unlisted companies:
  - (1) Montosco, Inc.
  - (2) Meritus Prime Distributions, Inc. and
  - (3) Premier Wine and Spirits, Inc.
- e. Waiver of Rights Offering on the Subscription of up to 11,250,000,000 Shares by Cosco Capital, Inc.
- f. Follow-on Public Offering ("FOO") Program
- g. Re-Election of Directors including independent directors
- h. Re-Appointment of External Auditor and fixing its remuneration
- i. Other Matters
- j. Adjournment

<b>April 29, 2021</b>	<b>April 30, 2021</b>
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Result of Special Board Meeting of Da Vinci Capital Holdings, Inc. dated April 29, 2021

The Board of Directors of Da Vinci Capital Holdings, Inc. has approved today the following items:

- 1. Confirmation of the Amendment of Articles of Incorporation and By-Laws
- 2. Approval of the Follow-On Public Offering to be conducted by the Management of Da Vinci Capital Holdings, Inc. to conform with the mandatory requirements of the Minimum Public Ownership Rule.

<b>May 28, 2021</b>	<b>May 31, 2021</b>
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Result of Annual Stockholders' Meeting dated May 28, 2021

The Board of Directors of Da Vinci Capital Holdings, Inc. has approved today the following items:

1. Call to Order
2. Certification of Notice and Quorum
3. Review and Approval of the Minutes of the Previous Meeting held on November 20, 2020
4. Annual Report of Management and Approval of the Audited Financial Statements for 2020.
5. Ratification of Acts of the Board of Directors and Management since the Last Annual Meeting of Stockholders
6. Approval of Amendment of the Company's Articles of Incorporation and By-Laws:
  - (1) Amendment of Corporate Name to "The Keepers Holdings, Inc."
  - (2) Amendment of Primary and Secondary Purposes.
  - (3) Amendment of Corporate term to Perpetual Existence
  - (4) Change in Par Value of Common shares to P0.10 per share and the reclassification of authorized preferred shares to common shares
  - (5) Increased of Authorized Capital Stock to P2 billion or 20 billion shares, and Delegation to the Company's Board of Directors of the authority to determine the manner of subscription and the subscriber/s of the increase in authorize capital stock
7. Top-Up Plan for the Fractional Shares Resulting from the Proposed Increase in Authorized Capital Stock
8. Ratification of Rescission of Subscription Contract between Da Vinci Capital Holdings, Inc. and Invescap Incorporated
9. Issuance and Listing of up to 11,250,000,000 Common Shares of Da Vinci Holdings, Inc. pursuant to the Share Swap to Transaction with Cosco Capital.
10. Waiver of Requirement to Conduct a Rights Offering on the Issuance and Listing up to 11,250,000,000 Da Vinci Common Shares to Cosco Capital, Inc. for the Share Swap Transaction  
Out of a total of 63,349,607 common shares held by the minority stockholders who attended the meeting, by proxy or in absentia 63,349,207 or 99.99% of the attending minority voted to approve the waiver of requirement to conduct a Rights Offering on the issuance and listing of up to 11,250,000,000 Da Vinci Common Shares to Cosco Capita, Inc. pursuant to the Share Swap Tranasaction.
11. Issuance and Listing of up to 3,000,000,000 Da Vinci Common Shares pursuant to DAVIN's Follow-on Public Offering ("FOO") Program
12. Election of the following directors including independent directors:  
  
Mr. Lucio L. Co  
Mr. Jose Paulino Santamarina  
Ms. Camille Clarisse P. Co  
Ms. Jannelle O. Uy  
Mr. Robin Derrick C. Chua  
Mr. Enrico S. Cruz, as independent director  
Atty. Bienvenido E. Laguesma, as independent director
13. Re-Appointment of R.G. Manabat & Company as External Auditor and audit fee
14. Adjournment

May 28, 2021	May 31, 2021
Result of Annual Stockholders Meeting dated May 28, 2021	
<p>Out of 1,124,999,969 common shares issued and outstanding of Da Vinci Capital Holdings, Inc., stockholders representing a total of 1,019,554,444 or 91% of the issued and outstanding shares, and out of 1,019,554,444 common shares, 63,349,607 common shares held by the minority stockholders, attended the Annual Stockholders' meeting, by person, proxy or in absentia, and voted to approve the following items:</p>	
a. Call to Order	
b. Certification of Notice and Quorum	
c. Review and Approval of the Minutes of the Previous Meeting held on November 20, 2020	
d. Annual Report of Management and Approval of the Audited Financial Statements for 2020	
e. Ratification of Acts of the Board of Directors and Management since the Last Annual Meeting of Stockholders	
f. Approval of Amendment of the Company's Articles of Incorporation and By-Laws	
1. Amendment of Corporate Name to "The Keepers Holdings, Inc."	
2. Amendment of Primary and Secondary Purposes	
3. Amendment of Corporate term to Perpetual Existence	
4. Change in Par Value of Common shares to P0.10 per share and the reclassification of authorized preferred shares to common shares	
5. Increase of Authorized Capital Stock to P2 billion or 20 billion shares, and Delegation to the Company's Board of Directors of the authority to determine the manner of subscription and the subscriber/s of the increase in authorized capital stock.	
g. Top-Up Plan for the Fractional Shares Resulting from the Proposed Increase in Authorized Capital stock	
h. Ratification of Rescission of Subscription Contract between Da Vinci Capital Holdings, Inc. and Invescap Incorporated	
i. Issuance and Listing of up to 11,250,000,000 Common Shares of Da Vinci Capital Holdings, Inc. pursuant to the Share Swap Transaction with Cosco Capital Inc.	
j. Waiver of Requirement to Conduct a Rights Offering on the Issuance and Listing of up to 11,250,000,000 Da Vinci Common Shares to Cosco Capital, Inc. for the Share Swap Transaction	
<p>Out of a total of 63,349,607 common shares held by the minority stockholders who attended the meeting, by proxy or in absentia, 63,349,207 or 99.99% of the attending minority voted to approve the waiver of requirement to conduct a Rights Offering on the</p>	

issuance and listing of up to 11,250,000,000 Da Vinci Common Shares to Cosco Capital, Inc. pursuant to the Share Swap Transaction.

k. Issuance and Listing of up to 3,000,000,000 Da Vinci Common Shares pursuant to DAVIN's Follow-on Public Offering ("FOO") Program

l. Election of the following directors including independent directors:

Mr. Lucio L. Co  
Mr. Jose Paulino L. Santamarina  
Ms. Camille Clarisse P. Co  
Ms. Janelle O. Uy  
Mr. Robin Derrick C. Chua  
Mr. Enrico S. Cruz as Independent Director  
Mr. Bienvenido E. Laguesma as Independent Director

m. Re-Appointment of R.G. Manabat & Company as External Auditor and audit fee

n. Adjournment

**May 28, 2021**

**May 31, 2021**

President's Report

Report delivered by the President of Da Vinci Capital Holdings, Inc., Mr. Jose Paulino Santamarina, in its Annual Stockholders' Meeting held on May 28, 2021.

**June 18, 2021**

**June 21, 2021**

Result of Organizational Meeting dated June 18, 2021

During the Organizational Meeting of the Board of Directors of Da Vinci Capital Holdings, Inc. held on June 18, 2021, via zoom, the Board of Directors appoints the following officers and committee members:

Chairman	Mr. Lucio L. Co
President	Mr. Jose Paulino L. Santamarina
Treasurer	Ms. Maria Editha D. Alcantara
Comptroller	Ms. Imelda D. Lacap
Corporate Secretary	Ms. Baby Gerlie I. Sacro
Assistant Corporate Secretary & Compliance Officer	Ms. Candy H. Dacanay-Datuon

Executive Committee:

Chairman	Mr. Lucio L. Co
Member	Mr. Jose Paulino L. Santamarina
Member	Ms. Camille Clarisse P. Co
Member	Ms. Janelle O. Uy
Member	Mr. Robin Derrick C. Chua

Audit Committee

Chairman	Mr. Bienvenido E. Laguesma (Independent Director)
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Member	Mr. Enrico S. Cruz (Independent Director)
Member	Mr. Jose Paulino L. Santamarina (Executive Director)
<p>Corporate Governance Committee:  Chairman Mr. Enrico S. Cruz (Independent Director)  Member Mr. Bienvenido E. Laguesma (Independent Director)  Member Mr. Lucio L. Co (Executive Director)</p>	
<p>All herein officers shall serve for a term of one year and until their respective successors are duly elected and qualified.</p>	
<b>July 7, 2021</b>	<b>July 8, 2021</b>
<p>Result of Board Meeting</p> <p>SEC Approval on the Increase in Authorized Capital Stock and Amendments to the Articles of Incorporation and By-laws of the Company</p>	
<b>July 9, 2021</b>	<b>July 12, 2021</b>
<p>The Board of Directors of The Keepers Holdings, Inc. (Formerly, Da Vinci Capital Holdings, Inc.) has approved dated July 9, 2021, the following:</p> <ol style="list-style-type: none"> <li>1. The terms of the Follow-On Public Offering (“FOO”) of up to 3,000,000,000 common shares at a price range of P2.00 to P2.50 per share;</li> <li>2. Filing of the Registration Statement with the Securities and Exchange Commission and the Listing Application with the Philippine Stock Exchange;</li> <li>3. Appointment of underwriters, advisors, legal counsels, stock and transfer agent, receiving agent/bank, the Philippine Depository &amp; Trust Corporation, and other agents as may be necessary in relation to the FOO;</li> <li>4. Approval and adoption of the Disclosures Contained in the Registration Statement and Prospectus of the Company;</li> <li>5. Authorization for the Securities and Exchange Commission to Inspect the Bank Account/s of the Company in relation to the FOO;</li> <li>6. Approval of the Pro Forma Consolidated Financial Statements and Interim Review Report – Q1 2020 and 2021;</li> <li>7. Change in the stock code/symbol of the Company in the Philippine Stock Exchange to “KEEPR”, subject to the approval of the Exchange;</li> <li>8. Adoption of a Dividend Policy; and</li> <li>9. Appointment of Ms. Emerlinda Llamado as Internal Auditor and Mr. John Marson T. Hao as Investor Relations Officer.</li> </ol>	
<b>October 25, 2021</b>	<b>October 29, 2021</b>
<p>Result of Special Board Meeting dated October 25, 2021</p> <p>The Board of Directors of The Keepers Holdings, Inc., approved, in its special meeting dated October 25, 2021, the adjustment in the offer price of its Follow-On Public Offering (“FOO”) of up to 3,000,000,000 common shares from P2.00 to P2.50 per Common Share to P1.50 to P2.00 per Common Share to P1.50 to P2.00 per Common Share.</p>	
<b>October 29, 2021</b>	<b>October 29, 2021</b>
<p>Result of Board Meeting</p>	

The Board of Directors of The Keepers Holdings, Inc. (Formerly, Da Vinci Capital Holdings, Inc.) has approved today October 29, 2021, the following:

1. Result of special board meeting of The Keepers Holdings, Inc. (Formerly, Da Vinci Capital Holdings, Inc.) dated October 25, 2021;
2. Approval of the Securities and Exchange Commission (“SEC”) on the adjustment of the Offer Price Range of the Follow-On Public Offering on 26 October 2021; and
3. Determination of Final Offer Price of the FOO on 28 October 2021.

**November 5, 2021**

**November 8, 2021**

Result of Board Meeting

Press Release of The Keepers Holdings, Inc. entitled, “Offer Period for The Keepers Holdings FOO starts”

**November 9, 2021**

**November 10, 2021**

Result of Board Meeting dated November 9, 2021

The Board of Directors of The Keepers Holdings, Inc. approved today, November 9, 2021, its Consolidated Financial Performance as of September 30, 2021. The mandatory Quarterly Report (SEC 17-Q) will be released on or before November 15, 2021.

**November 17, 2021**

**November 17, 2021**

Result of Board Meeting dated November 9, 2021

In compliance with Condition (C)(4) under the Notice of Approval dated 15 October 2021 approving the Company’s offer and issuance of 3,000,000,000 common shares (the “Offer Shares”), the public is informed of the following results of the Follow-on Public Offer (the “Offer”).

As a result of the Offer, the public ownership percentage of the Company is at 20.82%, in compliance with the Minimum Public Ownership Rule of the Exchange.

**December 21, 2021**

**December 21, 2021**

The Keepers Disclosure dated December 21, 2021

The Board of Directors of Da Vinci Capital Holdings, Inc. has approved today the following items:

1. Declaration of Cash Dividend

Amount per Share: P0.024 per share  
 Declaration Date: December 21, 2021  
 Record Date: January 10, 2022  
 Payment Date: January 28, 2022

2. 2022 Annual Stockholders’ Meeting

Date: May 30, 2022  
Time: 10:00 AM  
Record Date: March 30, 2022  
Mode: via remote communication