COVER SHEET

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SEC Registration Number

THE KEEPERS HOLDINGS, INC.

(Company's Full Name)

NO. 900 ROMUALDEZ ST., PACO,
MANILA

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

CANDY H. DACANAY-DATUON	(63) 917 861 2459
(Contact Person)	(Company Telephone Number)

1 2	3 1	SEC FORM 17-A	0 5	3 0
Month	**Day**	(Form Type)	(Annual Meeting)	

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowing

Total No. of Stockholders

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, 2022**
   For the fiscal year ended December 31, 2022

2. **24015**
   SEC Identification Number 24015

3. **004-512-387**
   BIR Tax Identification No.

4. **THE KEEPERS HOLDINGS, INC.**
   Exact name of the 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** — **1007**
   Address of principal office — 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 [x]   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 [x]   No [ ]

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

    Yes [x]   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 December 31, 2022	Market Value per Share as of December 31, 2022	Total Market Value as of December 31, 2022
3,020,459,222 (20.82% of the outstanding capital stock)	P1.27	P18,426,112,897.50

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. 2022 Management Discussion and Analysis (Annex "A") – incorporated as reference for Item 6.

b. 2022 Consolidated Audited Financial Statements (Annex "B") – incorporated as reference for Items 7 and 12.

c. 2022 Sustainability Report (Annex "C") – incorporated as reference for Item 2 (13).

The Keepers Holdings

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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 Securities and Exchange Commission (“SEC”) on November 5, 1963, as Mariwasa Manufacturing, Inc., to engage in the manufacture of ceramic tiles. It was listed on the Philippine Stock Exchange (“PSE”) on September 3, 1991. On July 2, 2008, the SEC approved the change in corporate name to Mariwasa Siam Holdings, Inc., and its primary purpose changed from manufacturing to 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 had no operation or business from May 2013 to June 2021.

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”). 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.

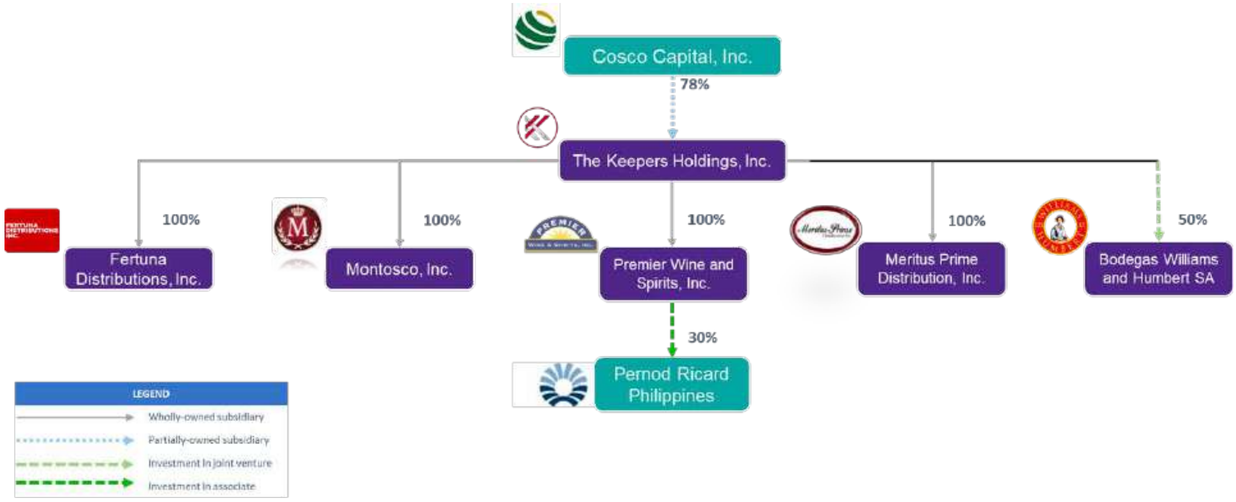
The Share Swap Transaction qualifies as a tax-free exchange under Section 40(C)(2) of the Tax Code, as amended by the CREATE Law, which took effect on April 11, 2021. The CREATE Law removed the requirement of prior confirmation of the tax-free nature of exchange under Section 40(C)(2) of the Tax Code from the BIR to avail of the tax exemption. Only a tax clearance or Certificate Authorizing Registration (CAR) must 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 individual subsidiaries of Cosco Capital, helmed by Lucio Co and his family. Cosco Capital also houses key retail, grocery, and wholesale distribution players in the Philippines such as Puregold and S&R.

After completing 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.

As of December 31, 2022, the Company has four subsidiaries – Montosco, Inc., Meritus Prime Distributions, Inc., Premier Wine & Spirits, Inc, and Fertuna Distributions, Inc. The corporate structure of the Company is presented below:



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 wholesale and retail. 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. 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 the 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 has no sales outside the Philippines, but it has an investment in a joint venture with a Spanish company—Bodegas Williams Humbert SA, producer of "Alfonso" brandy.

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, and 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 the establishments they purchase.

4. New Products and Services

On September 14, 2022, the Company acquired 50% of the total equity of Bodegas Williams Humbert SA. It produces "Alfonso," the number one imported brandy in the Philippines, accounting for 60% of The Keepers' revenue. Bodegas Williams & Humbert is a Spanish company with over 140 years of history producing alcoholic beverages.

The acquisition will secure the Company's supply line of its biggest brand and category, "Alfonso". It will also transform the Company's business model from trading to manufacturing/distribution.

Further, on December 6, 2022, the Company incorporated "Fertuna Distributions, Inc." with the SEC. This subsidiary will distribute the Company's products in selected areas.

5. Competition

The Company's main competitor in its imported spirits distribution business in the Philippines is Emperador Inc. ("Emperador"). According to IWSR, the Company and 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 minor players.

6. Suppliers

The top suppliers of the Company for the calendar year 2022 are (1) Bodegas Williams & Humbert SAU, (2) Diageo Philippines, Inc., (3) Hitejinro Philippines, Inc., (4) William Grants & Sons, (5) Beam Suntory. These top suppliers account for 87% of the Company's total supply cost.

7. Dependence upon a 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 customers of the Company in 2022 are as follows: (1) Puregold Price Club, Inc. (2) Kareila Management Corporation (3) Ultra Mega Multi Sales (4) Advect Marketing Corporation (5) Tristar Trusted Marketing Inc. These customers accounted for 48% of the Company's total sales in 2022.

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

In their regular course of business, the Company, its subsidiaries, and affiliates have engaged in transactions with each other, primarily sales and purchases. Please refer to the attached 2022 Consolidated Audited Financial Statements (Annex "B") for more details on the Related-Party transactions of the Company.

9. Trademarks

The Company has 11 trademarks and tradenames duly registered with the Intellectual Property Office of the Philippines.

No.	Tradenames	Trademarks	Date of Registration	Date of Expiration
1.	ALFONSO XO		May 5, 2008	May 5, 2028
2.	ALFONSO		March 3, 2008	March 3, 2028
3.	ALFONSO I		May 21, 2005	May 21, 2025
4.	ALFONSO I LIGHT ALCOHOL		November 25, 2018	November 25, 2028
5.	ALFONSO PLATINUM		September 15, 2016	September 15, 2026
6.	ALFONSO PLATINUM LIGHT		May 23, 2022	May 23, 2032
7.	ALHAMBRA		August 13, 2007	August 13, 2027

8.	CHINGU		July 2, 2021	July 2, 2031
9.	ESCOBAR	ESCOBAR	September 11, 2020	September 11, 2030
10.	ROMULO		July 14, 2022	July 14. 2032
11.	DON LUIS	DON LUIS	May 21, 2005	May 21, 2025

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 expenses 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 and 2022, 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.

13. Cost and Effect of Compliance with Environmental Laws

The Company estimates its annual cost to comply with Environmental Laws and maintain environmental permits up to P1 million. For more details on the Company's compliance with environmental laws, please refer to the Company's Sustainability Report (Annex "C").

14. Employees

The Company has 206 employees as of December 31, 2022, with details as follows:

By Location	**Number of Employees**
Operations (Sales)	48
Head Office	158
Total	206

By Rank	**Number of Employees**
Executive	6
Senior Manager	5
Manager	23
Officer	13
Supervisory	54
Rank & File	105
Total	206

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. Also, the Company acquired fifty percent (50%) of the producer of its leading brand, Alfonso, which drives growth and contributes significantly to its revenues, mainly to secure the supply line of this product. 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 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 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 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 hurt 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.

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

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 expenses, 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 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.

i. 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 the 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.

Item 2. Properties

The Company does not own any land. It leases ten 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 its 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

Four offices are being used by the subsidiaries in the Metro Manila area.

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 2022 Annual Meeting of Stockholders, the Company submitted the following matters for approval of the stockholders:

a. Approval of the Minutes of the Previous Meetings and Ratification of Acts and Resolutions of the Board of Directors and Management in 2021
b. Annual Report and 2021 Audited Financial Statements
c. Election of Regular and Independent Directors
d. Amendment of Bylaws
e. 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 stated below:

Period	2020		2021		2022	
	High	Low	High	Low	High	Low
1st Quarter	5.46	4.5	8.98	2.51	1.51	1.14
2nd Quarter	5.00	4.00	3.27	2.50	1.30	1.08
3rd Quarter	4.30	3.1	3.06	2.94	1.34	1.06
4th Quarter	6.03	3.12	1.69	1.30	1.29	1.03

As of March 31, 2023, the Company's share is trading at P1.55 per share.

(B) Stockholders

As of December 31, 2022, the Company has:

Number of Stockholders on Record	478
Issued and Outstanding Shares	14,508,750,313
Listed Shares	14,508,750,313
Treasury Shares	0

As of December 31, 2022, the Company's top 20 stockholders are as follows:

	Stockholder	Number of Shares	Percentage
1	Cosco Capital, Inc.	11,250,000,000	77.54%
2	Sb Equities, Inc.	1,270,856,640	8.76%
3	Invescap Incorporated	219,926,768	1.52%
4	Tower Securities, Inc.	209,113,906	1.44%
5	COL Financial Group, Inc.	152,846,114	1.05%
6	First Metro Securities Brokerage Corp.	125,099,904	0.86%
7	Abacus Securities Corporation	110,167,180	0.76%
8	China Bank Securities Corporation	97,665,548	0.67%
9	Government Service Insurance System	66,666,000	0.46%
10	Lucky Securities, Inc.	63,624,799	0.44%
12	The Hongkong And Shanghai Banking Corp.	61,359,000	0.42%
13	PNB Securities, Inc.	61,287,430	0.42%
14	BDO Securities Corporation	61,212,850	0.42%
15	Philstocks Financial Inc.	44,483,715	0.31%
16	Maybank Securities, Inc.	43,888,278	0.30%
17	BPI Securities Corporation	32,682,346	0.23%
18	UOB Kay Hian Securities (Phils.) Inc.	31,864,000	0.22%
19	Citibank N.A	30,850,800	0.21%
20	Standard Securities Corporation	30,545,990	0.21%
	Total	13,964,141,268	96.25%

(C) Dividends and Dividend Policy

The Company's dividend policy is to declare 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 that 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.

Since the follow-on offering in 2021, the Company declared and paid the following dividends:

Declaration Date	Dividend Per Share	Dividend Payment Ratio	Payment Date
December 21, 2021	P0.024	30%	January 28, 2022
December 20, 2022	P0.054	50%	January 20, 2023

(D) Recent Sale of Securities

None.

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

Please refer to the Company’s Management's Discussion and Analysis of Financial Position and Operation Results (Annex “A”).

Item 7. Financial Statements

Please refer to the Company’s 2022 Consolidated Audited Financial Statements (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, R.G. Manabat & Company, P1,650,200.00 as a professional fee for the 2021 audit and P1,650,200.00 as a professional fee for the 2022 audit. It also engaged R.G. Manabat & Company to audit the Company’s use of proceeds from the 2021 follow-on offering and paid them P260,000.00 for the services.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

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

(i) Directors

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

Lucio L. Co, Filipino, 68 years old
Mr. Co has been the Chairman of the Board of the Company since 2013. 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., Makabayan Holdings Incorporated, Union Energy Corporation, and Union Equities, Inc. He is a Director of these companies: Bacolod Real Estate Development Corporation, Catuiran Hydropower Corporation, Cleangreen Energy Corporation, Forbes Corporation, Grass Gold Renewable Energy (G2REC) Corporation, Karayan Hydropower Corporation, Kareila Management Corporation, LCCK & Sons Realty Corporation, Luis Co Chi Kiat Foundation, Inc., Meritus Prime Distributions, Inc., Montosco, Inc., League One Finance and Leasing Corporation, Pamana Water Corporation, Tower 6789 Corporation, Illido Management Corporation, KMC Realty Corporation, Negros Water Company, Patagonia Holdings Corp., PPCI Subic, Inc., S&R Pizza Harbor Point, Inc., S&R Pizza, Inc., 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. and Puregold Price Club, Inc. and Director of Philippine Bank of Communications. Mr. Co has been an entrepreneur for the past 40 years.

Mr. Jose Paulino L. Santamarina, Filipino, 59 years old
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 as an auditor for the professional firm SGV from 1984 to 1988. He concurrently holds directorship and officer positions in the following companies: Booze On-line, Inc., Cleangreen Energy Corporation; Karayan Hydropower Corporation, Liquorph 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. Mr. Santamarina graduated from Ateneo de Davao University with a Bachelor of Science in Accountancy degree in 1984. He is a Certified Public Accountant.

Ms. Camille Clarisse P. Co, Filipino, 34 years old
Ms. Co has been one of the Directors of the Company since 2020. Ms. Co is currently the Chairman and President of Meritus Prime Distributions, Inc., one of the subsidiaries of the Company. 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.

Ms. Jannelle O. Uy, Filipino, 34 years old
Ms. Uy has been one of the Directors of the Company since 2020. Ms. Uy is the Chairman and President of Montosco, Inc., one of the subsidiaries of the Company. Her previous experience includes working as a Key Account Manager at Unilever Philippines from 2009 to 2013. She graduated from De La Salle University with a degree in Applied Corporate Management in 2009.

Mr. Robin Derrick C. Chua, Filipino, 33 years old
Mr. Chua has been one of the Directors of the Company since 2020. Mr. Chua has been the Managing Director of Premier Wine and Spirits, Inc., one of the subsidiaries of the Company, 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 graduated from Ateneo de Manila University with a degree of Bachelor in Management and a Minor in Entrepreneurship in 2012.

Mr. Enrico S. Cruz, Filipino, 65 years old
Mr. Cruz has been an Independent Director of the Company since 2020. 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, 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, 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., Maxilife Insurance Corporation, Inc., 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. Ås 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.

Mr. Bienvenido E. Laguesma, Filipino, 72 years old
Mr. Laguesma was an Independent Director of the Company from 2020 to 2022. He resigned on June 29, 2022 to serve as Secretary of the Department of Labor and Employment under the administration of President Ferdinand Marcos, Jr. Before his government appointment, Mr. Laguesma was a Senior Partner at Laguesma Magsalin Consulta Law Offices, Independent Director of the Philippine Bank of Communications and Cosco Capital, Inc., both are listed companies. He also served as 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 a Labor Arbiter of the National Labor Relations Commission in 1979 Provincial Director of the 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

Ms. Baby Gerlie I. Sacro, Filipino, 44 years old
Ms. Sacro has been the Corporate Secretary of the Company since 2021. She is a Polytechnic University of the Philippines graduate with a Bachelor of Science in Entrepreneurial Management.

Ms. Imelda Lacap, Filipino, 44 years old
Ms. Lacap has been the Comptroller of the Company since 2021. She used to be an Audit Officer at Puregold Price Club, Inc. from 2001 to 2006. She graduated from Centro Escolar University – Malolos with a Bachelor of Science in Accountancy degree in 1998. She is a Certified Public Accountant.

Ms. Candy H. Dacanay – Datuon, Filipino, 44 years old
Atty. Dacanay has been the Company's Assistant Corporate Secretary and Compliance Officer 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), Corporate Secretary of Kareila Management Corporation (S&R), and Corporate Secretary and Compliance Officer of League One Finance and Leasing Corporation. Atty. Dacanay has recently completed the Harvard Business School Online Certificate Program, "Sustainable Business Strategy", in 2020.

Ms. Editha D. Alcantara, Filipino, 51 years old
Ms. Alcantara has been the Treasurer of the Company since 2013. 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 graduated from the 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 directors, who are also its key officers, and a per diem allowance for board directors. Last December 2022, the Company increased the per diem allowances of its directors from P40,000 to P100,000 per board meeting and from P15,000 to P50,000 per committee meeting.

The total annual compensation of the President and the four most highly compensated officers amounted to P10,148,687 in 2020, P10,627,430 in 2021, and P12,942,730 in 2022. Please see the table below for details:

(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	2020 2021 2022 Projected 2023	P10,148,687 P10,627,430 P12,942,730 P13,978,148	- - -	- - -
Aggregate compensation paid to all other officers and managers	2020 2021 2022 Projected 2023	P17,590,647 P18,844,443 P11,962,492 P12,919,492	- - -	- - -

(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 during meetings.

(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 during meetings.

(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 that follow existing labor laws.

(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, 2022:

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 Susan P. Co Vice-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	1,270,856,640	8.76%

2. Security Ownership of Directors and Executive Officers of the Company as of December 31, 2022:

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	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	520,000	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 no change in the control of the Company in the last fiscal period.

Item 12. Certain Relationships and Related Transactions

In their regular course of business, the Company, its subsidiaries, and affiliates have engaged in transactions with each other, mostly sales and purchases. Please refer to the attached Consolidated Audited Financial Statements (Annex "B") for more details.

PART IV – CORPORATE GOVERNANCE

(a) The Company ensures that it is compliant with its Corporate Governance Manual. The Company has a Corporate Governance Committee, headed by an Independent Director, that oversees its general obedience to the Manual from the board level down to the managers and officers of the subsidiaries.

The Company will adopt a specific evaluation system that will establish or determine the level of compliance of the Board of Directors and top-level management with the Corporate Governance Manual.

(b) On July 25, 2014, the Company adopted a Revised Corporate Governance Manual, incorporated therein are the leading practices on good corporate governance. On September 22, 2020, the Company also adopted a Material Related Party Transaction Policy, which guides the Board and the management in its dealings with related parties. The Corporate Governance Committee ensures adherence with the Revised Corporate Governance Manual while the Audit Committee guarantees the Company's compliance with the Material Related Party Transaction Policy.

The Company annually submits a Corporate Governance Report (I-ACGR) to the Securities and Exchange Commission and Philippine Stock Exchange and posts it on its website. The I-ACGR details how the board and management operate the Company with integrity, transparency, and accountability.

(c) There were no deviations from the Revised Corporate Governance Manual.

(d) The Company will continue to strengthen its compliance with the principles and leading practices of good corporate governance.

PART V - EXHIBITS AND SCHEDULES

A. Annexes

2022 Management Discussion and Analysis of Financial Position	Annex “A”
2022 Audited Financial Statements	Annex “B”
2022 Sustainability Report	Annex “C”

B. Reports on SEC Form 17-C

Date of Board Meeting	**Items Approved by the Board of Director**
April 11, 2022	Approval of the 2021 Consolidated Audited Financial Statements
April 28, 2022	Approval of the Amendment of Company’s Bylaws
May 6, 2022	Approval of the 1st Quarter – 2022 Consolidated Financial Statements
May 30, 2022	Result of the Annual Stockholders Meeting: (1) Election of Mr. Lucio L. Co, Mr. Jose Paulino L. Santamarina, Ms. Camille Clarisse P. Co, Ms. Jannelle O. Uy, Mr. Robin Derrick C. Chua as Regular Directors (2) Election of Mr. Enrico S. Cruz and Mr. Bienvenido E. Laguesma as Independent Directors (3) Approval of the 2021 Annual Report and Audited Financial Statements (4) Approval of the Amendment of Bylaws Result of the Organizational Meeting and Appointment of Committee Memberships. Election/Appointment of the following officers: 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 Internal Auditor: Ms. Emerlinda Llamado Lead Independent Director: Mr. Enrico S. Cruz Investor Relations Officer & Sustainability Officer: Mr. John Marson T. Hao Executive Committee: Chairman: Mr. Lucio L. Co Members: Mr. Jose Paulino L. Santamarina, Ms. Camille Clarisse P. Co, Ms. Jannelle O. Uy, Mr. Robin Derrick C. Chua Audit Committee: Chairman: Mr. Enrico S. Cruz (Independent Director) Members: Mr. Bienvenido E. Laguesma (Independent Director), Mr. Jose Paulino L. Santamarina Corporate Governance Committee: Chairman: Mr. Bienvenido E. Laguesma (Independent Director) Members: Mr. Enrico S. Cruz (Independent Director), Mr. Lucio L. Co
June 29, 2022	Resignation of Atty. Bienvenido E. Laguesma as Independent Director.
August 2, 2022	Approval of the following: (1) Consolidated Financial Performance (2) Appointment of Ms. Abegail Lintag as new Internal Auditor.
August 26, 2022	Approval of the acquisition of up to 50% of the total shareholdings of Bodegas Williams & Humbert S.A.
November 8, 2022	Approval of the following: (1) Consolidated Financial Performance of the Company as of September 30, 2022 (2) Re-allocation of P800m out of its proceeds from the Follow on Offering to completely fund the acquisition of 50% of Bodegas Williams & Humbert.

June 29, 2022	Resignation of Atty. Bienvenido E. Laguesma as Independent Director.
August 2, 2022	Approval of the following: (1) Consolidated Financial Performance (2) Appointment of Ms. Abegail Lintag as new Internal Auditor.
August 26, 2022	Approval of the acquisition of up to 50% of the total shareholdings of Bodegas Williams & Humbert S.A.
November 8, 2022	Approval of the following: (1) Consolidated Financial Performance of the Company as of September 30, 2022 (2) Re-allocation of P800m out of its proceeds from the Follow on Offering to completely fund the acquisition of 50% of Bodegas Williams & Humbert.
December 20, 2022	Approval of the following: (1) Audit Plan for 2022 (b) Regular Cash Dividend Declaration of P0.054 per share.

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 April 14, 2023.

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
Assistant Corporate Secretary &
Compliance Officer

SUBSCRIBED AND SWORN to before me this 17 APR 2023 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

CAROLINE G. EXCONDE
Notary Public for the City of Manila
Commission No. 2023-010 until December 2024
Attorney's Roll No. 55392 / 05-02-2008
IBP No. [illegible]
PTR No. [illegible]
MCLE Compliance No. [illegible] / 06-27-22
No. 900 [illegible] St., Paco, Manila 1007

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Book No. XX
Series of 2023

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, 2022 and 2021 and the accompanying notes thereto.

Top Key Performance Indicators

The following are the financial soundness indicators used by the Group as at December 31, 2022 and 2021:

	December 2022	December 2021
Current Ratio (1)	**2.34:1**	**7.05:1**
Asset to Equity Ratio (2)	**1.46:1**	**1.17:1**
Debt to Equity Ratio (3)	**0.46:1**	**0.17:1**
Debt to Total Assets Ratio (4)	**0.31:1**	**0.15:1**
Book Value per Share (5)	**P0.93**	**P0.83**

	December 31 2022	December 31 2021
Earnings per Share (6)	**P0.15**	P0.13
Return on Assets (7)	**13.23%**	13.83%
Return on Equity (8)	**17.51%**	17.11%

(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 audited consolidated statements of comprehensive income for the year ended December 31, 2022 and 2021:

(In thousands)	**2022**	**% to Sales**	2021	% to Sales	**% Change**
Net Sales	**P13,957,192**	**100.0%**	P11,034,613	100.0%	**26.5%**
Cost of Sales	**10,483,585**	**75.1%**	8,095,233	73.4%	**29.5%**
Gross Profit	**3,473,607**	**24.9%**	2,939,380	26.6%	**18.2%**
Operating Expenses	**901,240**	**6.5%**	947,204	8.6%	**(4.8%)**
Income from Operations	**2,572,367**	**18.4%**	1,992,176	18.1%	**29.1%**
Other income (charges)– net	**212,406**	**1.5%**	2,590	0.0%	**8101%**
Net Income before tax	**2,784,773**	**19.9%**	1,994,766	18.1%	**39.6%**
Provision for income tax	**549,760**	**3.9%**	410,383	3.7%	**34.0%**
Net Income after tax	**P2,235,013**	**16.0%**	P1,584,383	14.4%	**41.1%**

Net Sales
The Group's consolidated net sales for the year ended December 31, 2022, amounting to P13.9 billion grew by 26.5% from the ₱11.0 billion consolidated net sales of 2021.

The growth in net sales is attributable to the continuous recovery in demand and consumption. Overall growth in sales volume is at 20% and the growth is across all categories. Brandy category still dominates the group's sales at 76% contribution. Uplift in revenue is also driven by related enhancement in sales mix and price adjustments on certain product SKUs.

Cost of Sales
The Group's cost of sales increased by 27.3% for the year ended December 31, 2022, and is relative to the increase in sales of 26.5%.

Gross Profit
Gross profit increased by 24.2% and this is relative to the growth in net sales. Slight dip in GP rate from 26.6% to 24.9% was the effect of sales mix and the impact of conditional discounts and supports granted in the execution of customer-initiated promotional activities.

Operating Expenses
Operating expenses amounting to P901.2 million for the year ended December 31, 2022, slightly decreased by 4.8% as compared to the operating expenses in 2021 which amounted to P947.2 million. This is the net effect of operational efficiencies in logistics and advertising & promo expenses and the nonrecurring costs for taxes and professional fees incurred in 2021 in relation to the share swap and the Follow-on Offering transactions.

Other Income (Charges)- Net
Other income, net of other charges amounted to P36.6 million for the year ended December 31, 2022 improved significantly as compared to 2021. This is due to the increase in the interest income earned on short-term cash placements resulting from higher interest rates during the year, the net foreign exchange losses, and the recognized share in the net income of investees.

Net Income
The Group's net income for the year ended December 31, 2022 amounted to P2.24 billion which grew by 41.1% compared to the net income of P1.58 billion in 2021 resulting from a combination of the strong sales recovery performance with a corresponding strategic control of cost and operating expenses. Increase in the interest income also contributed to the growth.

II. Consolidated Financial Position

The Group's audited consolidated financial position as at December 31, 2022 and 2021 are shown below:

(in thousands)	**December 31, 2022**	**% to Total Assets**	**December 31, 2021**	**% to Total Assets**	**% Change**
Cash and cash equivalents	**P4,784,441**	**24.4%**	P7,700,929	54.4%	(37.9%)
Trade and other receivables – net	**2,227,178**	**11.3%**	2,042,263	14.4%	(9.1%)
Inventories	**6,100,767**	**31.0%**	3,519,298	24.9%	73.4%
Prepaid expenses and other current assets	**1,071,480**	**5.5%**	555,423	3.9%	92.9%
Total Current Assets	**14,183,866**	**72.2%**	13,817,913	97.7%	2.6%
Right-of-use assets – net	**118,625**	**0.6%**	176,112	1.2%	(32.6%)
Property and equipment – net	**28,788**	**0.1%**	26,740	0.2%	7.7%
Deferred income tax assets – net	**6,123**	**0.0%**	4,107	0.0%	49.1%
Investments in associate and joint venture	**5,246,928**	**26.7%**	78,388	0.6%	6593.5%
Other noncurrent assets	**49,505**	**0.3%**	46,074	0.3%	7.4%
Total Noncurrent Assets	**5,449,969**	**27.8%**	331,421	2.3%	1544.4%
Total Assets	**P19,633,835**	**100.0%**	P14,149,334	100.0%	38.8%
Trade and other payables	**P4,020,687**	**20.5%**	P1,286,839	9.1%	212.4%
Due to related parties	**846,700**	**4.3%**	106,700	0.8%	693.5%
Loan payable	**130,000**	**0.7%**	-	-	0.0%
Dividends payable	**783,473**	**4.0%**	348,210	2.4%	125.0.%
Income tax payable	**208,240**	**1.1%**	148,598	1.1%	40.1%
Lease liabilities – current	**63,654**	**0.3%**	58,118	0.4%	9.5%
Provisions	**-**	**0.0%**	11,975	0.1%	(100.0%)
Total Current Liabilities	**6,052,754**	**30.8%**	1,960,440	13.9%	208.7%
Lease liabilities - net of current portion	**67,519**	**0.3%**	128,740	0.9%	(47.6%)
Retirement benefits liability	**20,452**	**0.1%**	17,972	0.1%	13.8%
Total Noncurrent Liabilities	**87,971**	**0.4%**	146,712	1.0%	(40.0%)
Total Liabilities	**6,140,725**	**31.3%**	2,107,152	14.9%	191.4%
Capital stock	**1,450,875**	**7.4%**	1,450,875	10.3%	0.0%
Additional paid in capital	**25,447,900**	**129.6%**	25,447,900	179.8%	0.0%
Retained earnings	**7,440,353**	**37.9%**	5,988,812	42.3%	24.2%
Equity adjustments from common control Transactions	**(20,848,500)**	**-106.2%**	(20,848,500)	-147.3%	0.0%
Accumulated remeasurements on retirement benefits	**3,071**	**0.0%**	3,552	0.0%	(13.5%)
Cumulative translation adjustment	**1,683**	**0.0%**	-		0.0%
Other reserves	**(2,272)**	**0.0%**	(457)	0.0%	397.2%
Total Equity	**13,493,110**	**68.7%**	12,042,182	85.1%	12.0%
	P19,633,835	**100.0%**	P14,149,334	100.0%	38.8%

Working Capital
As at December 31, 2022 the Group's working capital decreased to P8.1 billion from P11.8 billion as at December 31, 2021. Current ratios are at 2x and 7x as of December 31, 2022 and December 31, 2021, respectively.

Current Assets
Cash and cash equivalents amounted to about P4.8 billion as of December 31, 2022 or 24.4% of total assets. The balance decreased by 37.9% or P2.9 billion mainly due to the net effect of the cash generated from the operations and the utilization of the proceeds from the Keepers' 2021 Follow-on Offering for equity investments pertaining to the acquisition of 50% equity interest in Bodegas Williams & Humbert.

Trade and other receivables amounted to P2.2 billion as of December 31, 2022 or 11.3% of total assets. It mainly consists of trade receivables from various customers. The Group continuously improves its Accounts Receivable management process. Average collection period in 2022 is 50 days compared to 59 days in 2021. Average credit terms offered to customers is from 30-60 days.

Inventories amounted to P6.1 billion or 31.0% of total assets as of December 31, 2022. The net increase of 73.4% or P2.6 billion from the December 31, 2021 balance of P3.5 billion is due to the net effect of importations received, the cost of sales and the recognition of the inventories in transit from Bodegas Williams & Humbert in the amount of P1.7 billion which were subsequently received in 2023.

Prepaid expenses and other current assets amounted to P1.1 billion or 5.5% of the total assets as of December 31, 2022. Significant increase of P516.0 million or 92.9% as compared to the balance of P555.4 million as at December 31, 2021 represents additional payments for advance excise taxes for importation orders and advance payments to trade suppliers net of amounts applied against shipments received during the year.

Noncurrent Assets
As at December 31, 2022, total noncurrent assets amounted to P5.4 billion or 27.8% of total assets.

Right-of-use assets (ROU) represents the values recognized from long-term lease contracts covering office and warehouse facilities. As of December 31, 2022, net book value amounted to P118.6 million. The net decrease of 32.6% was due the net effect of renewal lease agreement covering the use of office spaces and warehouse facilities and the amortizations recognized during the year.

Property and equipment-net book values amounted to P28.8 million as of December 31, 2022. This account mainly consists of the leasehold improvements on leased office premises and warehouses. The net increase of P2.1 million from the December 31, 2021 net book value of P26.7 million was mainly due to purchase of office and transportation equipment, computer software licenses, and the depreciation recognized during the year.

Investment in associate and joint venture amounted to P5.2 billion as of December 31, 2022. This includes the group's 30% equity interest in Pernod Ricard Philippines which was made in February 2019, net of accumulated share in net income. Investment in joint venture as of December 31, 2022 pertains to The Keepers Holdings, Inc. acquisition of 50% equity interest in Bodegas Williams & Humbert SA.

Current Liabilities
As at December 31, 2022 total current liabilities amounted to P6.1 billion equivalent to 30.8% of total assets.

Trade and other payables amounted to P4.0 billion or 20.5% of total assets. This amount pertains to amounts due to trade and non-trade suppliers, both local and foreign. This account increased by 212.4% as compared to the balance of P1.3 billion as at December 31, 2021 primarily due to the amount payable to Bodegas Williams & Humbert for the inventories in transit recognized as of December 31, 2022.

Due to related parties amounting to P846.7 million includes the amount payable to related parties relative to the equity investment in Bodegas Williams & Humbert SA.

Loans payable amounted to P130.0 million as of December 31, 2022. This was availed by Meritus Prime Distributions, Inc. in August 2022 to augment its working capital requirements. This loan was fully settled in January 2023.

Dividends payable as of December 31, 2022 amounting to P783.4 million pertains to the cash dividend declared in December 2022 at P0.54 per share or about 50% of the consolidated net income for the year ended December 31, 2021 in line with the company's existing dividend policy and subsequently paid on January 20, 2023.

Income tax payable amounted to P208.2 million as of December 31, 2022. Income tax payable as of December 31, 2021 amounting to P148.5 million were paid in April 2022.

Lease liabilities due within the year amounted to P63.6 million representing lease payable for the use of warehouses and offices.

Provisions amounting to P11.97 million as of December 31, 2021 has been fully reversed during the year. This resulted from management's updated assessment of the business risks previously covered by these provisions.

Noncurrent Liabilities
As at December 31, 2021, total non-current liabilities amounted to P87.97 million, equivalent to 0.4% 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 P67.5 million. Net decrease of 47.6% pertains to the reclassification of current portion of the lease liabilities.

Retirement benefit liability represents the present value of the defined benefits retirement obligations amounted to P20.4 million as of December 31, 2022.

Equity
As at December 31, 2022 total equity amounted to P13.5 billion or 68.7% of total assets.

Capital stock amounted to P1.45 billion as of December 31, 2022 and December 31, 2021.

Additional paid in capital amounted to P25.4 billion of which, P21.3 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 net of P46.8 million pertaining to shares issuance costs.

The balance also includes additional paid in capital from the follow on offering of 3,000,000,000 primary shares amounting to P4.1 billion, net of the share issuance cost of P126.3 million.

Retained earnings amounted to P7.4 billion representing the aggregated retained earnings of the Company and the subsidiaries as of December 31, 2022 net of cash dividends declarations.

Equity adjustments from common control transactions amounting to P20.8 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 international accounting 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 P3.0 million as of December 31, 2022 and 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 bank loan facilities as and when required.

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

	For the periods ended December 31	
(In thousands)	**2022**	2021
Net cash from operating activities	**P1,695,967**	P1,366,499
Net cash used in investing activities	**(4,352,966)**	(13,481)
Net cash used in financing activities	**(275,519)**	3,813,808
Effect of exchange rate changes	**16,030**	-
Net increase (decrease) in cash and cash equivalents	**(P2,916,488)**	P5,166,826

Net cash used in operating activities during the current period is basically attributable to net effect of increase in sales, collection of trade receivables, settlement of trade payable accounts, purchase of additional inventory requirements and other related current operating requirements.

Net cash used in investing activities mainly pertains to the funds used for the equity investment recently acquired and for additional assets acquisitions.

Net cash used in financing activities in the current period is primarily due to payment of dividends and lease liabilities.

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.

ANNEX "B"

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

2 4 0 1 5

COMPANY NAME

T H E K E E P E R S H O L D I N G S , I N C .
A N D S U B S I D I A R I E S

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

N o . 9 0 0 R o m u a l d e z S t r e e t
P a c o , M a n i l a

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A F S	SEC	

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
thekeepersholdings@gmail.com	(02) 522-8801 to 04	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
478	Any Day of May	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Atty. Candy H. Dacanay - Datuon	candy.dacanay@gmail.com	522-8801 to 04	0917-861-2459

CONTACT PERSON's ADDRESS

No. 900 Romualdez Street, Paco, Manila

Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

THE KEEPERS HOLDINGS, INC.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022, 2021 and 2020

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, 2022 and 2021, 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

APR 17 2023
Signed this __ th day of April 2023.

SUBSCRIBED AND SWORN to before me this APR 17 2023 in the City of Manila, Philippines, affiants exhibited to me competent proof of their respective identities.

Lucio Co	TIN ID No. 108-975-721
Jose Paulino L. Santamarina	TIN ID No. 255-968-021
Ma. Editha D. Alcantara	TIN ID No. 171-668-333

CHERRIE LYNNE MAY R. PUREZA
Notary Public for the City of Manila
Commission No. 2023-030 until Dec. 31, 2024
Roll No. 68328
IBP Lifetime Member No. 09093
PTR No. 0862253 / 01.03.2023 / Mla
MCLE Compliance No. VII-0008368 / 02-11-22
No. 900 Romualdez St., Paco, Manila

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Book No. 31
Series of 2023

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Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS

The Stockholders and Board of Directors
The Keepers Holdings, Inc. and Subsidiaries
No. 900 Romualdez Street
Paco, Manila

Opinion

We have audited the consolidated financial statements of The Keepers Holdings, Inc. and its Subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, 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, 2022, 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, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2022, 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.

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 (P13.96 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 implementation 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.

Accounting for an Equity Investment (P5.16 billion)
Refer to Note 11 to the consolidated financial statements.

The risk
The Keepers Holdings, Inc. acquired 50% equity interest in Bodegas Williams & Humbert SA, a Spanish company with over 140 years of history producing alcoholic beverages, for a total consideration amounting to EUR88.75 million (P5.06 billion). It is the producer of "Alfonso," the number one imported brandy in the Philippines, and which accounts for 60% of the Group's revenue. The rationale and benefits for the transaction includes, securing of the Group's supply line of its biggest brand and category, "Alfonso".

The transaction presented involves significant management judgments and accounting and reporting considerations under PAS 28, *Investment in Associates and Joint Ventures* and PFRS 11, *Joint Arrangements,* among others.

Our response
We performed the following audit procedures, among others, on the investment:

- We obtained an understanding of the transaction and evaluated management's judgment on whether this acquisition qualifies as a business , whether there are factors indicating joint control and if the joint arrangement is a joint operation or a joint venture, and how this should be accounted for, by reference to agreements, documents and applicable standards and pronouncements related to the transaction.

- We inspected, vouched and evaluated supporting documents and necessary executed documents related to the investment transaction such as Share Purchase and Shareholder's Agreements, Share Transfer Certificates, and Minutes of Meetings, among others.

- We reviewed the provisional purchase price allocation prepared by management to verify that the difference between the cost of the investment and the Group's share of the fair value of the investee's identifiable assets and liabilities is accurately accounted for.

- We reviewed the management's computation of the share in the investee's profit or loss.

- We reviewed the adequacy of the Group's disclosure in respect to the investment.

- We requested submissions of Group Reporting documents from the external auditors of the investee and reviewed the working papers of the said external auditors.

- We assessed if there are any impairment indicators on the investment.

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, 2022, 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, 2022 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.

Gregorio I. Sambrano, Jr.

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 9563846
Issued January 3, 2023 at Makati City

April 17, 2023
Makati City, Metro Manila

THE KEEPERS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(In Thousands)

		December 31	
	Note	**2022**	2021
ASSETS			
Current Assets			
Cash and cash equivalents	*6, 25*	**P4,784,441**	P7,700,929
Trade and other receivables - net	*7, 25*	**2,227,178**	2,042,263
Inventories	*8*	**6,100,767**	3,519,298
Prepaid expenses and other current assets	*9*	**1,071,480**	555,423
Total Current Assets		**14,183,866**	13,817,913
Noncurrent Assets			
Right-of-use assets - net	*20*	**118,625**	176,112
Property and equipment - net	*10*	**28,788**	26,740
Deferred income tax assets - net	*22*	**6,122**	4,107
Investments in associate and joint venture	*11*	**5,246,928**	78,388
Other noncurrent assets	*12, 20, 25*	**49,505**	46,074
Total Noncurrent Assets		**5,449,968**	331,421
		P19,633,834	P14,149,334
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	*13, 25*	**P4,020,687**	P1,286,839
Due to related parties	*15, 25*	**846,700**	106,700
Loans payable	*14, 25*	**130,000**	-
Dividends payable	*16, 25*	**783,473**	348,210
Income tax payable		**208,240**	148,598
Lease liabilities - current	*20, 25*	**63,654**	58,118
Provisions	*23*	**-**	11,975
Total Current Liabilities		**6,052,754**	1,960,440
Noncurrent Liabilities			
Lease liabilities - net of current portion	*20, 25*	**67,519**	128,740
Retirement benefits liability	*21*	**20,452**	17,972
Total Noncurrent Liabilities		**87,971**	146,712
Total Liabilities		**6,140,725**	2,107,152
Equity			
Capital stock	*16*	**1,450,875**	1,450,875
Additional paid-in capital	*16*	**25,447,900**	25,447,900
Retained earnings:			
Unappropriated		**6,490,352**	5,038,812
Appropriated	*16*	**950,000**	950,000
Equity adjustments from common control transactions	*5*	**(20,848,500)**	(20,848,500)
Accumulated remeasurements on retirement benefits	*21*	**3,071**	3,552
Cumulative translation adjustment		**1,683**	-
Other reserves		**(2,272)**	(457)
Total Equity		**13,493,109**	12,042,182
		P19,633,834	P14,149,334

See Notes to Consolidated Financial Statements.

THE KEEPERS HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands, Except Per Share Data)

		Years Ended December 31		
	Note	**2022**	2021	2020
NET SALES	*15*	**P13,957,192**	P11,034,613	P8,167,404
COST OF GOODS SOLD	*17*	**10,483,585**	8,095,233	5,931,960
GROSS PROFIT		**3,473,607**	2,939,380	2,235,444
OPERATING EXPENSES	*18*	**901,240**	947,204	609,489
INCOME FROM OPERATIONS		**2,572,367**	1,992,176	1,625,955
SHARE IN NET INCOME (LOSSES) OF AN ASSOCIATE AND A JOINT VENTURE	*11*	**106,160**	(14,516)	(24,833)
OTHER INCOME (CHARGES) - Net	*19*	**106,246**	17,106	(30,716)
INCOME BEFORE INCOME TAX		**2,784,773**	1,994,766	1,570,406
PROVISION FOR INCOME TAX	*22*	**549,760**	410,383	391,650
NET INCOME		**2,235,013**	1,584,383	1,178,756
OTHER COMPREHENSIVE LOSS				
Items that will never be reclassified to profit or loss in subsequent periods				
Share in other comprehensive loss of an associate	*11*	**(1,815)**	(457)	-
Remeasurement losses on retirement benefits	*21*	**(439)**	(904)	(841)
Deferred income tax		**(42)**	(235)	152
		(2,296)	(1,596)	(689)
Item that may be reclassified to profit or loss in subsequent periods				
Foreign currency translation adjustment	*11*	**1,683**	-	-
TOTAL COMPREHENSIVE INCOME		**P2,234,400**	P1,582,787	P1,178,067
BASIC AND DILUTED EARNINGS PER SHARE	*24*	**P0.15**	P0.13	P0.10

See Notes to Consolidated Financial Statements.

THE KEEPERS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands)

		Years Ended December 31		
	Note	**2022**	2021	2020
CAPITAL STOCK				
Balance at beginning of year, as previously reported	*16*	**P1,450,875**	P25,875	P25,875
Share swap transaction	*5, 16*	**-**	1,125,000	1,125,000
Balance at beginning of year, as restated		**1,450,875**	1,150,875	1,150,875
Issuance of common shares	*16*	**-**	300,000	-
Balance at end of year	*16*	**1,450,875**	1,450,875	1,150,875
ADDITIONAL PAID-IN CAPITAL				
Balance at beginning of year, as previously reported		**25,447,900**	46,033	46,033
Share swap transaction	*5, 16*	**-**	21,375,000	21,375,000
Balance at beginning of year, as restated		**25,447,900**	21,421,033	21,421,033
Issuance of common shares	*16*	**-**	4,200,000	-
Share issuance costs	*16*	**-**	(173,133)	-
Balance at end of year	*16*	**25,447,900**	25,447,900	21,421,033
RETAINED EARNINGS				
Unappropriated:				
Balance at beginning of year, as previously reported		**5,038,812**	(57,863)	(56,774)
Share swap transaction		**-**	3,860,502	2,880,657
Balance at beginning of year, as restated		**5,038,812**	3,802,639	2,823,883
Net income for the year, as restated		**2,235,013**	1,584,383	1,178,756
Dividend declaration	*16*	**(783,473)**	(348,210)	(200,000)
		6,490,352	5,038,812	3,802,639
Appropriated:				
Balance at beginning of year, as previously reported		**950,000**	-	-
Share swap transaction		**-**	950,000	950,000
	16	**950,000**	950,000	950,000
Balance at end of year		**7,440,352**	5,988,812	4,752,639

Forward

			Years Ended December 31	
	Note	**2022**	2021	2020
EQUITY ADJUSTMENTS FROM COMMON CONTROL TRANSACTIONS				
Balance at beginning of year, as previously reported		**(P20,848,500)**	P -	P -
Share swap transaction	*5*	**-**	(20,848,500)	(20,848,500)
Balance at end of year, as restated		**(20,848,500)**	(20,848,500)	(20,848,500)
ACCUMULATED REMEASUREMENTS ON RETIREMENT BENEFITS	*21*			
Balance at beginning of year, as previously reported		**3,552**	-	-
Share swap transaction		**-**	4,691	5,380
Balance at beginning of year, as restated		**3,552**	4,691	5,380
Remeasurement loss on retirement benefits during the year		**(481)**	(1,139)	(689)
Balance at end of year		**3,071**	3,552	4,691
CUMULATIVE TRANSLATION ADJUSTMENT				
Foreign currency translation adjustment during the period	*11*	**1,683**	-	-
OTHER RESERVES				
Balance at beginning of year		**(457)**	-	-
Share in other comprehensive loss of an associate	*11*	**(1,815)**	(457)	-
Balance at end of year		**(2,272)**	(457)	-
		P13,493,109	P12,042,182	P6,480,738

See Notes to Consolidated Financial Statements.

THE KEEPERS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)

		Years Ended December 31		
	Note	**2022**	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**P2,784,773**	P1,994,766	P1,570,406
Adjustments for:				
Interest income	*6, 19*	**(112,794)**	(24,272)	(21,926)
Share in net losses (income) of an associate and a joint venture	*11*	**(106,160)**	14,516	24,833
Depreciation and amortization	*10, 18, 20*	**75,382**	73,557	63,852
Reversal of provision on probable losses	*23*	**(11,975)**	-	-
Unrealized foreign exchange losses - net		**9,675**	5,967	16,613
Interest expense	*14, 19, 20*	**9,173**	9,101	31,392
Retirement benefit costs	*21*	**2,573**	2,214	2,185
Gain on disposal of property and equipment		**(62)**	-	-
Operating income before working capital changes		**2,650,585**	2,075,849	1,687,355
Decrease (increase) in:				
Trade and other receivables		**(184,902)**	(467,638)	747,568
Inventories		**(2,581,469)**	140,038	1,085,347
Prepaid expenses and other current assets		**(516,057)**	83,587	402,114
Increase (decrease) in trade and other payables		**2,707,723**	(42,329)	12,187
Cash generated from operations		**2,075,880**	1,789,507	3,934,571
Income taxes paid		**(492,175)**	(446,290)	(363,946)
Interest received	*6, 19*	**112,794**	24,272	21,926
Retirement benefits paid	*21*	**(532)**	(990)	-
Net cash from operating activities		**1,695,967**	1,366,499	3,592,551
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of investment in joint venture	*11*	**(4,332,512)**	-	-
Additions to property and equipment	*10*	**(18,031)**	(9,710)	(25,705)
Additions to other noncurrent assets		**(3,431)**	(5,577)	(8,386)
Proceeds from disposals of property and equipment		**1,008**	1,806	-
Net cash used in investing activities		**(4,352,966)**	(13,481)	(34,091)

Forward

	Note	2022	2021	2020
		Years Ended December 31		
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of stocks	*16*	**P -**	P4,500,000	P -
Payments of:				
Dividends	*16*	**(348,210)**	(300,000)	(50,000)
Lease liabilities - principal portion	*20*	**(58,543)**	(65,541)	(47,853)
Interest	*20, 27*	**(8,766)**	(11,665)	(23,013)
Share issuance costs	*16*	**-**	(173,133)	-
Due to related parties		**-**	(93,853)	-
Loans payable	*14*	**-**	(42,000)	(784,000)
Advances from a stockholder		**-**	-	(659,652)
Proceeds from availment of loans payable	*14*	**130,000**	-	97,000
Advances received from related parties	*15*	**10,000**	-	1,091
Net cash from (used in) financing activities	*27*	**(275,519)**	3,813,808	(1,466,427)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**16,030**	-	(3)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(2,916,488)**	5,166,826	2,092,030
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**7,700,929**	2,534,103	442,073
CASH AND CASH EQUIVALENTS AT END OF YEAR	*6*	**P4,784,441**	P7,700,929	P2,534,103

See Notes to Consolidated Financial Statements.

THE KEEPERS HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

1. Reporting Entity

The Keepers 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 June 30, 2021, the SEC approved the amendments to certain sections of the Parent Company's Articles of Incorporation which include the extension of its corporate life into perpetual existence.

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.

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 Parent 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 Parent 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 Parent 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.

<u>Additional Listing of the Shares and Follow-on Public Offering</u>

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 Parent 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 Parent 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 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 Parent Company filed an amended Registration Statement which was rendered effective by SEC on October 7, 2021. The Permit to Sell ("PTS") of the Parent 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, 2022 and 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
Fertuna Distributions, Inc.	1204 Federal Tower, Dasmariñas Street, San Nicolas, 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 Financial and Sustainability 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 interests in a joint venture and 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	
	2022	2021
Liquor Distribution		
Montosco, Inc.	**100%**	100%
Meritus Prime Distributions, Inc.	**100%**	100%
Premier Wine and Spirits, Inc.	**100%**	100%
Fertuna Distributions, Inc.	**100%**	-

The comparative financial information for the years ended December 31, 2021 and 2020 pertain to the combined financial information of the Parent Company and its subsidiaries. The Parent Company was only required to present consolidated financial statements as at and for the 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, 2022 and 2021 were approved and authorized for issuance by the Group's BOD on April 17, 2023.

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements, except for the changes in accounting policies as explained below.

Adoption of New or Revised Standards, Amendments to Standards and Interpretations

The Group has adopted the following new standards, amendments to standards and interpretations starting January 1, 2022 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption did not have any significant impact on Group's consolidated financial statements. These are as follows:

- PFRS 16, *Leases - COVID-19-Related Rent Concessions beyond 30 June 2021 (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 amendments 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.

- 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. 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 (Amendment)* clarifies 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 to contracts existing at the date when the amendments are first applied. 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. The comparatives are not restated. Earlier application is permitted.

- *Annual Improvements to PFRS Standards 2018-2020.* 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.

- PFRS 3, *Business Combinations - Reference to the Conceptual Framework.* 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.

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 gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses on intragroup transactions are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment. Unrealized gross profits from upstream purchases of inventories from the investee are recognized as a deduction from the underlying asset.

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, 2022 and 2021.

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, 2022 and 2021.

<u>Impairment of Financial Assets</u>
The Group measures loss allowances at an amount equal to lifetime expected credit losses (ECLs), except for debt securities that are determined to have low credit risk at the reporting date and other debt securities and bank balances for which credit risk has not increased significantly since initial recognition, which are measured at 12-month ECLs.

Loss allowances for trade and other receivables is always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due. The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held) or the financial asset is more than 90 days past due on any material credit obligation to the Group.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. The 12-month ECLs are a portion of lifetime ECLs that represents the ECLs resulting from default events on the financial instrument that are possible within 12 months after the reporting date or a shorter period if the expected life of the instrument is less than 12 months.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the significant financial difficulty of the borrower or issuer, a breach of contract such as default, the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise, when it is probable that the borrower will enter bankruptcy or other financial reorganization, or the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Financial assets are written off when there is no reasonable expectation of recovery. The Group categorizes financial assets recorded at amortized cost for write off when a debtor fails to make payments or when it is probable that the receivable will not be collected. Where amortized cost financial assets have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized in profit or loss.

<u>Derecognition of Financial Assets and Financial Liabilities</u>
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 are 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, 2022 and 2021, no financial asset or financial liability was carried at fair value. The Group has no other assets or liabilities with recurring and non-recurring fair value measurements.

'Day 1' Profit
Where the transaction price in a non-active market is different from the fair value of other observable current market transactions of the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a 'Day 1' profit) in profit or loss. In cases where no observable data are used, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' profit amount.

<u>Inventories</u>
Inventories, which consist of spirits, wines, specialty beverages, are valued at the lower of cost and net realizable value (NRV). Cost is comprised of purchase price, expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their present location and condition. Cost is determined using the first-in, first-out method.

NRV represents the estimated selling price less costs to be incurred in marketing, selling and distribution. In determining the NRV, the Group considers any adjustment necessary to write-down inventories to NRV for slow-moving and near expiry products based on physical inspection and management evaluation.

<u>Prepaid Expenses and Other Current Assets</u>
Prepaid Expenses
Prepaid expenses represent expenses not yet incurred but already paid in cash. Prepaid expenses are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as these are consumed in operations or expire with the passage of time.

Prepaid expenses are classified in the 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.

Investments in an Associate and Joint Arrangements
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. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement. Joint operations arise where the Group has both rights to the assets and obligations for the liabilities relating to the arrangement and, therefore, the Group accounts for its share of assets, liabilities, revenue and expenses. Joint ventures arise where the Group has rights to the net assets of the arrangement.

Investment in associate and joint venture are accounted for using the equity method. The investment in associate and joint venture are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of the associate and joint venture, until the date on which significant influence or joint control ceases.

Unrealized gains arising from transactions with associate and joint venture 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. Unrealized gross profits from upstream purchases of inventories from the associate and joint venture are recognized as a deduction from the underlying asset. Distributions and dividends from the investee reduce the carrying amount of the investment.

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 and joint venture 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 associate and joint venture 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 income(charges) - net" in profit or loss.

<u>Income Taxes</u>
Provision for income tax is composed of current income tax and deferred income tax. Provision for income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income, in which case, it is recognized directly in equity or in other comprehensive income.

Current Income Tax
Current income tax assets and current income tax liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used as basis to compute the amount are those that have been enacted or substantively enacted at the reporting date.

Uncertainties related to taxes that are not income taxes are recognized and measured in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* unless they are dealt with specifically in another standard.

Deferred Income Tax
Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences and carryforward benefits of unused net operating loss carryover (NOLCO) to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences and the carryforward benefits of unused NOLCO can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred income tax assets to be recovered.

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Related Party Transactions and Relationships
Related party relationships exist when the party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely to the legal form. Related parties may be individual or corporate entities.

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

The Group determines and presents operating segments based on the information that is internally provided to the Chairman and President, collectively as the Group's chief operating decision maker. The Group 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.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Philippine peso at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Philippine peso at the exchange rates at the date of transactions.

Foreign currency differences are recognized in OCI and accumulated in the cumulative translation adjustments.

When a foreign operation is disposed of in its entirety or partially such that significant influence or joint control is lost, the cumulative amount in the cumulative translation adjustments related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative translation adjustments is reclassified to profit or loss.

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, 2022. However, the Group has not early adopted the following new or 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.

Effective January 1, 2023

- PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates (Amendments)* clarifies 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.

- PAS 1, *Presentation of Financial Statements and PFRS Practice Statement 2 Making Materiality Judgements - Disclosure of Accounting Policies (Amendments).* 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.

- PAS 12, *Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)* clarifies that that the initial recognition exemption does not apply to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning obligations. The amendments apply for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities will be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other appropriate component of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

Effective January 1, 2024

- PFRS 16, *Leases - Lease Liability in a Sale and Leaseback (Amendments) confirm the following:*

    - On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction.

    - After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains.

    A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement. For example, the seller-lessee could determine the lease payments to be deducted from the lease liability as expected lease payments or as equal periodic payments over the lease term, with the difference between those payments and amounts actually paid recognized in profit or loss.

    The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted. Under PAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, a seller-lessee will need to apply the amendments retrospectively to sale-and-leaseback transactions entered into or after the date of initial application of PFRS 16.

- 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, 2024, with earlier application permitted. Entities that have early applied the 2020 amendments may retain application until the 2022 amendments are applied. Entities that will early apply the 2020 amendments after issue of the 2022 amendments must apply both amendments at the same time.

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.

Classification of Joint Arrangements
The Group classifies a joint arrangement as a joint operation or a joint venture depending on the rights and obligations of the parties in the arrangement. A joint operation is a joint arrangement, whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement (joint operators). A joint venture is a joint arrangement, whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement (joint venturers).

The Group classifies its joint arrangement as joint venture and assessed that it has the rights to the net assets of the arrangement.

<u>Accounting Estimates and Assumptions</u>
The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below:

Allowance for ECLs on Trade and Other Receivables and Refundable Deposits
The Group uses the ECL model in estimating the level of allowance which includes forecasts of future events and conditions. A credit loss is measured as the present value of all cash shortfalls (the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). The model represents a probability-weighted estimate of the difference over the remaining life of the trade and other receivables. The maturity of the Group's trade and other receivables is less than one year so the lifetime ECLs and the 12-month ECLs are similar. In addition, management assessed that the credit risk for its trade and other receivables as at the reporting date is low, therefore the Group did not have to assess whether a significant increase in credit risk has occurred.

ECLs of refundable deposits has been measured on a 12-month expected credit loss basis. In determining the ECL of refundable deposits, the Group considers the counterparties' financial condition and their capacity to return the amounts due. The Group assessed that the credit risk for the outstanding refundable deposits is low as majority of these are transacted with a counterparty that has a good credit standing.

An increase in the allowance for ECLs would increase the recorded operating expenses and decrease current assets.

The combined carrying amounts of trade and other receivables and refundable deposits amounted to P2,243,697 and P2,058,828 as at December 31, 2022 and 2021, respectively (see Notes 7, 12 and 25). The allowance for ECLs amounted to P2,621 as at December 31, 2022 and 2021.

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, 2022 and 2021 amounted to P6,100,767 and P3,519,298, respectively (see Note**Error! Reference source not found.** 8). No allowance to reduce inventory to NRV was recognized for the years ended December 31, 2022, 2021 and 2020.

Estimation of Useful Lives of Property and Equipment
The Group estimates the useful lives of property and equipment based on the period over which these assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future financial performance could be materially affected by changes in these estimates brought about by changes in the factors mentioned. Any reduction in the estimated useful lives of the property and equipment would increase depreciation and amortization expense and decrease noncurrent assets.

The estimated useful lives of property and equipment is discussed in Note 3 to consolidated financial statements. There is no change in the estimated useful lives of property and equipment for the years ended December 31, 2022 and 2021.

The carrying amounts of property and equipment as at December 31, 2022 and 2021 amounted to P28,788 and P26,740, 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 associate and joint venture 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, 2022, 2021 and 2020, no impairment loss was recognized on the Group's right-of-use assets, property and equipment and investments in an associate and a joint venture.

The combined carrying values of right-of-use assets, property and equipment and investment in an associate and a joint venture amounted to P5,394,341 and P281,240 as at December 31, 2022 and 2021, 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 P20,452 and P17,972 as at December 31, 2022 and 2021, 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 P6,122 and P4,107 as at December 31, 2022 and 2021, respectively (see Note 22).

For the years ended December 31, 2022 and 2021, 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, 2022 and 2021, the Group has not recognized deferred income tax assets arising from temporary differences amounting to a total of P26,753 and P17,037, 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 nil and P11,975 as at December 31, 2022 and 2021, respectively. No provision for probable losses was recognized by the Group for the three years ended December 31, 2022 (see Note 23).

5. Business Combinations under Common Control

As discussed in Note 1, the acquisition of MI, MPDI and PWSI is considered to be a business combination of entities under common control as they are all controlled by Mr. Lucio Co before and after the acquisition.

The Group recognized assets acquired and liabilities assumed at their carrying amounts in the individual 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.

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
Less 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 year ended December 31, 2020.

6. Cash and Cash Equivalents

This account consists of:

	Note	**2022**	2021
Cash on hand		**P2,042**	P1,747
Cash in banks	*25*	**1,833,732**	1,274,488
Cash equivalents	*25*	**2,948,667**	6,424,694
		P4,784,441	P7,700,929

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 P731, P1,096 and P1,563 for the years ended December 31, 2022, 2021, and 2020, respectively (see Note 19).

Cash equivalents pertain to short-term placements. Interest income earned from cash equivalents which are recognized in profit or loss amounted to P112,063, P23,176 and P20,363 for the years ended December 31, 2022, 2021, and 2020, respectively (see Note 19).

7. Trade and Other Receivables

This account consists of:

	Note	**2022**	2021
Trade:			
Third parties		**P1,264,011**	P1,150,478
Related parties	*15*	**928,114**	875,685
Allowance for ECLs		**(2,621)**	(2,621)
		2,189,504	2,023,542
Nontrade:			
Third parties		**33,051**	15,629
Related parties	*15*	**2,985**	1,857
Others		**1,638**	1,235
	25	**P2,227,178**	P2,042,263

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.

There are no movements for ECLs on third party trade receivables in 2022 and 2021.

8. Inventories

This account consists of:

	Note	**2022**	2021
At landed cost (on hand):			
Spirits		**P3,893,864**	P3,343,387
Wines		**289,310**	98,806
Specialty beverages		**113,184**	77,105
At invoice cost (in-transit):			
Spirits		**1,778,219**	-
Others		**26,190**	-
	17	**P6,100,767**	P3,519,298

Spirits inventories is net of unrealized gross profit arising from unsold inventories purchased from a joint venture.

Cost of inventories charged to “Cost of goods sold” amounted to P10,483,585 (including unrealized gross profits of P176,044 from the purchases of inventories from a joint venture), P8,095,233 and P5,931,960 for the years ended December 31, 2022, 2021, and 2020, respectively (see Note 17).

9. Prepaid Expenses and Other Current Assets

This account consists of:

	2022	2021
Prepaid duties and taxes	**P616,731**	P431,852
Advances to suppliers	**442,021**	118,333
Input VAT	**3,387**	-
Prepaid import charges	**102**	589
Other prepaid expenses	**9,239**	4,649
	P1,071,480	P555,423

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 payments made by the Group to suppliers which will be applied against future billings.

10. Property and Equipment

The movements and balances in this account are as follows:

	Transportation and Delivery Equipment	Leasehold Improvements	Office Equipment	Furniture and Fixtures	Computer Software License	Machinery and Equipment	Total
Cost							
January 1, 2020*	P42,775	P18,941	P12,563	P6,795	P1,021	P2,904	P84,999
Additions*	2,999	20,132	1,190	101	1,200	83	25,705
Disposal*	(630)	-	-	-	-	-	(630)
December 31, 2020*	45,144	39,073	13,753	6,896	2,221	2,987	110,074
Additions	3,650	5,020	707	-	333	-	9,710
Disposals and retirement	(10,093)	(13,421)	(5,733)	(2,927)	-	(1,746)	(33,920)
December 31, 2021	38,701	30,672	8,727	3,969	2,554	1,241	85,864
Additions	14,250	88	1,541	27	2,067	58	18,031
Disposals	(1,022)	-	-	-	-	-	(1,022)
December 31, 2022	**51,929**	**30,760**	**10,268**	**3,996**	**4,621**	**1,299**	**102,873**
Accumulated Depreciation and Amortization							
January 1, 2020*	32,790	14,314	11,562	6,780	236	2,439	68,121
Depreciation and amortization*	3,672	4,862	841	31	586	378	10,370
Disposal*	(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 and retirement	(10,093)	(11,616)	(5,733)	(2,926)	-	(1,746)	(32,114)
December 31, 2021	30,115	14,451	7,748	3,928	1,702	1,180	59,124
Depreciation and amortization	5,225	7,386	1,102	42	1,221	61	15,037
Disposals	(76)	-	-	-	-	-	(76)
December 31, 2022	**35,264**	**21,837**	**8,850**	**3,970**	**2,923**	**1,241**	**74,085**
Net Book Value							
December 31, 2021	P8,586	P16,221	P979	P41	P852	P61	P26,740
December 31, 2022	**P16,665**	**P8,923**	**P1,418**	**P26**	**P1,698**	**P58**	**P28,788**

**As restated (see Note 5)*

Depreciation and amortization expense charged as part of “Operating Expenses” in profit or loss amounted to P15,037, P13,377 and P10,370 for the years ended December 31, 2022, 2021, 2020, respectively (see Note 18).

The cost of fully depreciated property and equipment still in use amounted to P45,530 and P38,043 as at December 31, 2022 and 2021, respectively.

11. Investments in a Joint Venture and an Associate

The details of this account are as follows:

	2022	2021
Joint venture	**P5,157,889**	P -
Associate	**89,039**	78,388
	P5,246,928	P78,388

Investment in Joint Venture
In September 14, 2022, the Parent entered into a Share Purchase Agreement to acquire 50% interest or 646,775 shares of Bodegas Williams & Humbert SA (“Bodegas”) with a par value of €32 at €137.22 per share for €88,750 (equivalent to P5,062,512).

On such date, the Parent entered into a Shareholders' Agreement with Medina Portfolio, S.L.U., the owner of the remaining 50% shares of Bodegas, to regulate the joint ownership of Bodegas and joint participation of its governing bodies.

Bodegas was incorporated on October 11, 1974 under the name Luis Páez, S.A. It adopted its present name at an ordinary and extraordinary General Meeting of Shareholders held on June 22, 2004. Its principal place of business is at Carretera Nacional IV, km. 641.75, Jerez de la Frontera, Cádiz, Spain. Bodegas is engaged in all types of agricultural cultivation and operations, the import, export, acquisition, transformation, storage, packaging, industrialization, representation, sale and exploitation of all types of foodstuff and agricultural product and the manufacture of packaging for such products. It is also engaged in the preparation, production, manipulation, representation and wholesale or retail marketing, in Spain or abroad, of all types of food products, in particular alcoholic or non-alcoholic drinks and the distribution of said products.

The Group has yet to obtain the information necessary to finalize the purchase price allocation. In view of this, the amounts disclosed below for fair value and goodwill are provisional and will be reassessed by the Group within the one-year period permissible by the standards.

For the period ended December 31, 2022, the Parent Company has paid P4,332,512 and has a remaining payable of P730,000 as at December 31, 2022 to VFC Land Resources, Inc., the other stockholder of Bodegas (see Note 15).

The investment is accounted for using the equity method.

The following table summarizes the financial information of Bodegas, adjusted for fair value adjustments at acquisition and shows the reconciliation of the Group's share in net assets of such investee to the carrying amount of its investment as at December 31, 2022:

	2022
Balance at beginning of year	**P -**
Acquisition of investment	**5,062,512**
Share in net income	**101,092**
Depreciation of excess fair value	**(7,398)**
Foreign currency translation adjustment	**1,683**
Balance at end of year	**P5,157,889**

	2022
Percentage Ownership Interest	**50%**
Current assets (including cash and cash equivalents of P34,613)	**P7,147,957**
Noncurrent assets	**2,120,734**
Current liabilities (including current financial liabilities, excluding trade and other payables and provisions of P437,868)	**3,799,421**
Noncurrent liabilities including non-current financial liabilities, excluding trade and other payables and provisions of P349,865)	**359,972**
Net Assets	**5,109,298**
TKHI's share of net assets	**2,554,649**
Goodwill	**1,984,514**
Fair value adjustment	**617,709**
Translation adjustment	**1,683**
Foreign exchange differences	**(666)**
Carrying Amount of Investment in Joint Venture	**P5,157,889**

The following table shows the Group's share in net income of investee for the three-month period ended December 31, 2022:

	2022
Revenue	**P3,524,450**
Depreciation	**(39,014)**
Interest income	**9**
Interest expense	**(1,053)**
Income tax expense	**(85,514)**
Net income	**202,183**
The Group's share in net income at 50%	**101,092**
Depreciation of excess fair value at 50%	**(7,398)**
	P93,694

Investment in 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, 2022 and 2021, 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 the Group's share in net assets of such investee to the carrying amounts of its investment as at December 31, 2022 and 2021:

	2022	2021
Balance at beginning of year	**P78,388**	P93,361
Share in net income (loss)	**12,466**	(14,516)
Share in other comprehensive loss	**(1,815)**	(457)
Balance at end of year	**P89,039**	P78,388

	2022	2021
Percentage Ownership Interest	**30%**	30%
Current assets	**P1,200,437**	P541,610
Noncurrent assets	**157,547**	166,860
Current liabilities	**1,096,923**	469,888
Noncurrent liabilities	**9,167**	22,191
Net Assets	**251,894**	216,391
PWSI's share of net assets	**75,568**	64,917
Goodwill	**13,471**	13,471
Carrying Amount of Investment in Associate	**P89,039**	P78,388

The following table shows the Group's share in net income (loss) of investee for the year ended December 31, 2022 and 2021:

	2022	2021
Revenue	**P1,465,477**	P632,899
Net income (loss) for the year	**41,554**	(48,386)
The Group's share in net income (loss) at 30%	**P12,466**	(P14,516)
Other comprehensive loss for the year	**(P6,051)**	(P1,522)
The Group's share in other comprehensive loss at 30%	**(P1,815)**	(P457)

12. Other Noncurrent Assets

This account consists of:

	Note	2022	2021
Excess tax credits		**P23,234**	P23,234
Refundable deposits	*20, 25*	**16,519**	16,565
Input VAT		**8,358**	-
Others		**1,394**	6,275
		P49,505	P46,074

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

13. Trade and Other Payables

This account consists of:

	Note	2022	2021
Trade payables:			
Related parties	*15*	**P3,275,472**	P -
Third parties		**187,033**	967,997
Non-trade payables:			
Third parties		**211,675**	169,508
Related parties	*15*	**25,222**	1,857
Advances from customers		**154,345**	-
Statutory obligations		**85,868**	89,172
Accrued expenses		**81,072**	58,305
	25	**P4,020,687**	P1,286,839

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.

Advances from customers are amounts paid by the customers but has not yet delivered by the Group at the end of year.

Accrued expenses consist of accruals for utilities, advertisement and other operating expense.

14. Loans Payable

The movements and balances in loans payable are as follows:

	Note	**2022**	2021
Balances at beginning of year		**P -**	P42,000
Availment of loan		**130,000**	-
Payments made		**-**	(42,000)
Balances at end of year	*25, 27*	**P130,000**	P -

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 unsecured, short-term loan agreements with Metropolitan Bank and Trust Company (MBTC) 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.

In 2022, MPDI entered into unsecured, short-term loans with maturities of less than one year from Asia United Bank amounting to P60,000 and Metropolitan Bank Trust & Co., amounting to P70,000, both loans with annual interest rate of 3.75%. Proceeds of the loans were used to finance working capital requirements.

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 P2,146, P70 and P16,196 for the years ended December 30, 2022, 2021 and 2020, respectively (see Note19). Interest payable arising from these loans amounting to P407 and nil as at December 31, 2022 and 2021, 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 Receivable	Outstanding Balance Payable	Outstanding Balance Due to Related Parties	Terms	Conditions
Ultimate Parent Company								
Dividends	*16*	**2022**	**P783,473**	**P -**	**P783,473**	**P -**	**Due and demandable**	**Unsecured**
	16	2021	348,210	-	348,210	-		
Management fee	*a*	**2022**	**-**	**-**	**-**	**106,700**	Due and demandable;	Unsecured
	a	2021	-	-	-	106,700	non-interest-bearing	
Entities under Common Control								
Sales of good	*7, b*	**2022**	**4,005,818**	**928,114**	**-**	**-**	30 days credit term;	Unsecured;
	7, b	2021	3,236,093	875,685	-	-	non-interest bearing	no impairment
Lease expense	*20, c*	**2022**	**67,372**	**-**	**131,173**	**-**	Payable on a monthly	Unsecured
	20, c	2021	69,211	-	186,858	-	basis	
Purchases of goods and services	*d*	**2022**	**105**	**-**	**-**	**-**	Due and demandable;	
		2021	120	-	-	-	non-interest bearing	
Investment	*11, e*	**2022**	**2,293,416**	**-**	**-**	**730,000**	**Due and demandable**	**Unsecured**
		2021	-	-	-	-		
Reimbursement of expenses	*f*	**2022**	**28,636**	**2,985**	**25,222**	**-**	Payable on demand;	Unsecured;
		2021	3,715	1,857	1,857	-	non-interest-bearing	no impairment
Joint Venture								
Purchases of goods and services	*13, d*	**2022**	**3,195,368**	**-**	**3,275,472**	**-**	30 days credit term;	
		2021	-	-	-	-	non-interest bearing	
Stockholders								
Investment	*e*	**2022**	**724,261**	**-**	**-**	**-**	**Due and demandable**	**Unsecured**
		2021	-	-	-	-		
Advances	*g*	**2022**	**10,000**	**-**	**-**	**10,000**	**Due and demandable**	**Unsecured**
		2021	-	-	-	-		
		2022		**P931,099**	**P4,215,340**	**P846,700**		
		2021		P877,542	P536,925	P106,700		

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. The Group purchased inventoriable items and goods from entities under common control amounting to P105 and P120 for the years ended December 31, 2022 and 2021, respectively. The Group also purchased inventoriable items from its investment in joint venture amounting to P3,195,368 and nil for the years ended December 31, 2022 and 2021, respectively.

e. During 2022, the Parent Company acquired the shares of Bodegas from VFC Land Resources, Inc. and various stockholders. As at December 31, 2022, the outstanding balance from the acquisition amounted to P730,000.

f. This represents cash advances to and from related parties as at December 31, 2022 and 2021 in the form of reimbursement of expenses and working capital advances.

g. Stockholder's advances represent amounts owed to related parties for working capital requirements of the Parent Company which amounted to P10,000 and nil for the years ended December 31, 2022 and 2021, respectively. As at December 31, 2022, the balance of such advances amounted to P10,000.

Amounts owed by and owed to related parties are to be settled in cash.

As at December 31, 2022, 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:

	2022	2021	2020
Short-term employee benefits	**P24,905**	P4,228	P4,228
Retirement benefit costs	**476**	146	161
	P25,381	P4,374	P4,389

16. Equity

Capital Stock

As at December 31, 2022 and 2021, the Parent Company's capital stock, at P0.10 par value per share consists of the following number of shares:

	Shares	Amount
Authorized P0.10 par value	**20,000,000,000**	**P2,000,000**
Issued and outstanding, as previously reported - P0.023 par value	**1,124,999,969**	**P25,875**
Share swap transaction - P0.10 par value	**11,250,000,000**	**1,125,000**
Effect of changes in par value	**(866,249,656)**	**-**
Issuance of shares (FOO)	**3,000,000,000**	**300,000**
Issued and outstanding, as restated - P0.10 par value	**14,508,750,313**	**P1,450,875**

Common shares carry one vote per share and a right to dividends.

Presented below is the tracking of the Parent Company's registration:

			Number of Shares
Date	Activity	Issue Price	Common Shares
September 3, 1991	Issuance of capital stocks as of listing date	P2.85	1,124,999,969
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, 2022			14,508,750,313

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

As at December 31, 2022 and 2021, the Parent Company has a total of 478 and 474 common stockholders owning listed shares, respectively. 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:

	Note	**2022**	2021
Balance at beginning of year, as previously reported		**P25,447,900**	P46,033
Share swap transaction	*5*	**-**	21,375,000
Balance at beginning of year, as restated		**25,447,900**	21,421,033
Issuance of shares (FOO)		**-**	4,200,000
Share issuance costs		**-**	(173,133)
Balances at end of year		**P25,447,900**	P25,447,900

Related transaction costs from the share swap transaction paid and incurred for the year ended 2021 amounting to P173,133 was 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 20, 2022, the Group's BOD approved the declaration of cash dividend equivalent to P0.054 per share or an aggregate amount of P783,473. These dividends were paid on January 20, 2023.

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 was paid in 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 and as of date, it is not completed.

On March 6, 2023, the BOD of MI approved the reversal of the appropriation of P950,000 to MI's unappropriated retained earnings to be declared subsequently as cash dividends.

17. Cost of Goods Sold

This account consists of:

	Note	2022	2021	2020
Inventories at beginning of year		**P3,519,298**	P3,659,336	P4,744,683
Net purchases		**13,065,054**	7,955,195	4,846,613
Total goods available for sale		**16,584,352**	11,614,531	9,591,296
Inventories at end of year:				
On-hand		**(4,296,358)**	(3,519,298)	(3,659,336)
In-transit		**(1,804,409)**	-	-
		(6,100,767)	(3,519,298)	(3,659,336)
	8	**P10,483,585**	P8,095,233	P5,931,960

18. Operating Expenses

This account consists of:

	Note	2022	2021	2020
Distribution costs		**P301,785**	P324,278	P213,853
Advertisement		**296,670**	295,977	139,310
Salaries and other employee benefits		**110,248**	97,664	86,251
Depreciation and amortization	*10, 20*	**75,382**	73,557	63,852
Outside services		**45,074**	34,903	34,400
Taxes and licenses		**22,107**	58,238	26,891
Transportation and travel		**15,044**	5,310	5,011
Insurance		**11,742**	10,062	12,001
Legal and professional fees		**5,864**	22,108	2,461
Utilities and communication		**5,513**	4,603	6,310
Representation and entertainment		**1,364**	842	934
Miscellaneous		**10,447**	19,662	18,215
		P901,240	P947,204	P609,489

19. Other Income (Charges)

This account consists of:

	Note	2022	2021	2020
Interest income	*6*	**P112,794**	P24,272	P21,926
Reversal of provision	*23*	**11,975**	-	-
Interest expense	*14, 20*	**(9,173)**	(9,101)	(31,392)
Foreign exchange losses - net		**(7,970)**	(12,756)	(23,271)
Bank charges		**(1,741)**	(358)	(272)
Investment income		**-**	13,725	-
Others		**361**	1,324	2,293
		P106,246	P17,106	(P30,716)

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 P16,505 as at December 31, 2022 and 2021, 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

	Note	2022	2021
Balance at beginning of year		**P176,112**	P185,853
Additions		**2,858**	50,439
Amortization charge for the year	*18*	**(60,345)**	(60,180)
Balance at end of year		**P118,625**	P176,112

ii. Lease Liabilities

	Note	2022	2021
Balance at beginning of year		**P186,858**	P201,960
Additions		**2,858**	50,439
Interest charge for the year	*19*	**7,027**	9,031
Payments made		**(65,570)**	(74,572)
Balance at end of year	*27*	**P131,173**	P186,858

As at December 31, 2022 and 2021, the Group's lease liabilities are classified in the consolidated statements of financial position as follows:

	2022	2021
Current	**P63,654**	P58,118
Noncurrent	**67,519**	128,740
	P131,173	P186,858

Maturity analyses of the undiscounted lease liabilities as at December 31, 2022 and 2021 are as follows:

	Undiscounted Lease Payments	Interest	Present Value of Lease Liabilities
Not later than one year	**P67,996**	**P4,342**	**P63,654**
Later than one year but not later than five years	**69,484**	**1,965**	**67,519**
Balances at December 31, 2022	**P137,480**	**P6,307**	**P131,173**

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

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

	Note	**2022**	2021	2020
Amortization expense	*18*	**P60,345**	P60,180	P53,482
Interest on lease liabilities	*19*	**7,027**	9,031	7,357
		P67,372	P69,211	P60,839

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

	2022	2021	2020
Total cash outflow for leases	**P65,570**	P74,572	P47,853

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, 2022.

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:

	2022	2021
Balance at beginning of year	**P17,972**	P15,330
Recognized in Profit or Loss		
Current service cost	**1,593**	1,608
Interest cost	**980**	606
	2,573	2,214
Recognized in Other Comprehensive Income (Loss)		
Actuarial loss (gain) arising from:		
Change in demographic assumptions	**1,070**	(764)
Change in financial assumptions	**(4,543)**	1,173
Experience adjustments	**3,912**	1,009
	439	1,418
Benefits paid	**(532)**	(990)
Balance at end of year	**P20,452**	P17,972

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, 2022 and 2021, accumulated remeasurements on retirement benefits amounted to P3,071 and P3,552, respectively, as presented in the consolidated statements of financial position.

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

	2022	2021
Discount rate	**7.22%**	5.08%
Future salary increases	**8.00% to 10.00%**	8.00% to 10.00%

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 BVAL 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 11.13 years and 10.47 years as at December 31, 2022 and 2021, respectively.

As at December 31, 2022 and 2021, 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:

	December 31, 2022		December 31, 2021	
	Defined Benefits Obligation		Defined Benefits Obligation	
	1 Percent Increase	**1 Percent Decrease**	1 Percent Increase	1 Percent Decrease
Discount rate	**(P1,644)**	**P1,255**	(P813)	P440
Salary increase rate	**1,991**	**(1,582)**	1,265	(1,027)

Although the analysis does not take into account the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

Funding Arrangements
Since the Group does not have a formal retirement plan, benefit claims under the retirement benefits liabilities are paid directly by the Group when they become due.

Asset-liability Matching (ALM)
The Group does not have a formal retirement plan and therefore has no plan assets to match against the liabilities under the defined benefits obligation.

Maturity analyses of retirement benefits liability based on a ten (10) year projection of the expected future benefit payments is as follows:

	Carrying Amount	**Contractual Cash Flows**	**Within 1 Year**	**Within 1 - 5 Years**	**More than 5 Years**
2022	**P20,452**	**P20,938**	**P -**	**P10,314**	**P10,624**
2021	P17,972	P14,348	P872	P7,760	P5,716

22. Income Taxes

The provision for income tax consists of:

	2022	2021	2020
Current	**P551,571**	P409,450	P391,699
Deferred	**(1,811)**	933	(49)
	P549,760	P410,383	P391,650

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, 2022, 2021 and 2020. The reconciliation of the provision for income tax computed at the statutory income tax rate and the provision for income tax shown in profit or loss for the periods ended December 31 are as follows:

	2022	2021	2020
Income before income tax	**P2,784,773**	P1,994,766	P1,570,406
Provision for income tax at the statutory income tax rate*	**P696,193**	P498,692	P471,122
Additions to (reductions from) income taxes resulting to the tax effects of:			
Availment of optional standard deduction	**(139,008)**	(69,170)	(92,655)
Interest income subjected to final tax	**(28,198)**	(9,499)	(6,578)
Share in net loss (income) of an associate and a joint venture	**(26,540)**	3,629	7,450
Change in unrecognized deferred income tax asset	**5,103**	13,834	6,364
Non-taxable income	**(2,995)**	-	-
Non-deductible expenses	**45,205**	4,514	5,947
Impact of CREATE Act	**-**	(31,617)	-
Provision for income tax	**P549,760**	P410,383	P391,650

**Statutory income tax rate for the years ended December 31, 2022 and 2021 is 25% while for the year ended December 31, 2020 is 30%*

The components of the Group's net deferred income tax assets as at December 31, 2022 and 2021 are as follows:

	2022	2021
Retirement benefits liability	**P3,429**	P3,145
PFRS 16, *Leases* adjustment	**2,768**	368
Allowance for expected credit losses on trade receivables	**655**	655
Unrealized foreign exchange gains - net	**(730)**	(61)
	P6,122	P4,107

TKHI

As at December 31, 2022 and 2021, TKHI has carryforward benefits of unused NOLCO amounting to P68,791 and P57,473, 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 2022 are as follows:

Years Incurred	Amount	Applied Previous Year	Applied Current Year	Expired	Ending Balance	Expiry Date
2019	P1,048	P -	P -	(P1,048)	P -	2022
2020	1,089	-	-	-	1,089	2025*
2021	55,336	-	-	-	55,336	2026*
2022	12,366	-	-	-	12,366	2025
	P69,839	**P -**	**P -**	**(P1,048)**	**P68,791**	

**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:

	2022	2021
PFRS16, *Leases* adjustment	**P7,419**	P7,174
Retirement benefits liability	**6,737**	5,370
Unrealized foreign exchange losses - net-	**12,597**	4,493
	P26,753	P17,037

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, 2022 and 2021 are as follows:

	Note	**2022**	2021
Balances at beginning of year		**P11,975**	P11,975
Reversal of provision during the year	*19*	**(11,975)**	-
Balances at end of year		**P -**	P11,975

No provision for probable losses was recognized by the Group for the years ended December 31, 2022 and 2021.

24. Earnings Per Share

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

(In thousands, except per share data)	**2022**	2021	2020
Net income (a)	**P2,235,013**	P1,584,383	P1,178,756
Weighted average number of common shares outstanding for the period* (b)	**14,508,750**	11,883,750	11,508,750
Basic EPS (a/b)	**P0.15**	P0.13	P0.10

**after share swap transaction and change in par value of common shares (Note 5)*

Weighted average number of common shares in 2022, 2021 and 2020 used for the purposes of basic earnings per share were computed as follows:

	2022		
	Number of Common Shares	**Proportion to Period**	**Weighted Average**
Outstanding shares at the beginning and end	**14,508,750,313**	**12/12**	**14,508,750,313**

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

	2020		
	Number of Ordinary Shares	Proportion to Period	Weighted Average
Outstanding shares at the beginning and end	11,508,750,313	12/12	11,508,750,313

The Group has no potential dilutive instruments as at December 31, 2022 and 2021, 2020 hence, diluted EPS is the same as the basic EPS.

25. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

The Group's BOD has overall responsibility for the establishment and oversight of the Group's risk management framework. The BOD has delegated to the management the responsibility of developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The BOD oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risks, and the Group's management of capital.

The Group's overall risk management program seeks to minimize potential adverse effects on the financial performance of the Group. There were no changes in the exposures to each of the above risks and to the Group's objectives, policies and processes for measuring and managing the risk from the previous period. The policies for managing specific risks are summarized below:

Credit Risk

Credit risk represents the risk of loss the Group would incur if credit customers and counterparties fail to perform their contractual obligations. The Group's credit risk arises from the Group's use of its financial assets. Credit risk management involves entering into financial transactions only with counterparties with acceptable credit rating.

The carrying amount of financial assets represents the maximum credit exposure to credit risk as at December 31 as follows:

	Note	**2022**	2021
Cash in banks	*6*	**P1,833,732**	P1,274,488
Cash equivalents	*6*	**2,948,667**	6,424,694
Trade and other receivables	*7*	**2,227,178**	2,042,263
Refundable deposits	*12*	**16,519**	16,565
		P7,026,096	P9,758,010

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, 2022 and 2021, 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, 2022 and 2021:

	December 31, 2022		
	Gross Carrying Amount	**Impairment Loss Allowance**	**Credit-impaired**
Current (not past due)	**P1,471,732**	**P -**	**No**
1 - 30 days past due	**648,740**	**-**	**No**
31 - 120 days past due	**101,575**	**-**	**No**
More than 120 days past due	**7,752**	**2,621**	**Yes**
Balance at December 31, 2022	**P2,229,799**	**P2,621**	

	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
Balance at December 31, 2021	P2,044,884	P2,621	

The Group applies the simplified approach in providing for expected credit losses prescribed by PFRS 9, which permits the use of the lifetime expected loss provision and applies a provision matrix.

The maturity of the Group's receivables is less than one year so the lifetime expected credit losses and the 12-month expected credit losses are similar.

Exposures within each credit risk grade are assessed based on delinquency and actual credit loss experience. The Group considered both historical loss rate and forward-looking assumption. The Group assessed that the impact of forward-looking assumption is immaterial.

The maturity of the Group's receivables is less than one year so the lifetime expected credit losses and the 12-month expected credit losses are similar.

The allowance for impairment in respect of trade and other receivables of the Group as a result of the expected credit loss assessment amounted to P2,621 as at December 31, 2022 and 2021.

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, 2022 and 2021:

	December 31, 2022			
	Carrying Amount	**Contractual Cash Flows**	**1 Year or Less**	**More than 1 Year**
Financial Liabilities				
Trade and other payables*	**P3,934,819**	**P3,934,412**	**P3,934,412**	**P -**
Due to related parties	**846,700**	**846,700**	**846,700**	**-**
Loans payable**	**130,000**	**131,075**	**131,075**	**-**
Dividends payable	**783,473**	**783,473**	**783,473**	**-**
Lease liabilities	**131,173**	**137,480**	**67,996**	**69,484**
Total	**P5,826,165**	**P5,833,140**	**P5,763,656**	**P69,484**

**Excluding statutory obligations amounting to P85,868 and accrued interest payable amounting to P407.*
***Including accrued interest payable amounting to P407 and remaining interest due until maturity amounting to P668.*

	December 31, 2021			
	Carrying Amount	Contractual Cash Flows	1 Year or Less	More than 1 Year
Financial Liabilities				
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
Total	P1,839,435	P1,852,706	P1,717,659	P135,047

**Excluding statutory obligations amounting to P89,172.*

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, 2022 and 2021:

	December 31, 2022					
	USD	**SGD**	**EUR**	**AUD**	**GBP**	**PHP Equivalent**
Foreign currency - denominated monetary assets:						
Cash	**1,244**	**-**	**14,491**	**-**	**-**	**932,844**
Trade and other receivables	**933**	**-**	**214**	**35**	**-**	**66,432**
	2,177	**-**	**14,705**	**35**	**-**	**999,276**
Foreign currency - denominated monetary liabilities:						
Trade payables	**(810)**	**(38)**	**(55,982)**	**(314)**	**-**	**(3,392,844)**
Net foreign currency - denominated monetary asset (liabilities)	**1,367**	**(38)**	**(41,277)**	**(279)**	**-**	**(2,393,568)**

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

In translating the foreign currency-denominated monetary assets and monetary liabilities into Philippine peso amounts, the significant exchange rates applied are as follows:

	2022	2021
USD	**56.12**	50.56
SGD	**41.58**	-
EUR	**59.55**	58.07
AUD	**37.80**	36.18
GBP	**-**	66.19

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

	December 31, 2022	
	Percentage Decrease in Foreign Exchange Rates	**Increase (Decrease) in Income before Income Tax**
USD	**11.00%**	**P6,331**
EUR	**2.56%**	**(47,132)**
AUD	**4.48%**	**(354)**
SGD	**16.34%**	**(255)**

	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

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:

	2022	2021
Debt	**P6,140,725**	P2,107,152
Equity	**13,493,109**	12,042,182
Debt to equity ratio	**0.46:1**	0.17:1

The Group is not subject to externally imposed capital requirements.

26. Fair Values of Financial Instruments

Cash in Banks, Cash Equivalents, Trade and Other Receivables, Trade and Other Payables, Due to Related Parties, Loans payable 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 and Lease Liabilities

The estimated fair values of loans payable and lease liabilities are based on the present value of expected future cash flows using the applicable market rates for similar types of instruments at reporting date.

As at December 31, 2022 and 2021, 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, 2022	
	Carrying Amount	**Fair Value**
Financial Assets at Amortized Cost		
Cash in banks	**P1,833,732**	**P1,833,732**
Cash equivalents	**2,948,667**	**2,948,667**
Trade and other receivables - net	**2,227,178**	**2,227,178**
Refundable deposits	**16,519**	**16,519**
	P7,026,096	**P7,026,096**
Other Financial Liabilities		
Trade and other payables	**P3,934,819**	**P3,934,819**
Due to related parties	**846,700**	**846,700**
Loans payable	**130,000**	**130,000**
Dividends payable	**783,473**	**783,473**
Lease liabilities	**131,173**	**131,173**
	P5,826,165	**P5,826,165**

	December 31, 2021	
	Carrying Amount	Fair Value
Financial Assets at Amortized Cost		
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
	P9,758,010	P9,757,994
Other Financial Liabilities		
Trade and other payables	P1,197,667	P1,197,667
Due to related parties	106,700	106,700
Dividends payable	348,210	348,210
Lease liabilities	186,858	186,858
	P1,839,435	P1,839,435

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, 2022					
	Loan Payable	Accrued Interests	Dividends Payable	Lease Liabilities	Due to Related Parties	Total
Balances at beginning of year	P -	P -	P348,210	P186,858	P106,700	P641,768
Changes from Financing Cash Flows						
Proceed from (payments of):						
Dividends payable	-	-	(348,210)	-	-	(348,210)
Loans payable	130,000	-	-	-	-	130,000
Lease liabilities - principal portion	-	-	-	(58,543)	-	(58,543)
Due to related parties	-	-	-	-	10,000	10,000
Interest	-	(1,739)	-	(7,027)	-	(8,766)
Total Changes from Financing Cash Flows	130,000	(1,739)	(348,210)	(65,570)	10,000	(275,519)
Liability-related Other Changes						
Additions in investment in a joint venture	-	-	-	-	730,000	730,000
Additions from new lease agreements entered during the year	-	-	-	2,858	-	2,858
Interest expense	-	2,146	-	7,027	-	9,173
Dividends declared	-		783,473	-	-	783,473
Total liability-related other changes	-	2,146	783,473	9,885	730,000	1,525,504
Balances at end of year	P130,000	P407	P783,473	P131,173	P846,700	P1,891,753

	December 31, 2021					
	Loan Payable	Accrued Interests	Dividends Payable	Lease Liabilities	Due to Related Parties	Total
Balances at beginning of year	P42,000	P2,564	P300,000	P201,960	P200,553	P747,077
Changes from Financing Cash Flows						
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)
Total Changes from Financing Cash Flows	(42,000)	(2,634)	(300,000)	(74,572)	(93,853)	(513,059)
Liability-related Other Changes						
Additions from new lease agreements entered during the year	-	-	-	50,439	-	50,439
Interest expense	-	70	-	9,031	-	9,101
Dividends declared	-	-	348,210	-	-	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

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INDEPENDENT AUDITORS' REPORT ON COMPONENTS OF FINANCAL SOUNDNESS INDICATORS

The Stockholders and Board of Directors
The Keepers 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. and Subsidiaries (the "Group") as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated April 17, 2023.

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.

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, 2022 and 2021 and for each of three years in the period ended December 31, 2022 and no material exceptions were noted (see Annex A).

R.G. MANABAT & CO.

Gregorio I. Sambrano, Jr.

GREGORIO I. SAMBRANO, JR.
Partner
CPA License No. 088825
SEC Accreditation No. 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 9563846
Issued January 3, 2023 at Makati City

April 17, 2023
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.
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. and Subsidiaries (the "Group") as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 included in this Form 17-A, and have issued our report thereon dated April 17, 2023.

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

KPMG

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 audits 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.

Gregorio I. Sambrano, Jr.

GREGORIO I. SAMBRANO, JR.
Partner
CPA License No. 088825
SEC Accreditation No. 88825-SEC, Group A, valid for five (5) years
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April 17, 2023
Makati City, Metro Manila

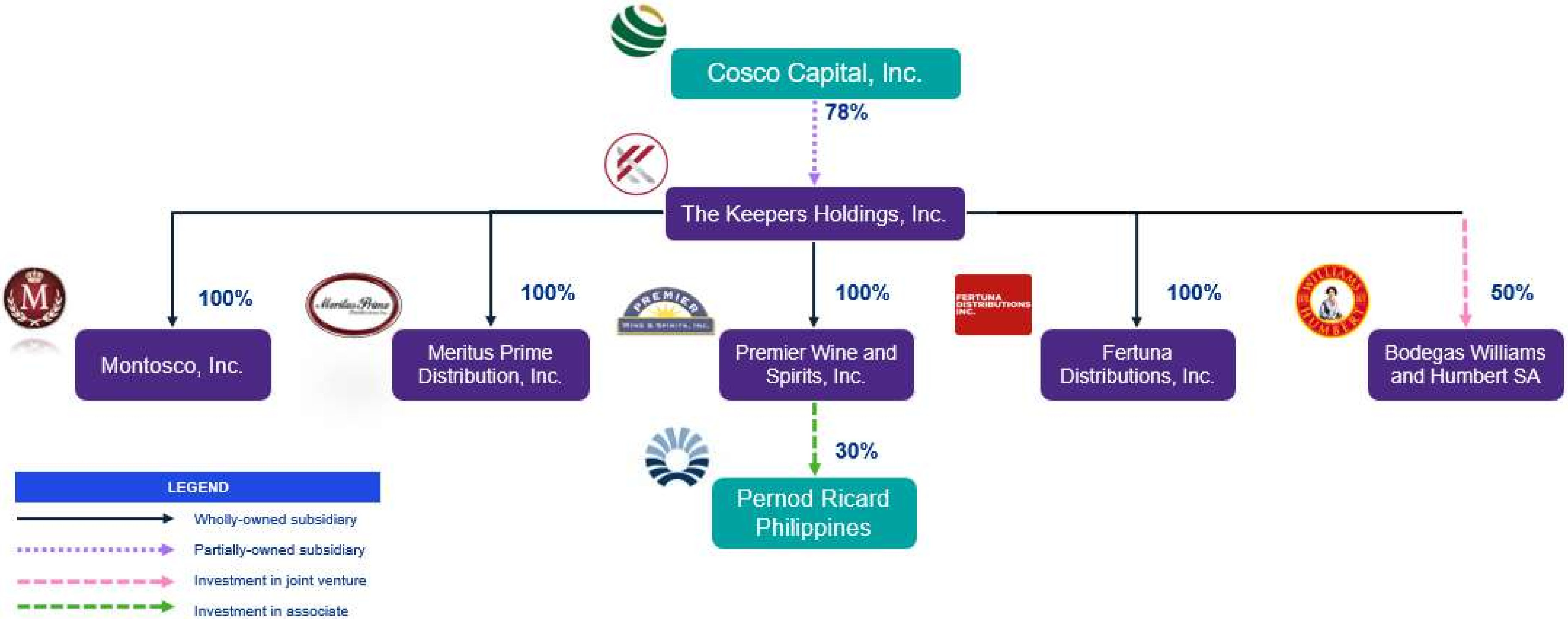
THE KEEPERS HOLDINGS, INC. AND SUBSIDIARIES
(Amounts in Thousands)

AS AT DECEMBER 31, 2022

Ratio	Formula	2022	2021
Current ratio	Total Current Assets divided by Total Current Liabilities Total current assets P14,183,866 Divide by: Total current liabilities 6,052,754 2.34	**2.34**	7.05
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 P14,183,866 Less: Inventories 6,100,767 Prepaid expenses other current assets 1,071,480 Quick assets 7,011,619 Divide by: Total current liabilities 6,052,754 Acid-test ratio 1.16	**1.16**	4.97
Debt-to-equity ratio	Debt-to-equity ratio (Total liabilities over total equity) Total liabilities P6,140,725 Divide by: Total equity 13,493,074 0.46	**0.46**	0.17
Asset-to-equity ratio	Asset-to-equity ratio (Total assets over total equity) Total assets P19,633,799 Divide by: Total equity 13,493,074 1.46	**1.46**	1.17

Ratio	**Formula**	**2022**	2021
Solvency ratio	Solvency ratio (Profit plus depreciation and amortization over total liabilities) Net income P2,235,013 Add: Depreciation and amortization 75,382 Total 2,310,395 Divide by: Total liabilities 6,140,725 Solvency ratio 0.38	**0.38**	0.79
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 P2,310,395 Divide by: Interest expense on loans 2,146 1,077	**1,077**	23,685
Return on equity	Return on Equity (Net Income by Average Total Equity) Net income P2,235,013 Divide by: Average total equity 12,767,646 0.18	**0.18**	0.17
Return on assets	Return on Assets (Net Income by Average Total Assets) Net income P2,235,013 Divide by: Average total assets 16,891,567 0.13	**0.13**	0.14
Net profit margin	Net profit margin (Profit over net sales) Net income P2,235,013 Divide by: Net sales 13,957,192 0.16	**0.16**	0.14

THE KEEPERS HOLDINGS, INC. AND SUBSIDIARIES
Map of Group of Companies Within which the Company Belongs
As at December 31, 2022



THE KEEPERS 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	P4,782,399	P4,782,399	P112,794
Various customers - Trade and other receivables - net	N/A	2,227,178	2,227,178	-
Various lessors - Refundable deposits	N/A	P16,519	P16,519	P -

**Pertains to interest income earned, net of final tax*

THE KEEPERS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE B. AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN AFFILIATES)

Name and Designation of debtor (i)	Balance at beginning of period	Additions	Amounts collected (ii)	Amounts written off (iii)	Current	Not Current	Balance at end of period

NOTHING TO REPORT

THE KEEPERS HOLDINGS, INC. 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.	P79,204	P -	(P79,204)	P -	P -	P -	P -

THE KEEPERS 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. 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. 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. 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

Annex A

THE KEEPERS 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:

Payments for the acquisition of Bodegas	P4,354,481,374
Underwriting fees for the offer	97,578,947
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
Total Offering Expenses	**P4,500,000,000**

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)
Unused Proceeds as at December 31, 2021	4,354,481,374
Disbursement from January 1 to March 31, 2022	-
Unused Proceeds as at March 31, 2022	4,354,481,374
Disbursement from April 1 to June 30, 2022	-
Unused Proceeds as at June 30, 2022	4,354,481,374
Disbursement from July 1 to September 30, 2022	(2,044,835,000)
Unused Proceeds as at September 30, 2022	2,309,646,374
Disbursement from October 1 to December 31, 2022	(2,309,646,374)
Unused Proceeds as at December 31, 2022	**P -**

RECONCILATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
AS AT DECEMBER 31, 2022
(Amounts in Thousands)

THE KEEPERS HOLDINGS, INC.
No. 900 Romualdez Street, Paco, Manila

Deficit, January 1, 2022		**(P89,518)**
Adjustments in previous year's reconciliation		**-**
Deficit, as adjusted, January 1, 2022		**(89,518)**
Net income during the year closed to Retained Earnings		**862,362**
Less: Non-actual/unrealized income net of tax		
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	-	
Sub-total	-	
Add: Non-actual losses		
Deferred income tax benefit for the year	-	
Depreciation on revaluation increment (after tax)	-	
Unrealized foreign exchange loss - net (except those attributable to Cash and Cash Equivalent)	-	
Adjustment due to deviation from PFRS/GAAP - loss	-	
Loss on fair value adjustment of investment property (after tax)	-	
Sub-total	-	
Net income actually incurred during the period		**862,362**
Add (Less):		
Dividend declarations during the period		**(783,473)**
Appropriations of Retained Earnings during the period		**-**
Reversals of appropriations		**-**
Treasury shares		**-**
Deficit, as adjusted, December 31, 2022		**(P10,629)**

ANNEX "C"

cosco capital
incorporated

Sustainability as a Lifestyle

2022 Sustainability Report

About the Report

Welcome to our sustainability report for the year 2022, which outlines our performance and achievements on economic, environmental, and social sustainability and our ESG commitments for the future. The data in this year's report was collected between January 2022 and December 2022. Our sustainability reports thus far were based on the Philippines SEC guidelines; this is our first report that has been prepared in accordance with the Global Reporting Initiative (GRI) Standards (2021). The current report covers performance of all the diversified business segments under Cosco Capital Inc., including:

Grocery Retail

Puregold Price Club Inc.

Kareila Management Corporation (S&R Membership Shopping and S&R New York Style Pizza QSR)

Specialty Retail

Office Warehouse

Wine & Liquor Distribution

The Keepers Holdings Inc. (Montosco Inc., Meritus Prime Distributions Inc., Premier Wine & Spirits Inc., Fertuna Distributions, Inc. and Bodegas Williams & Humbert SA)

Real Estate

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

Oil & Minerals

Alcorn Petroleum and Minerals Corp.

For questions and clarifications regarding the contents of the report, please contact:

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Investor Relations and Sustainability Officer
Cosco Capital Inc.
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Rey Arr L. Cahaponon
ESG Officer
Cosco Capital Inc.
rey.cahaponon@coscocapital.com

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cosco capital incorporated

Statement from the Leadership

We are very pleased to present our first GRI standards-based sustainability report for the year 2022. Having the experience from reporting using the Sustainability reporting guidelines of the Philippines Securities Exchange Commission (SEC), this was a good level-up for us as an organization. We cherish every moment spent understanding the guidelines in detail and in assimilating data in accordance with the requirements of GRI. While this report is the end product, the reporting process has greatly helped us reflect on our sustainability priorities, performance, and goals allowing us to formulate a corporate sustainability framework – one that is cognizant of the needs of all our stakeholders.

Cosco Capital's business portfolio is largely retail as well as store-front oriented and we have always accorded immense priority to our customers and other key stakeholders while running the operations. This has led to the adoption of environmental and social sustainability practices alongside our growth journey since 1988. Our recent endeavour towards disclosing our economic, environmental, and social performance has helped us assign more structure to these initiatives. With the learnings from such ESG performance disclosures, we hope to integrate sustainability as a culture into our way of business in the coming years.

2022 was a landmark year in many ways, with several laurels coming our way. Puregold was named as the "Most Chosen Retailer" in the "Fast Moving Consumer Goods" segment in 2022 by Kantar. Cosco received the Golden Arrow Award in the ASEAN Corporate Governance Scorecard Award for 2022 by the Institute of Corporate Directors. In 2021, the S&R Group was recognised among the top 12 companies in the 2021 Search for Sustainable and Eco-Friendly Business Establishments by the City Government of San Fernando.

The total amount we spent on community development projects in the reporting year was around 202.1 Million Philippine Pesos, of which 126.2 million was spent on infrastructure development, 65.4 million was spent on educational scholarships, and 10.5 million on COVID-19 vaccine donations. Over the past couple of years, local hiring by Puregold and S&R have been at 98% and 95% respectively – which has ensured fostering of skills and livelihood promotion among the local communities. Our workforce at Puregold and S&R already comprise an average of 51% women, which reflects the degree of importance we give to gender diversity at the workplace. Moreover, 99% of the employees at Puregold, and 95% of the employees at S&R earn monthly salaries that are well over the prescribed minimum wages.

On the environmental front, Office Warehouse launched the Puno ng Pag-ibig Program in 2022 (a Tree Planting Project partnership with the Department of Environment and Natural Resources). Puregold has implemented a "No Plastic Use" program nationwide called the "Walastik Plastik Program" that is rolled out every Monday and Wednesday, when customers are required to bring their own reusable bags. As of 2022, 63% of our Puregold stores are using paper bags, and 37% are using biodegradable plastic bags. We are still advocating for the use of eco-bags at these stores as well.

The above figures represent a few highlights based on our sustainability performance in the year 2022. A more detailed account of our economic, environmental, and social performance in the year 2022 is provided in further sections of this report. We hope you enjoy reading and gain a deeper understanding of our efforts toward making sustainability integral to our work. Happy reading!

About Cosco Capital

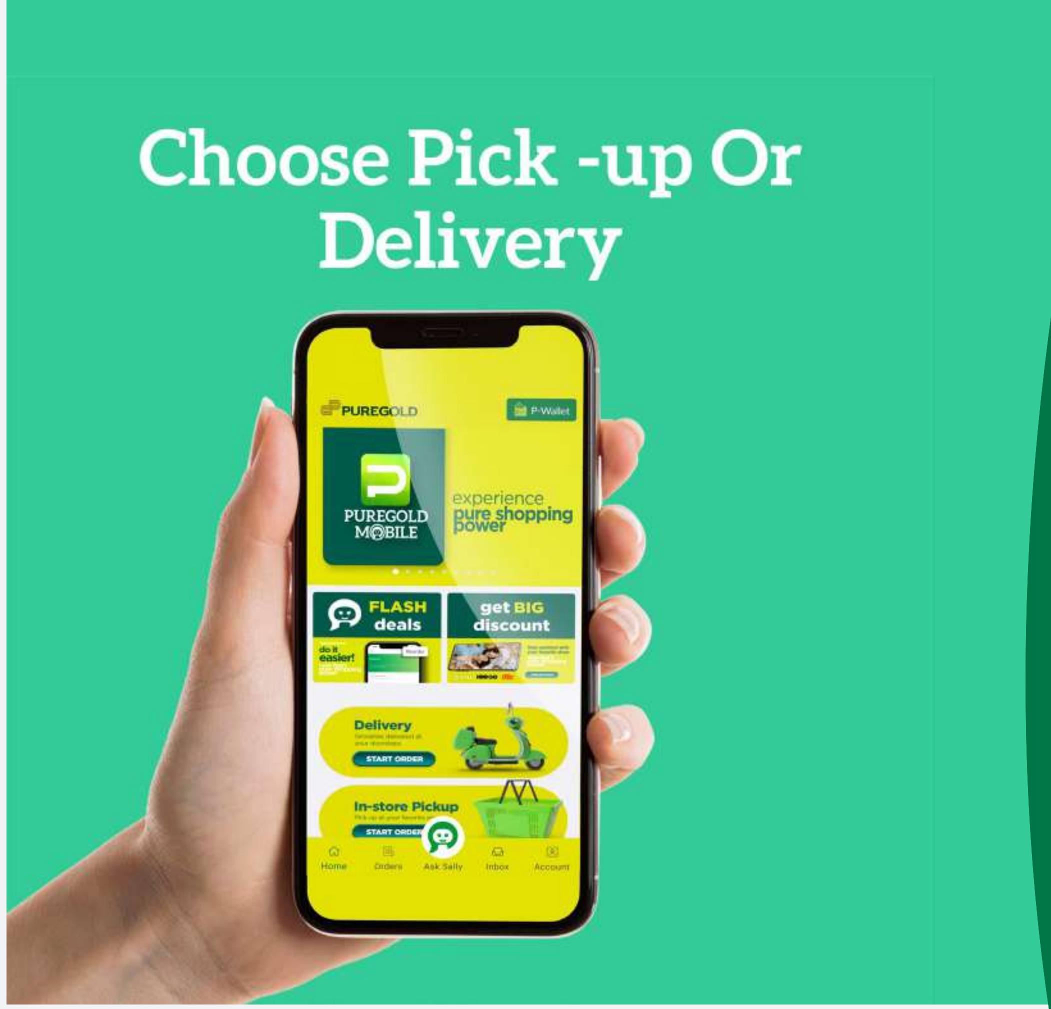
Cosco Capital was incorporated on January 19, 1988 as Alcorn Petroleum and Minerals Corporation. On January 13, 2000, we diversified our business into many segments (described below) and got incorporated as a retail holding company. Our company's vision is to be a leading retail and investment holding company providing quality products and services to communities where we operate, while also pursuing a growth journey that benefits all our stakeholders. We seek to do this through ensuring the affordability and accessibility of products and services that contribute to the healthy lifestyles of our customers (mainly Filipinos). Our core values are encapsulated in the infographic below:

Integrity and Accountability
by ensuring transparency in disclosure on our ESG performance and fostering regular communications with our stakeholders

Genuine Partnership
with regular and global partners who share our values and principles on ESG and general conduct of business

Customer Satisfaction
through regular and frequent communication with customers and emphasis on quality of products and services

Social Responsibility
through our community engagement endeavours and efforts to improve the lives of the communities surrounding our operations



Grocery Retail

Puregold Price Club Inc.

Puregold is Cosco's flagship grocery retail chain, which was opened in Mandayulong City in 1998. Currently, Puregold has 452 grocery stores across the country. The retail chain operates across three store formats:

Apart from this, an online shopping option and an option to pre-book products and pick them up later are available on the Puregold website. Customers can also shop using their mobile phones through the Puregold mobile app.

Puregold's flagship programmes are described below:

Tindahan ni Aling Puring (TNAP)

This program was introduced in 2003 - customized membership program designed specifically for Puregold's primary customers from the Micro, Small and Medium Enterprises (MSME) segment such as the sari-sari stores, minimarts, karinderyas, catering and other types of resellers. Green and Gold Cards are provided under this programme; the former for new and active members of TNAP, and the latter for members who make minimum purchases of 1.3 million annually.

The Puregold "Perks" Card

is a loyalty card program that rewards shoppers with points every time they shop at Puregold Price Club, Puregold Supermarket and Puregold Minimart.

Puregold Price Club

Hypermarkets offering food and non-food products to retail customers and small business owners (stores include mini marts, cafeterias, retaurants, bakeries, pharmacies).

Selling space: between 2,000 to 2,500 sqm

Puregold Supermarket

Smaller stores offering targetted consumer items and a limited variety of general merchandise, with focus on food and fresh products.

Selling space: average 500 sqm

Puregold Minimart

Sale of top-selling brands and products across all categories, with limited number of consumer goods

Selling space: average 250 sqm

S&R Membership Shopping

S&R membership shopping club's primary aim is to deliver significant value to member-customers based on a system driven by aggressive buying, low-cost distribution, and streamlined operations. S&R started functioning in 2006 with four warehouses. The current number of warehouses is 22. Products from S&R are offered in "club packs", and are mostly sourced from the United States of America. Our product offerings under S&R include:

- **Fresh produce and fruits**
- **Australian / New Zealand beef**
- **Cereals / Snacks**
- **Soap / Sundries**
- **Imported chocolates**
- **Imported wine and spirits**
- **Consumer electronics and appliances**
- **Health and Beauty Products**

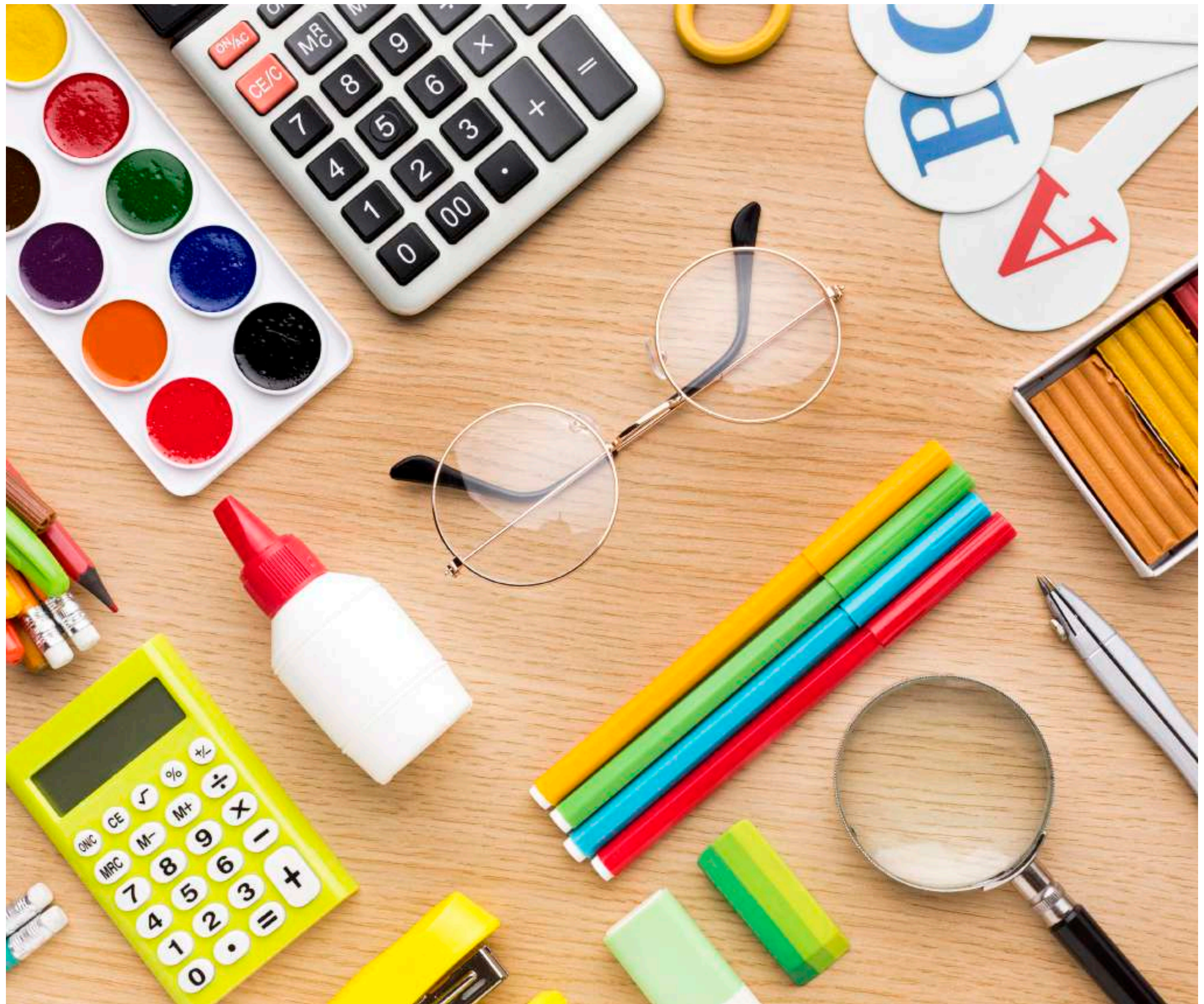
In 2014, S&R opened its first four quick service restaurants (QSRs) named S&R New York Style Pizza. As of the end of 2022, there are 51 S&R New York Style Pizza QSRs all over the Philippines.

Specialty Retail

Office Warehouse

This segment mainly deals in products such as office and school supplies, modern functional furniture pieces, and technology used in everyday office functioning. There are a total of 94 stores operating under this segment, offering home delivery and store pick-up services. The Points Plus Loyalty Program is present, which customers can subscribe to exclusive perks and privileges. Our key customers are small and medium businesses, small offices, home offices, and the education market. Our diverse range of products is listed in the table below:

Furniture	Chairs, tables, cabinets & shelves, and safes
Office & School Supplies	Copy & printer paper, Paper supplies, Filing & storage, Writing instruments, Tapes & adhesives, Desk accessories, Art & craft, General supplies, Display boards
Technology	Printers, Ink & toner, Computer accessories, Data storage, Calculators, Biometrics, Paper shredders, Office machines, Thermal & sanitizing equipment



Wine and Liquor Distribution

The Keepers Holdings Inc.

The Keepers owns three of the major players in the Philippine liquor, wine, and specialty beverage distribution industry – Montosco, Inc., Meritus Prime Distributions, Inc., and Premier Wine and Spirits, Inc. Collectively, our group continue to be the largest distributor of imported spirits in the Philippines as of 2022. In 2020, we had a market share of 74.0% based on volume and 66.9% based on retail sales value according to IWSR. A snapshot of the brands that the group imports and distributes is presented below:

Montosco Inc.

Montosco, Inc. is a liquor importer and distributor. Under this segment, we import a range of products including affordable and premium quality labels.

Aside from this, we are exclusive importers and distributors of the brands Gilbey's, Islands, Vino Fontana, Alfonso Brandy, Muga Wines, Diageo, Castel Wines, and Pegoes Seagrams 7 in the Philippines.

Meritus Prime Distributions Inc.

This company is also an exclusive distributor for many international liquor brands in the Philippines. Meritus has put in gradual efforts towards expanding the business, and now also distributes products in the Premium wine category. The brands that we import under this segment are: Beam, Jim Beam, Courvoisier, Sauza Tequila, Pinnacle Vodka, Maker's Mark , Beam Suntory, Auchentoshan, Hibiki, Laphroaig, The Hakushu Single Malt Whisky, The Yamazaki Single Malt Whisky, Suntory Whisky, Treasury Wine Estates, The Little Penguin, Rosemount Estate, Willian Grant & Sons, Glenfiddich, Grants Blended Scotch Whisky, The Balvenie Single Malt Scotch Whisky, Hendrick's Gin, DGB, Bellingham, Tree Series, Mill Stream, The Saints, Honey Badger, Strawberry Lips, Familia Zuccardi, Santa Julia, and others.

Premier Wine & Spirits Inc.

Premier Wine & Spirits engages in distribution and marketing of imported wine, spirits, beer, and specialty beverage brands. PWSI caters to the premium segment of liquor buyers and has been operating in the Philippines for 20 years. The products distributed by this company include Absolut Vodka, Chivas, Distell, The Glenlivet, Gruppo Campari, Heaven Hill Distilleries, Jagermeister, Jose Cuervo, Marques de Riscal, Martell Cognac, Perrier, Red Bull, Ruffino Dal 1877, Santa Carolina, and Wolf Blass.

Fertuna Distributions, Inc.

Bodegas Williams and Humbert SA

Real Estate

Ellimac Prime Holdings Inc.

Ellimac Prime Holdings, Inc. is the flagship company of Cosco's real estate group. It was formed through the merger of four property companies in December 2012, namely: PILGOR Development Services Corporation, 514 Shaw Property Holdings Inc., Cosco Prime Holdings, Inc. and Pajusco Realty Corporation.

The company owns and operates a portfolio of 55 properties in Metro Manila, Bulacan, Nueva Ecija, Quezon, and Cagayan, mainly serving the commercial retail building segment.

Fertuna Holdings Corp.

Fertuna Holdings has established a 6.5-hectare land as a commercial retail complex called "Harbour Point", which Puregold has occupied since 2012. This is located inside the Subic Bay Metropolitan Authority special economic zone in the Central Luzon region, and has tax and duty free importation privileges under the Republic Act 7277.

Patagonia Holdings Corp.

Patagonia owns a total of 1.3 hectares, out of which an S&R Membership has been operating since 2000 with a steady stream of customers visiting the outlet owing to its prime location. This outlet is located at the Bonifacio Global City (BGC).

Nation Realty Inc.

This company engages in mall development. The main project that we run under this brand name is the "999 Shopping Mall" which is located in Binondo. It seeks to provide affordable and quality products to Filipinos who live in this locality.

NE Pacific Shopping Centers Corp.

This company owns and operates the NE Pacific Mall, which is a family shopping and entertainment destination in Nueva Ecija. It is a 12.5-hectare commercial property housing supermarkets, departmental stores, hardware, appliance centres and restaurants. A Puregold Supermarket as well as an S&R Warehouse Club are among its anchor tenants. Regular marketing and promotional events are conducted at the mall along with scouting for more food and retail tenants to make it a preferred destination for customers.

Canaria Holdings Corporation

Oil and Minerals

Alcorn Petroleum and Minerals Corporation

This is a wholly owned subsidiary of Cosco Capital Inc. organized in 2013 to hold and operate its legacy oil and mining exploration assets and related activities. APMC's current projects include:

- Service Contract (SC) 14-C2 in the West Linapacan Area and Service Contract 6B in the Bonita-Cadlao Area, are the operational blocks granted by the Department of Energy. These projects are still in the project development stage.

- Limestone exploration and development project located in Merida and Isabel Leyte. The renewal of the Mineral Production Sharing Agreement for 25 years was approved on June 14, 2022.

Awards and Recognitions

- Puregold was named as the "Most Chosen Retailer" in the "Fast Moving Consumer Goods" segment in 2022 by Kantar.
- Cosco received the Golden Arrow Award in the ASEAN Corporate Governance Scorecard Award for 2022 by the Institute of Corporate Directors.
- In 2021, the S&R Group was recognized among the top 12 companies in the 2021 Search for Sustainable and Eco-Friendly Business Establishments by the City Government of San Fernando.

Sustainability at a Glance

Economic

PHP4.98B
Taxes paid to the Government

PHP3.14B
Employee wages and benefits

PHP202.1M
Invested to community (including LCCK)

12,038
Total no. of direct employees

0
Incidents of corruption

Environmental

3%
Clean electricity used

101M
Reduction of plastic bags used in Puregold stores compared to 2018 base year

Roof-top Solar Power in **22** S&R Warehouse Clubs, **1** S&R Distribution Center and **2** Puregold Stores

63%
of Puregold stores use paper bags and promote monthly upsizing to reduce single-use

Gearing towards **100%** conversion of Puregold and S&R stores to LED lamps

4771MT
Solid waste diverted from disposal

29%
Scope 1 and 2 GHG Emissions Reduction

Rainwater Catchment and Gray Water venture

Social

56%
female employees in the workforce

866 scholars graduated, **107** passed the licensure exam, and **312** current no. of scholars

28.8M
Safe man-hours

760,000+
Puregold Sari-Sari Store members (support local economy)

1.43M
Puregold mobile app downloads

Store Network Expansion

24
New Puregold stores opened

4
S&R Quick-Service Restaurants (QSR) opened

525
Total Stores Nationwide

452 Puregold	**22** S&R
51 S&R QSR	

Our Sustainability Strategy

At Cosco Capital, our sustainability strategy is driven by four critical areas of focus, which together form our sustainability framework. We use this framework to define key priorities and actions on sustainability going forward.

Business and ecosystem viability

Economic advancement and resilience.

Conscious conduct of operations

Climate change
Sustainable production
Sustainability outside operations

Value for people

Looking after our people
Sustained customer relationships
Ethical practices
Engagement with the community.

Respect to the rule of the land

Governance and Anti-Corruption
complaince to the law

Business and ecosystem viability

The sustained survival of our business and the long-term value creation for all stakeholders in our ecosystem is a primary significant area of focus. We strongly believe that pursuing the achievement of our financial goals in an ethical manner will not only increase our profits, but also improve the livelihoods of people associated with us and contribute to regional economic development. This is because the retail sector is driven by interactions with multiple stakeholders at various touch points along our value chain.

Focus Area	Material Topics	GRI/Non-GRI Disclosures
Economic advancement and Resilience	Economic Growth	**GRI** 201: Economic performance 202: Market Presence 203: Indirect Economic Impacts 204: Procurement Practices
	Disaster Preparedness	**Non-GRI** Disaster management frameworks or policies in the company
	Technology & Innovation	**Non-GRI** Successful initiatives by the company that employ advanced technology

Conscious conduct of operations

As a retail business, the footprint of our operations is extremely widespread, with the presence of multiple branches, warehouses, and locations. Therefore, it is very important for us to adopt sustainable consumption and production practices across our operations and the supply chain, ensure effective waste management practices and align with the need to respond to the climate change crisis. While we already comply with all regulatory requirements in this respect, we seek to go a step further in the next couple of years by adopting industry-leading resource efficient practices on operational sustainability.

Focus Area	Material Topics	GRI/Non-GRI Disclosures
Climate Change	Energy and Emissions	**GRI** 302: Energy 305: Emissions **Non-GRI** Any initiatives on energy saving
Sustainable production	Waste and Recycling of Packaging waste	**GRI** 301: Materials 306: Waste 2020, Effluents and Waste 2016 **Non-GRI** Waste recycling / treatment initiatives
	Food Waste	**GRI** 306: Waste 2020, Effluents and Waste 2016 **Non-GRI** Waste recycling / treatment initiatives
	Optimising Water Use	**GRI** 303: Water and Effluents **Non-GRI** Water recycling / saving initiatives
Sustainability outside operations	Sustainable Supply Chain	**GRI** 303: Water and Effluents 301: Materials 308: Supplier Environmental Assessment
	Sustainable Product Mix	**GRI** 416: Customer Health & Safety **Non-GRI** Initiatives to introduce sustainable products

Value for people

As highlighted above, Cosco's very fabric of existence is based on interactions with multiple stakeholders throughout our value chain. Since the inception of our business, we have taken utmost care to ensure the presence of sustained and healthy relationships with all our internal and external stakeholders. With the onset of our ESG journey, we have identified an entirely new host of opportunities to enhance such relationships. In the near future, we aim to promote the adoption of sustainability in the business and lives of our stakeholders – through a combination of capacity building activities and handholding support.

Focus Area	Material Topics	GRI/Non-GRI Disclosures
Climate Change	Employee engagement & diversity	**GRI** 401: Employment 402: Labour / Management Relations 403: Occupational Health & Safety 404: Training and Education 405: Diversity and Equal Opportunity 406: Non-discrimination 407: Freedom of Association and Collective Bargaining 408: Child Labour 409: Forced / Compulsory Labour 410: Security Practices 411: Rights of Indigenous Peoples **Non-GRI** Employee engagement practices
Sustained customer relationships	Customer health and safety	**GRI** 416: Customer Health and Safety
	Promoting sustainable lifestyles	**Non-GRI** Initiatives to promote sustainable lifestyles among customer groups
	Customer Privacy & Cybersecurity	**GRI** 418: Customer Privacy
Ethical Practices	Fair Marketing and Labelling Practices	**GRI** 417: Marketing and Labelling
Engagement with the Community	Communities and Livelihoods	**GRI** 413: Local Communities

Respect for the Rule of the Land

As a business, we have a watertight commitment towards respecting the law of the land. We believe that this will aid business survival and goodwill in the long run, and also that it will help us maintain healthy relationships with the government in the future. This could also help us contribute in a significant manner to local policy dialogue through advocacy endeavours in the future.

Focus Area	Material Topics	GRI/Non-GRI Disclosures
Adhering to the Law	Governance and Anti-Corruption	**GRI** 205: Anti-corruption 206: Anti-competitive behaviour
	Compliance to the Law	**Non-GRI** Governance structure for handling compliance management

Stakeholder Engagement

Key Stakeholders	Key Topics/ Concerns	Engagement Platforms/ Channels	Frequency
Investors	Growth Opportunities	Investors Meetings (Virtual and In-person)	Quarterly As needed
	ESG Performance	Company Website	
	Financial Performance	Emails and Calls	
	Corporate Updates and Strategies	Store Visits	
		Quarterly Briefings	
		Conferences and Non-deal Roadshow	
Shareholders	Transfer of shares	Philippine Stock Exchange	Annual, Quarterly As needed
	Annual Operational and Financial Review	Annual Stockholders Meetings	
	Inquiry on Cash Dividend	Investors Meeting	
	Product availability	Company Website	
	Supply chain resilience	Quarterly Briefings	
	Policy and advocacy, governance	Emails and Calls	
Government / Regulatory Bodies	Compliance	Direct interactions with government agency	As needed, Regular
	Taxes	Periodic Reporting	
	Community Development	Emails and Company Website	
		Store Visits	
		Meetings	

Stakeholder Engagement

Key Stakeholders	Key Topics/ Concerns	Engagement Platforms/ Channels	Frequency
Customers	Affordability of products	Emails and Calls	As needed, Annually
	Convenient buying options and experiences	In-store customer service/ Membership counter	
	Healthy and safe product options	Social Media	
	Product availability	Company Events or Conventions	
	Data security and cybersecurity		
	Plastic waste		
Suppliers/Vendors	Consumer protection	Meetings	As needed, Regular
	Data security and cybersecurity	Emails and Calls	
	Supply chain transparency		
Employees	Benefits and Compensations	Emails and Chats	Annually, Daily, As needed
	Health and Safety	Meetings	
	Engagement and Retention	Performance Appraisal	
	Training and Development	Periodic Orientation/Seminar	
Local Communities	Job Creation	Emails and Social Media	As needed
	Community Development	Meetings	
Media	Events	Emails and Calls	As needed
	Company Press Release	Meetings	
		Company Events or Conventions	

Materiality Assessment

For the year 2022, we initially conducted an extensive and comprehensive materiality assessment involving key internal stakeholders from all our subsidiaries. Since this is the first time, we are using the new guidance based on GRI Standards 2021 for the materiality assessment, we have collected the views of only those within our company – however, we have ensured that we have fully and fairly considered the welfare of all our stakeholders listed above while conducting the assessment. The assessment was conducted online (through Google Forms), after a detailed workshop for all members on how to fill the materiality assessment questionnaire.

The material topics were identified based on in-depth research on our industry peers, and were prioritised based on the process below:

Step 1
Scoring of material topics based on organisational context

Step 2
Identification of potential and actual positive and negative impacts

Step 3
Providing scores for likelihood/severity/significance of potential/actual impacts

Step 4
Final score - an average of scores on organisational context and impact

The output of this materiality assessment was the prioritization of material topics. The table and graph below indicate which are our high, medium, and low-priority material topics:

High Priority	Medium Priority	Low Priority
Economic Growth	Energy and Emissions	Food Waste
Disaster Preparedness	Optimising Water Use	Fair Marketing and Labelling Practices
Technology and Innovation	Waste & Recycling of Packaging Waste	Sustainable product mix
Customer Health and Safety	Communities and Livelihoods	
Customer Privacy, Cybersecurity	Promoting sustainable lifestyles	
Employee Health and Safety	Sustainable supply chain	
Employee Engagement, Diversity		
Governance, Anti-Corruption		
Compliance to the Law		

Our Material Topics

Material Topic	Description	Relevant Indicators	Impact Boundary	SDGs
Economic Advancement and Resilience				
Economic Growth	Sustained economic performance drives better sales, revenue, and profits for the company. Apart from ensuring business survival in the long run, focusing on economic growth could also improve the livelihoods of our employees and workers.	**GRI** 201: Economic performance 202: Market Presence 203: Indirect Economic Impacts 204: Procurement Practices 207: Tax	Within Cosco	1 NO POVERTY 8 DECENT WORK AND ECONOMIC GROWTH
Disaster Preparedness	Cosco mainly operates within the Philippines, which is a country prone to typhoons and related natural calamities owing to its geography. Fostering preparedness for disasters helps us sustain our performance even during emergencies, while also ensuring that we lend our hand towards helping out communities who suffer during these times.	**Non-GRI** Disaster management frameworks or policies in the company	Within and outside Cosco	15 LIFE ON LAND
Technology and Innovation	As a company mainly operating in the retail industry, employing the latest technology for upgrading our offerings is essential so that we stay relevant. We also continuously seek to introduce new and innovative ways of promoting customer retention and loyalty.	**Non-GRI** Successful initiatives by the company that employ advanced technology	Within Cosco	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Climate Change				
Energy and Emissions	Cosco operates a vast network of retail stores, which consume energy for everyday operations. We believe that making concerted efforts towards reducing energy consumption / replacing with cleaner alternatives in all these stores could contribute significantly to the reduction of GHG emissions and natural resource usage.	**GRI** 302: Energy 305: Emissions **Non-GRI** Any initiatives on energy saving	Within and outside Cosco	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION

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Our Material Topics

Material Topic	Description	Relevant Indicators	Impact Boundary	SDGs
Sustainable Production				
Waste & Recycling of Packaging Waste	Throughout our business segments, packaging is a critical element and its reduction could also minimise waste generation by our customers. We seek to come up with a structured packaging reduction plan in the future, and working towards this is a chief priority for us.	**GRI** 301: Materials 306: Waste 2020, Effluents and Waste 2016 **Non-GRI** Waste recycling/ treatment initiatives	Within and outside Cosco	11 SUSTAINABLE CITIES AND COMMUNITIES 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Food Waste	We aim to target our food (quick service restaurants and bakery) business as a vehicle for minimising and optimising waste generation by using green alternatives to cutlery. In the future, we also aim to redirect our food waste to more environmentally friendly channels such as composting or socially beneficial avenues such as donation.	**GRI** 306: Waste 2020, Effluents and Waste 2016 **Non-GRI** Waste recycling/ treatment initiatives	Within and outside Cosco	11 SUSTAINABLE CITIES AND COMMUNITIES 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 2 ZERO HUNGER
Optimising water use	Water consumption at our stores is monitored regularly. Even though our store operations are not water intensive, we have always accorded priority to sensitise our employees on the importance of water conservation.	**GRI** 303: Water and Effluents **Non-GRI** Water recycling/ saving initiatives	Within and outside Cosco	6 CLEAN WATER AND SANITATION 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Our Material Topics

Material Topic	Description	Relevant Indicators	Impact Boundary	SDGs
Sustainability outside operations				
Sustainable supply chain	Our supply chain is complex, since we import and source products from multiple international and local suppliers. It is a challenging task to implement sustainable supply chain practices since we stock multiple brands. However, we aim to build internal capacity and awareness on this front and incrementally implement supplier ESG screening as far as possible.	**GRI** 301: Materials 308: Supplier Environmental Assessment	Within and outside Cosco	11 Sustainable Cities and Communities 12 Responsible Consumption and Production
Sustainable product mix	We always stock products based on our customer needs and preferences. Recent times have seen consumer preferences tilting towards sustainable / organic options that improve customer lives, and our proportion of sustainable products has also increased. We plan to combine advocacy for sustainable products along with increasing green choices so that supply and demand work together to promote customer preference for sustainability.	**GRI** 416: Customer Health & Safety **Non-GRI** Initiatives to introduce sustainable products	Within and outside Cosco	3 Good Health and Well-Being 11 Sustainable Cities and Communities
Looking after our people				
Employee engagement and diversity	Our employees are at the centre of our growth strategy. We have always believed that supporting their individual growth leads to overall productivity and organisational growth. Therefore, we have always accorded maximum importance to treating employees fairly and equally and the workplace, and will continue to explore avenues to improve their experience with us.	**GRI** 401: Employment 402: Labour/ Management Relations 403: Occupational Health & Safety 404: Training and Education 405: Diversity and Equal Opportunity 406: Non-discrimination 407: Freedom of Association and Collective Bargaining 408: Child Labour 409: Forced/Compulsory Labour 410: Security Practices 411: Rights of Indigenous Peoples **Non-GRI** Employee engagement practices	Within Cosco	3 Good Health and Well-Being 4 Quality Education 5 Gender Equality 8 Decent Work and Economic Growth

Our Material Topics

Material Topic	Description	Relevant Indicators	Impact Boundary	SDGs
Sustained customer relationships				
Customer Health and Safety	Since we engage in the sale of products that are sometimes directly consumed by our customers, we have a critical responsibility towards ensuring watertight quality standards in all the products we stock. Customer health and safety is hence at the heart of our operations, and we always strive to improve our quality monitoring endeavours.	**GRI** 416: Customer Health and Safety	Within and outside Cosco	3 Good Health and Well-Being
Promoting sustainable lifestyles	As a direct customer-facing business, we realise that we have immense power to influence our customers' choices. While we have already started holding awareness campaigns and programmes on sustainability, we seek to formalise our approach towards promoting sustainability among customers through a structured program.	**Non-GRI** Initiatives to promote sustainable lifestyles among customer groups	Within and outside Cosco	3 Good Health and Well-Being 11 Sustainable Cities and Communities
Customer privacy and Cybersecurity	Our grocery retail segment considers the use of customer data to optimize their experience with us as vital to its business. Therefore, we also have a responsibility towards protecting their data against potential cybersecurity risks and related privacy breaches. We are constantly on our toes with regard to compliance with data privacy regulations, and are implementing continuous improvements to our existing data storage security and controls.	**GRI** 418: Customer Privacy	Within and outside Cosco	16 Peace, Justice and Strong Institutions
Ethical Practices				
Fair Marketing and Labelling Practices	Marketing and labelling of the products that we sell are largely the onus of our suppliers, even though we ensure that they adhere to all regulatory norms with respect to the labels on our products.	**GRI** 417: Marketing and Labelling	Within and outside Cosco	16 Peace, Justice and Strong Institutions

Our Material Topics

Material Topic	Description	Relevant Indicators	Impact Boundary	SDGs
Engagement with the Community				
Communities and Livelihoods	Maintaining healthy relationships with local communities is key to sustained growth and progressive positive reputation. We seek to combine our technical expertise with the monetary / in-kind support we provide to communities surrounding our stores, so that our CSR initiatives are effective.	**GRI** 413: Local Communities	Within and outside Cosco	10 REDUCED INEQUALITIES
Adhering to the Law				
Governance and Anti-Corruption	Since our inception, we have accorded utmost importance to anti-corruption training among our employees as well as execution of anti-corruption practices and controls. We also prioritise the upholding of our values and principles throughout the course of our everyday operations.	**GRI** 205: Anti-corruption 206: Anti-competitive behaviour	Within and outside Cosco	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Compliance to the Law	In due course, we seek to contribute to regulatory discourse on sustainability and climate change and act as a policy advocate for ESG. To do this, we understand that strict regulatory compliance and monitoring of breaches is the best way to earn goodwill and reputation for engagement with the government in the future.	**Non-GRI** Governance structure for handling compliance management	Within and outside Cosco	16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Impact Summary

Material Topics

Economic Growth

Long-Term:
The pursuit of economic growth and business expansion by Cosco group could foster local employment and income promotion in communities where we operate. Additionally, stable economic performance also ensures sustained, regular payment of taxes from our end to the government. On the flipside, economic growth may also cause erosion of resources from promoting agricultural economy, increased possibilities of pollution without proper focus on sustainability practices.

Short-Term:
One of our main target customer groups is the small and medium enterprise (SME) segment, whom we seek to support by offering products / membership at affordable rates. We believe that our efforts help MSMEs venture and expand; and as an extension, attract investments into the Philippines. The opening of new stores by Cosco group each year also promotes employment opportunities in local regions, and increased tax payments to the government. Currently, we are in a transition period in which we are trying to make our business more sustainable than it already is. This means that our supply chain is an open loop system wherein we still have a significant environmental footprint.

Governance and Anti-Corruption

Long-Term:
Over a period of time, strengthening governance practices could drive better corporate accountability and transparency, lead to zero incidents of corruption, and create a conflict-free workplace. However, poor monitoring of adherence to anti-corruption could lead to reduced stakeholder trust, and frequent conflicts within the workforce.

Short-Term:
Currently, our governance practices promote organisational discipline and contribute to building our reputation, which leads to better productivity / performance of the business. The Cosco group reported no incident of corruption for the reporting year 2022.

Compliance to the Law

Long-Term:
Continued adherence to national and local laws and regulations promotes not only a culture of compliance but primarily harmonious conduct of our business operations within the society we operate. It could likewise result in avoidance of fines and penalties in the near future, in addition to augmenting the incomes of local and national governments in the long run due to regular tax payments. Accumulation of goodwill for the company among investors, customers, and suppliers is also a potential impact of unwavering compliance to the law. On the other hand, gaps in compliance management could lower employee morale and damage relationships with local governments.

Short-Term:
Due to our existing, watertight commitment towards regulatory compliance, we pay no fines/penalties towards non-adherence on any count. This has resulted in continued renewal of customer, investor, and supplier trust. Strict adherence to rules and regulations has also boosted employee confidence in us, and improved our employee retention. A practical challenge we face while updating our compliance registry is the risk of oversight due to too many compliance requirements.

Disaster Preparedness

Long-Term:
We feel that having a proper disaster preparedness plan in place could provide an effective risk management framework for us to follow. It could increase overall organizational efficiency in the long run, and creates a market edge for Cosco. However, poor disaster management practices could lead to human, physical, and opportunity losses, in addition to higher costs of managing inadequate practices and poor technologies that reach obsolescence in a short time.

Short-Term:
Our emergency response plan supported by recent technology updates helps us mitigate losses, promotes faster communication and efficiency. We ensure that proper training and awareness of our emergency response plan and practices are being conducted for new and existing employees of the company. Furthermore, all of the stores and properties are fully insured to cover the risks of financial losses of the company in case of natural calamities or disasters.

Technology and Innovation

Long-Term:
Adoption of new technologies and brainstorming for new ideas from time to time could lead to employee motivation and productivity improvement. However, plans on shifting to technology-based alternatives could also lead to fears about manpower replacement, data security (virus attacks) threats, and extended periods of return or reduced return based on the success of its implementation. This could affect employee confidence.

For the past years, refrigeration and air conditioning technology has become far more advanced than the Freon-powered clunkers of the 1960s. Businesses can significantly increase both their energy efficiency and sustainability by implementing new technologies when it comes to managing, maintaining and retiring refrigeration systems. It's important to consider prioritizing sustainable refrigeration because it can help reduce energy consumption, decrease the risk of global warming and potentially saves lives due to food spoilage.

A few of the most promising, environmentally conscious refrigeration technologies on the horizon that are worth considering are CO2 refrigerant, thermoelectric cooling and magnetic refrigeration

Short-Term:
The efforts that we have taken so far to adopt technology where possible has led to tangible benefits including lesser power consumption due to energy efficiency, improved cost efficiency of operations because of regular data monitoring, and smoother communications through technology-driven platforms. We have also faced issues in this regard, including occasional connectivity problems, and awareness gaps in using the technologies introduced.

Waste and Recycling of Packaging Waste

Long-Term:
With proper planning on recycling of packaging waste and reducing waste generation in general, we could conserve resources over a period of time and also obtain financial gains through reclaimed waste, in addition to preventing health issues among communities located close to landfills. Poor monitoring of such initiatives could lead to improper / inconsistent waste practices due to the possibility of higher priority being accorded to earning from waste.

Short-Term:
Through our existing initiatives on waste management, we have achieved packaging cost reduction and reduced plastic waste through recycling, and reduced hazardous waste generation in general. We regularly monitor our waste disposal practices and seek to continuously improve them by ensuring to comply with all government regulations on waste management.

Food Waste

Long-Term:
Lower food wastes and consequent cost savings are positive impacts that we could garner over time, as a result of implementing an effective strategy for food waste management.

Short-Term:
Our attempts to forecast food waste and efforts to promote paperless transactions at our food joints lead to significant cost savings and a reduction in the amount of waste that we generate.

Energy and Emissions

Long-Term:
With a comprehensive energy management and conservation strategy, we could contribute to reduced emissions and pollution, and reduced consumption of electricity (including added income from selling power back to grids). If energy conservation is not prioritized it could lead to multiple repercussions, including increased pollution, wear and tear on machines not inspected for energy efficiency and increased carbon footprint.

Short-Term:
Our existing energy savings initiatives promote cost efficiency, in addition to helping us reduce carbon emissions and pollution from our end. It also leads to improved air quality and thereafter, a conducive working environment for employees. We have also realized that lack of a structured energy management plan leads to higher operational expenditure, emissions from a diesel-fuelled delivery fleet, increased costs from using non-inverter air conditioners and refrigeration, and more environmental pollution.

Optimising Water Use

Long-Term:
Concerted efforts by businesses such as Cosco to optimize water use could lead to water savings in reserves in the Philippines that are dependent on rainfall. This could lead to an increase in the availability of water for communities that depend on the same source, in addition to reducing water bills for the company. Lesser focus on water efficiency could lead to more operational expenditure and increased water demand. Another potential impact is resistance to adoption of water efficient fixtures due to high capital expenditure on them.

Short-Term:
Our current water conservation and water use reduction initiatives have led to improved cost efficiency, and the availability of additional water for plant and toilet maintenance. Another impact is employee satisfaction as a result of smooth and efficient functioning of water equipment due to regular checks. In the past, our water conservation efforts have been impacted due to increased water demand from new store openings and consumer foot traffic inside the stores.

Sustainable Product Mix

Long-Term:
Over time, consistent endeavours towards creating a sustainable product mix could drive customer preferences towards cleaner and greener alternatives. It could also improve Cosco's brand image and promote customer health and safety. However, the availability of more affordable alternatives could also affect the sales of sustainable products if customers choose the former.

Short-Term:
In the current scenario, we have observed that making sustainable products (such as organic ones) available in our stores helps in satisfying health-conscious customers, and promotes the use of sustainable products within our customer community. However, we have also observed limited sales of sustainable products, stocking issues with products that are demanded more, and higher cost of promotions.

Sustainable Supply Chain

Long-Term:
Though our supply chain is complex, attempting to integrate sustainable supply chain practices could open avenues for more partnerships in the future, improve our ability to meet customer demands on sustainability, and reduce pressure on the environment. However, shifting to sustainable supply chain management could also entail higher costs in the process of supplier adaptation, challenges in monitoring ESG performance across the supply chain, and in finding ESG compliant suppliers.

Short-Term:
Currently, our efforts towards creating a greener and low-waste supply chain has led to the use of more recyclable material in our stores, more planned stock replenishment, more efficient deliveries, and better revenue as a result. An existing challenge that we face is supplier resistance to ESG-related requirements, in addition to higher costs of sustainable raw materials.

Promoting Sustainable Lifestyles

Long-Term:
Over the long term, promoting sustainable choices by customers could promote customer loyalty and improve brand reputation. It could also motivate more customers to save resources in their everyday lives. Yet, promoting behaviour and lifestyle changes among employees and consumers is a challenging and time-consuming process given that sustainable products are priced higher, and also because it is essential to keep up with changing trends.

Short-Term:
Our sustainability advocacy efforts so far have helped customers realize the value of optimal resource use, and have also helped employees be more productive as a result of living sustainably. However, the lack of a regulatory framework to promote sustainability among communities makes it difficult to create change. Moreover, additional time taken to conduct sustainability awareness sessions among employees cuts into their time for working and pushes them to work more hours to compensate for the actual tasks required in their roles.

Employee Engagement and Diversity

Long-Term:
Building on our current emphasis on employee engagement and prioritising diversity and inclusion among employees could promote equal employment opportunities for those who wish to join Cosco group, better engagement and creativity of employees, a diverse talent pool, and better retention and productivity. However, if less attention is paid to engagement and diversity, it could lead to incidents of discrimination, low morale, high employee turnover, and additional costs of team building activities.

Short-Term:
Our existing team-building activities are leading to more involved, engaged, and creative employees who are more productive. It has also led to the creation of a gender-equal workforce. But in instances where there was poor employee communication due to unavoidable reasons, this has led to low employee morale. Additionally, we face higher financial costs as a result of more employee engagement activities implemented by us.

Employee Health and Safety

Long-Term:
Over a period of time, high priority to employee health and safety will eventually increase employee satisfaction and security, and improve employee morale and accountability. Not managing occupational health and safety matters well could lead to more injuries, disabilities, and a high attrition rate.

Short-Term:
Our attention to detail with respect to occupational health and safety has led to better employee efficiency, productivity, lesser instances of absenteeism, and better awareness of health protocols among employees. However, an existing challenge with respect to health and safety restrictions is lower opportunities for engagement by employees. Higher costs of obtaining and maintaining OHS management systems certifications are also a challenge.

Fair Marketing and Labelling Practices

Long-Term:
Ensuring that all products we source follow strict standards on marketing and labelling increases customer satisfaction in the long run, and promotes a safe customer experience at stores due to public confidence in products. Not including quality checks in place (for marketing and labelling) could affect customer loyalty and lead to regulatory issues, in addition to posing challenges in meeting changing government regulations.

Short-Term:
Our strict adherence to quality requirements on marketing and labelling has led to customer loyalty, minimal customer complaints, and no regulatory fines / penalties in this regard.

Customer Privacy and Cybersecurity

Long-Term:
We realise that ensuring strict protocols on data security could increase customer trust and help us use the data better and form partnerships driven by the use of data. However, leaving gaps in cybersecurity practices could make our data prone to hacking, phishing, and identity theft.

Short-Term:
With strict protocols in place, we have been able to use customer data for improving the membership shopping experience, our online and mobile sales have improved, and better communication protocols have been established with customers.

Communities and Livelihoods

Long-Term:
The creation of shared value in the long term through our community support initiatives helps more and more SME entrepreneurs venture and expand, promotes job creation among local communities, and leads to lessened income inequalities. If CSR programs are not managed properly, this could affect relations with local communities.

Short-Term:
Our CSR initiatives have promoted job creation among local communities, and ensured the availability of affordable office and school supplies to members of the local community.

Business and Ecosystem Viability

This thematic area concerns our economic and financial performance over a period of time, considering all factors in the ecosystem that influence this – including natural calamities and disasters, procurement practices, latest technologies, and others. We believe that maintaining sustained financial performance is the first step towards being able to ensure the welfare of our stakeholders. Our performance in this regard is outlined in the sections below.

Economic Growth

At Cosco Capital, finance teams in individual subsidiaries are responsible for overseeing matters related to financial reporting, budgeting, and setting revenue targets. We also have an internal audit mechanism to monitor our performance. Our economic performance for the year is encapsulated in the table below:

Particulars	2022 (Philippine Peso in Million)	2021 (Philippine Peso in Million)	2020 (Philippine Peso in Million)
Direct Economic Value Generated			
Revenues	200,324,008,737	177,670,401,306	180,474,149,423
Revenue from financial investments and other sources	805,978,804	494,616,068	696,109,532
Grand Total	**201,129,987,541**	**178,165,017,374**	**181,170,258,955**
Direct Economic Value Distributed			
Operating costs	23,574,161,211	21,461,844,669	20,147,712,147
Employee wages and benefits	3,139,628,016	3,038,541,961	2,571,143,840
Payment to provider of funds	None	None	None
Interest payment made to provider of loans	527,169,296	697,383,984	440,335,510
Dividends to all shareholders	2,791,727,089	1,669,896,000	1,865,088,832
Sub total	**30,032,685,612**	**26,867,666,614**	**25,024,280,329**
Payments to government (taxes)	4,981,210,761	4,253,790,186	5,291,309,846
Community Investments	202,100,000	10,670,000	25,125,192
Reinvested to maintain and develop operations:			
Depreciation and amortisations	4,315,783,633	4,624,580,000	4,152,877,300
Retained profit	71,597,332,975	65,943,338,000	58,915,686,000
Deferred Tax	1,245,673,897	882,764,000	758,131,000
Sub total	**82,342,101,266**	**75,715,142,186**	**69,143,129,338**
Grand Total	**313,504,774,419**	**280,747,826,174**	**275,337,668,623**

With respect to salaries and wages, we always set a competitive hiring rate based on the region's minimum wage law and industry rate. 99% of the employees at Puregold, and 95% of the employees at S&R earn monthly salaries higher than the minimum wage prescribed. This convention is followed across our subsidiaries. Our local hiring rates stand at 100% for Puregold and The Keepers Holdings, for whom "local" means native Filipinos. 68.5% of the senior management were hired locally by S&R, wherein "local" refers to areas surrounding the stores.

In 2022, the Cosco group spent Php 9.2 billion for infrastructure investments on capital expenditure for new store openings, repairs and maintenance, and IT investment (this is a 100% increase from the year 2021). These investments impact communities in a positive manner given the opening of new stores creates more local employment, and improves the standards of living of our employees and their families.

Local procurement is always prioritized by Cosco Capital, across our subsidiaries. We try to go local in order to support the regional economy; however, in our retail stores, we include a lot of imported brands as well to satisfy the wants of our customers. Our local procurement data (for 2022) is provided in the table below:

Subsidiary	% of spending on local suppliers
Puregold Price Club Inc.	90%
S&R Membership Shopping	60%
The Keepers' Holdings	8%
Real Estate Group	100%
Office Warehouse	90%

We also contribute to local economic growth by paying our taxes in full and on-time, in accordance with our tax strategy that is applicable for all subsidiaries. Our strategy is based on tracking and payment of whatever taxes are applicable to us. The President of the group reviews every tax payment that is made, ensuring accountability in this regard. We embed the principle of on-time tax payments amidst our employees by regularly tracking the websites of Tax Authorities for new policies and regulations, and encouraging them to attend seminars related to these. Once tax payments are processed, these are evaluated for gaps / improvements needed, if any. All our tax obligations and payments are properly disclosed in the audited financial statements.

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Disaster Preparedness

Given the widespread footprint of our operations that could be affected in case natural calamities occur, we have a group contingency plan that outlines procedures to be followed in such situations. The guidelines describe how the security team, employees, and civilians should respond to emergency situations during the occurrence of various disasters (the definitions for which are also provided in the plan). A snapshot of these points is provided in the table below:

Calamity / Disaster	Response Plan
Earthquake	Security team to secure access points, guide civilians and employees, and stay alert; employees to exit based on company's instructions; civilians to exit calmly.
Storm, Typhoon and Flood	Since these disasters usually have forewarnings, security teams stay in for prolonged periods to protect life and property, and respond according to pre-planned contingency plans for such situations.
Fire	Preventive measures outlined: smoking prohibition, checking flickering lights, not storing disposable materials unnecessarily, making firefighting accessories available, firefighting personnel / staff to be trained. In case of fire occurrence, the security team follows a contingency plan, calls the fire department immediately, decides on evacuation only if needed, and evacuates employees through designated points.
Sabotage & Bomb Threat	Nature of such incidents are outlined, along with procedures on how to respond in case threats are received on the phone.

Apart from this, Puregold also has a separate Critical Incident Management manual outlining guidelines on the role of the Critical Incident Management Committee, activities of the Emergency Operation Center, evacuation and relocation, damage assessment and recovery, and the emergency management cycle.

Conscious Conduct of Operations

The sheer number of stores that we operate means that we create significant environmental impact through our resource consumption for everyday activities. We recognise the multiple opportunities to reduce our resource use and recycle waste at all our stores. Our actions in this regard influence many stakeholders including our employees and our customers; therefore, we hold ourselves responsible for setting the right example.

Technology and Innovation

As a customer-facing business, we are constantly on the mission to innovate and improve our methods of engagement and diversify the products that we offer. Technology has been a key enabler in this process, especially after the pandemic. The top management constantly drives the group towards market expansion and innovation by encouraging the establishment of new supermarkets and warehouse clubs nationwide, helping the group gradually expand its footprint to reach out to more customers. Our recent innovations to improve customer satisfaction (some of them integrating technology) are listed below:

Puregold mobile application, which addressed customer concerns on safety and mobility during the pandemic. As of 2022, 1.43 million users have downloaded this application.

Tindahan ni Aling Puring program, that provides market offers and best value on money deals for supporting small businesses local to the Philippines. 760,000+ TNAP members are a part of this program, offered through the "Sari-Sari" stores of Puregold.

Puregold Perks Program, provision of access to groceries for 1.5 million Puregold Perks customers even during the pandemic, through online shopping, door-to-door delivery delivery options and other methods (through caravans / shopping on wheels).

Our initiatives led to Puregold winning the **"Most Chosen Retailer"** award in 2022 for the FMCG sector, based on the consumer reach points method.

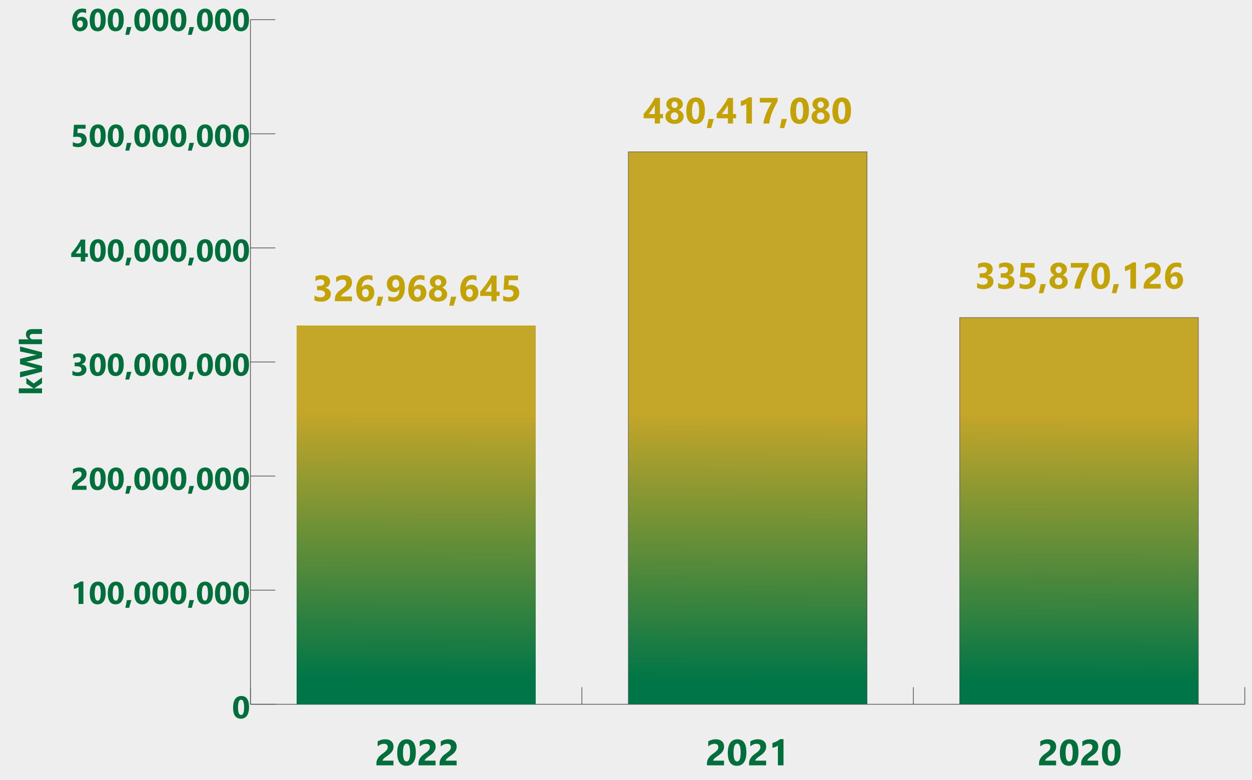
Energy and Emissions

Our operations team in each subsidiary is responsible for energy management and monitoring energy data. Our energy consumption is mainly from diesel and gasoline for power generators and for trucks that load / unload our sticks, and liquified petroleum gas for cooking in the stores that sell food.

Our total energy consumption over the past three years is presented in the table below:

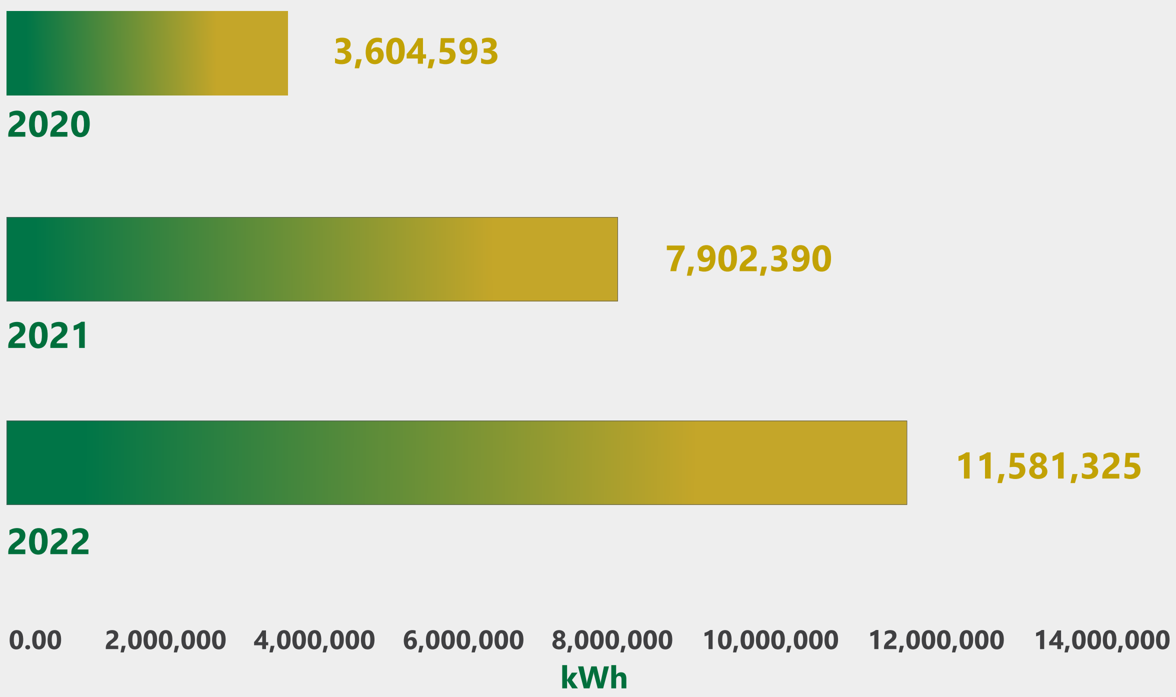
	Sources of Energy within the organization	Unit	2022	2021	2020
1	Diesel	GJ	2,115,266	5,794	3,759
2	Gasoline	GJ	178,913	9,205	4,794
3	LPG Gas used in Canteen in KG	GJ	2,016,683	69,355	191,240
4	Renewable energy	kWh	11.58 million	7.9 million	3.6 million
5	Electricity from Grid	kWh	326.97 million	480.42 million	335.87 million

Data on electricity purchased is provided in the graph below (we purchase from Meralco electricity):



There has been a decrease in electricity purchased in 2022 as compared to 2021, the reduction in energy consumption can be attributed to the implementation of energy conservation programs and the company's growing production of renewable energy despite new store expansion, resumption of normal operations, and increased foot traffic inside the stores.

As for energy produced by us, we have started installing rooftop solar facilities in 24 stores and 1 distribution center. This has led to a marked increase in the solar energy produced by us, mainly due to the rooftop solar units introduced by Puregold in 2022, in addition to S&R's solar energy production. This is represented in the graph below (in kWh):



We have implemented several initiatives towards energy conservation in 2022, which are listed below

- Strict implementation of energy conservation programs such as turning off the lights during lunch break, maintaining room temperature 25+/-1 degree celsius in air conditioners, by Cosco Group.
- Incandescent bulbs were converted to LED bulbs, neon building ID signage were converted to LED signage by Puregold, S&R and Office Warehouse, in addition to specifying guidelines and procedures for switching off lights and air conditioners as per schedule.
- Solar PV panels have been installed in 22 S&R warehouse and 1 S&R distribution center since 2018, of which 41,027.48 GJ of energy has been saved to date.
- Puregold is gearing towards 100% LED main lighting in all stores.
- Conversion of water-cooled ACU using R22 refrigerant to Air-cooled Inverter type using R410 refrigerant.
- Installation of solar photovoltaic panels in 2 stores of Puregold in September 2022 led to 315,780 kWh of electricity being saved. The details are provided in the below two tables:

Phase 1		
Particulars (completed projects)	**North Commonwealth Store**	**Sucat Store**
System Size (Solar Capacity, KWp)	366.24	296.4
Project Completion	Sep 2022	Sep 2022
No. of Days of Operation	168	159
Total Generated from Solar Facility (Kwh)	156,406	159,374
Average Daily Savings (KwH)	931	1,002

Phase 2		
Particulars (completed projects)	**Qi – Central Store**	**Taguig Store**
System Size (Solar Capacity, KWp)	752.40	673.20
Project Start Date	December 2022	December 2022
Targeted Completion Date	Apr 2nd week 2023	Apr 4th week 2023
Projected % Savings upon completion	23%	20%

Our GHG emissions for the reporting year and the previous two years are shown in the table below:

Carbon Emissions	2022	2021	2020
Total Scope 1 Emissions in tCO2e	13,586	5,977	5,577
Total Scope 2 Emissions in tCO2e	232,868	342,155	239,206

Our Scope 1 emissions are mainly from our energy consumption, and this has increased in 2022 compared to the previous years 2021 and 2020. Scope 2 emissions are from electricity purchased. While we have not tracked Scope 3 emissions in 2022, we intend to identify priority categories under Scope 3 and implement appropriate practices to include them in the GHG inventory and sustainability accounting process moving forward. In 2021, Puregold reduced its CO2 emissions by 36% as a result of 25% of business being handled by cross-dock operations, which led to distribution efficiency. Between 60-80% of Puregold's refrigeration/chillers/ACUs have now been converted to R400 series, which is the more environmentally-friendly HCFC. Our emissions intensity for 2022 is 0.0015%.

Waste and Recycling of Packaging Waste

At Cosco, we believe in reducing the amount of materials used in our operations and thereafter. Reducing the amount of waste that we generate could be beneficial for building a closed loop system wherever possible, thereby advancing our part in promoting a circular economy. We do not track data on raw materials for most of our subsidiaries since we import various brands and resell them in the local market. We record material consumption data for S&R since they source plastic packaging in pieces. The amount of plastic packaging sourced in 2022 was 45,751,274 pieces, as compared to 52,064,567 pieces in 2021 – a 12% decrease in 2022 relative to 2021. The procurement team is responsible for matters related to material sourcing. Waste management is according to our Hazardous Waste Management Plan and the Solid Waste Management Plan.

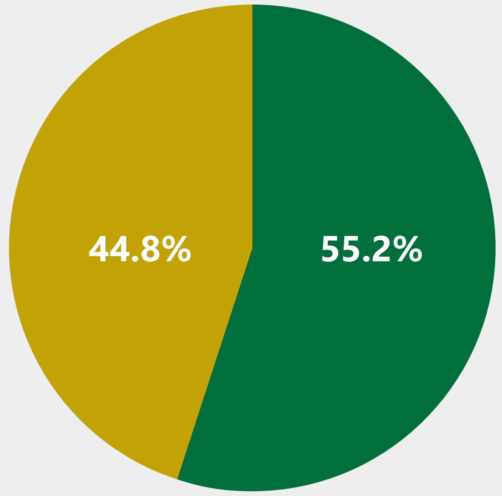
Our solid waste management process is rigorous and comprehensive. An outline of this process (at Puregold) is presented in the infographic below:

1. Source segregation by categories: bio-degradable, non-bio-degradable, recyclable by using coloured bins
2. Transfer to depository/ disposal area that is accessible only to authorised personnel for further segregation
3. Labelling of segregated waste - red for recyclable, green for biodegradable, blue for non-bio-degradable
4. Disposal only to government accredited third party garbage haulers/local government units with minimal spillages.
5. Recyclable waste sent to junk shop/scrap buyer, biodegradable waste to Barangay Material Recovery Facility, non-bio-degradable to sanitary landfill/ long-term storage
6. Monitoring and Checking of depository area, adherence to solid waste management practices, and recording/ updating data

The operations team is responsible for tracking waste data, which is shown in the chart and paragraph below (in metric tons):

Non Hazardous Waste

- Waste directed to disposal
- Waste diverted/reused on-site/recycled



Of the total non-hazardous waste generated by NE Pacific, Puregold, and S&R Membership Club, the majority comes from food, metal, glass, plastic, and paper. Most of it is directed to disposal (for recycling by a third party), while some of it is reused on-site for packaging of purchased goods by consumers (i.e. use of cartons as packaging).

Hazardous waste is mainly generated from Puregold and S&R (busted fluorescent lamps, used oils from generator sets, busted LED lamps, genset batteries, and grease wastes). In 2022, 536.72 MT of hazardous waste was generated and sent to an accredited third party that collects hazardous wastes. Puregold generates a small amount of electronic waste due to printers, copies, and credit card machines. 2.34 MT of electronic waste was generated in 2022 (this was sent to junk shops).

The hazardous waste management process followed by Puregold is outlined in the infographic below:

1. Source segregation of waste in clearly labelled containers, collected by designated staff
2. Storage of used oil/ grease in closed drums; storage of expired bulbs in plastic drums (all in a dedicated storage area)
3. Labelling in yellow background with black test, classifying type of hazardous waste
4. Disposal through third party dealer accredited by DENR according to minimum weight requirements
5. Busted bulbs within warranty period kept separately and returned to suppliers
6. Store Manager, Store Operation Officer, Store Admin staff to check adherence to processes and record and update data

We are constantly on the lookout for new and unique initiatives to manage and reduce waste generated by us, apart from ensuring compliance to the local Solid Waste Act. Some of our initiatives implemented in 2021 and 2022 are listed below:

- Puregold aims to reduce its plastic use by launching a "No Plastic Use" program nationwide called Walastik Plastik Program that is applicable every Monday and Wednesday, where customers can bring their own reusable bags. Through this and other initiatives, Puregold and S&R have achieved a reduction of 100 million plastic bags in 2021 itself. Compared to five years ago, Puregold has reduced its plastic shopping bags usage by almost 50% despite the addition of more than 150 stores for the same period. Currently, 65% of Puregold stores use paper bags and promote monthly upsizing to reduce single-use plastic. S&R, as of 2022, has completely stopped the purchase of plastic bags.
- Reviving Puregold's recycling program, where customers can exchange their recyclable materials such as plastic bottles, cans, cartons, and newspapers for Puregold gift certificates.
- S&R group introduced a recycling program to reuse and resell carton boxes and plastics, use of recyclable containers for oils, reusable plates, and cutlery in the food service program, and has stopped the purchase of plastic since the second half of 2021.
- As of 2022, 1,203 tonnes of solid waste generated was reused on site, while 900 tonnes was composted (for Cosco Capital as a whole).

Food Waste

Food wastes and other solid waste are generated from the food and fresh section of S&R, where the group processes meat, fish, and other poultry products. The scraps coming from the preparation of this food are sent to third-party accredited solid waste haulers, who send this waste to the landfill.

Optimising Water Use

Our water use is also monitored by the Operations team. While our activities are not water intensive, we consume water for drinking, cleaning, and washing – across our subsidiaries. We source our water from a third party, and our total water consumption for the year 2022 was 1914.2 megalitres. 90% of Puregold's water consumed is later discharged into septic tanks and sewage treatment plants. 157 wastewater treatment facilities of Puregold are compliant with the Clean Water Act with respect to effluent release. Additionally, Puregold also implements water conservation measures such as rainwater harvesting, water recycling, and low-flow fixtures and waterless urinals. Puregold's grey water strategy aims to reduce the potable water demand of the operation by using the treated wastewater for flushing and cleaning.

Case Study

Puregold's Building Sustainability Initiatives

Apart from all the above initiatives, we have a building design and material optimisation policy that seeks to reduce resource consumption in all our Puregold stores. Some aspects of this policy are outlined below:

Design

- Site potential optimisation which includes assessing a potential side for maintaining vegetation, for solar viability, reuse potential of existing fixtures, and proximity of customers / residents / employees to the site
- Energy Use Optimisation through use of LED lighting, high efficiency IE2 in water pump motors for energy efficiency
- Recycled STP water and recycled rain water to be used for flushing, gardening, landscape irrigation
- Use of concrete and steel for strong and solid buildings that can withstand extreme temperatures, severe storms, floods and other natural disasters.

Materials

- EIFS (Exterior Insulation and Finish System) - Reduces solar heat gain on walls and leads to approximately a 25% improvement in cooling within the building
- Double bubble double foil roof insulation with high R-value - Reduces solar heat by an estimated 15%.
- White roof coating, which has a solar reflective index of 80-90%
- HVLS (High-Volume, Low-Speed) Fans - They require little energy/electricity for large commercial and warehouse areas.
- Waterless urinals - They save an estimated 30,000 to 40,000 gallons of water per year, per urinal, compared to the standard flush-valve type.
- Use of water efficient toilet fixtures such as self-closing faucets that regulate the flow and release of water and low-capacity flush tanks.
- Use of cement/concrete - Provides long-life cycle, lower life-cycle costs and resilience following natural and man-made disasters.
- ACP (Aluminum Composite Panels) -. Recycling aluminium saves 95% of the energy required to produce Aluminum from raw materials.
- Use of steel, which is 100% recyclable.

Equipment

- Refrigeration Equipment - R404 Freon used is non-CFC (Ozone layer friendly)
- Use of inverter type air conditioning units, refrigeration equipment, and inverter type escalators, moving walks, and passenger elevators for lower energy consumption and lower electricity bill.

Aside from these, new stores being identified are structurally designed to carry solar panels, and to accommodate sewage treatment plants.

Sustainable Supply Chain

The group-wide supplier code of conduct outlines principles and guidelines to be followed by suppliers while engaging with us. The procurement team is responsible for promoting adherence among the suppliers. Though we do not conduct full-fledged vendor assessments on environmental and social aspects, we administer a supplier self-assessment questionnaire that covers environmental and social aspects including their taxpaying record, SEC registration, and other such aspects. Logistically, it is a challenge for us to implement supplier screening on ESG even for our Tier 1 suppliers, given the number of brands we import (for our retail store and liquor segments).

However, we seek to explore this option for our real estate and office supplies segment in the near future. 21 new suppliers were added in 2022 (for the S&R membership shopping club).

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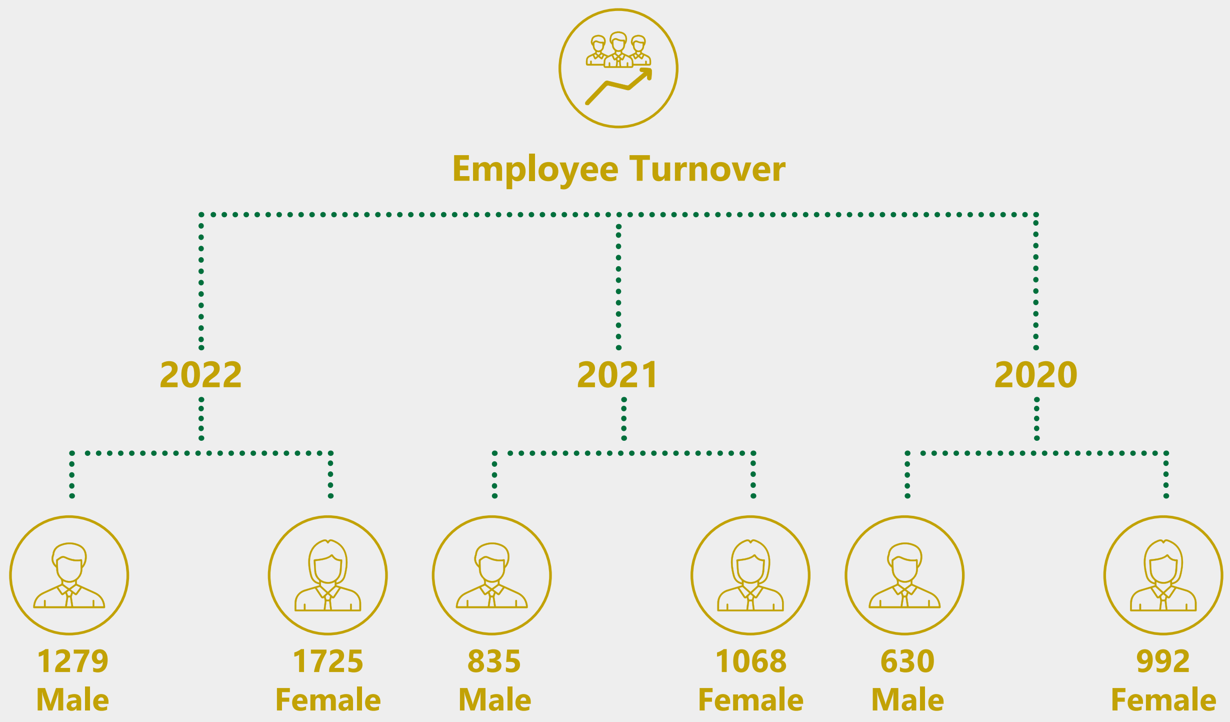
Value for People

The stakeholders that we are associated with throughout the course of our value chain are crucial elements to the success of our business. The commitment of our employees to organisational values and principles, customer loyalty and trust, and cooperation from the community that surrounds our operations are indispensable to the long term survival of Cosco Capital. We therefore have a host of programs and policies in place to ensure the wellbeing of these stakeholders, outlined in the sections below.

Employee Engagement and Diversity

Our group HR manual covers all matters with respect to our employees at all subsidiaries of Cosco Capital. The manual covers the following policies:

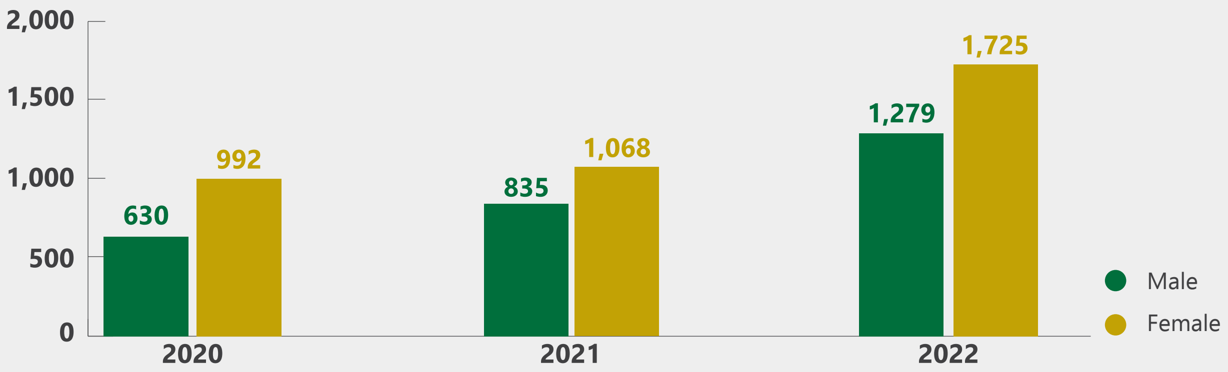
- Company Safety Policies: Outlines guidelines for observation of safety regulations, safety responsibilities of the employee and supervisor, worksite precautions for the entire company, offices and stockroom areas, and SOPs for safety inspection.
- Drug-Free Workplace Policy: Provides definitions of different types of illegal and legal drugs, norms for drug testing at the workplace (to prevent the use of illegal drugs at the workplace), and guidelines on disciplinary action against unauthorised use of illegal drugs.
- Rules and Regulations against Sexual Harassment: Description of what could constitute sexual harassment, guidelines on maintaining proper decorum, and investigation procedures for cases of sexual harassment (if any).
- Workplace Policy and Program on Paternal Leave: The policy covers all married male employees – 7 days for the first four deliveries with full pay.
- Company Policy and Rule on STD / HIV / AIDS: Mentions that the company will fully extend all rights and liberties of people tested with such diseases, and a strict stand against discrimination based on these aspects will be adopted.
- Workplace Policy and Program for Special Leave for Women: Outlines instances in which women can be granted special leave – for procedures that could include, but are not limited to dilation and curettage, and those involving reproductive organs.
- Workplace Policy and Program on Maternity Leave: A maternity leave of 105 days is granted for normal or caesarean delivery and additional 15 days for single mothers.
- Workplace Policy and Program on Solo Parents: Benefits that single parents (who turned single due to many possible causes) are entitled to, are outlined in this policy. Flexible work arrangements are also outlined.
- Workplace Policy and Program on Hepatitis B: Covers company's goals on education, preventive strategies, non-discriminatory policies and practices, confidentiality, work accommodation and arrangements, screening, diagnosis, test referrals, and compensation for affected employees.
- Workplace Policy and Program on Tuberculosis Prevention and Control: Guidelines are similar to the Hepatitis B policy – seeking to prevent and control cases of tuberculosis at the workplace, and to support those with TB.
- Worksite Lactation Program and Policy: To reduce barriers in breastfeeding for employees and their family members. This includes awareness programs, a culture of support for breastfeeding employees, and making private areas available for breastfeeding.



Our employee turnover by gender is represented in the figure above. The high turnover numbers (around 91% of the total turnover) can be attributed to junior staff members and non-supervisors, most of them who work on these jobs part-time, alongside their education. Challenges associated with handling customers and low possibilities of career growth in these roles are also potential reasons for employee turnover.

As of 2022, around 50.7% of our workforce is less than 30 years old, and around 48% is between the ages of 30 and 50 years old. Around 1.11% is greater than 50 years old. In 2021, 59% belonged to the less than 30 years old category, 38.4% belonged to the 30-50 years old category, and around 1.7% belonged to the >50 years category. These percentages were around 58%, 38%, and 4% respectively in 2020.

Our new joinee data is represented in the figure below:

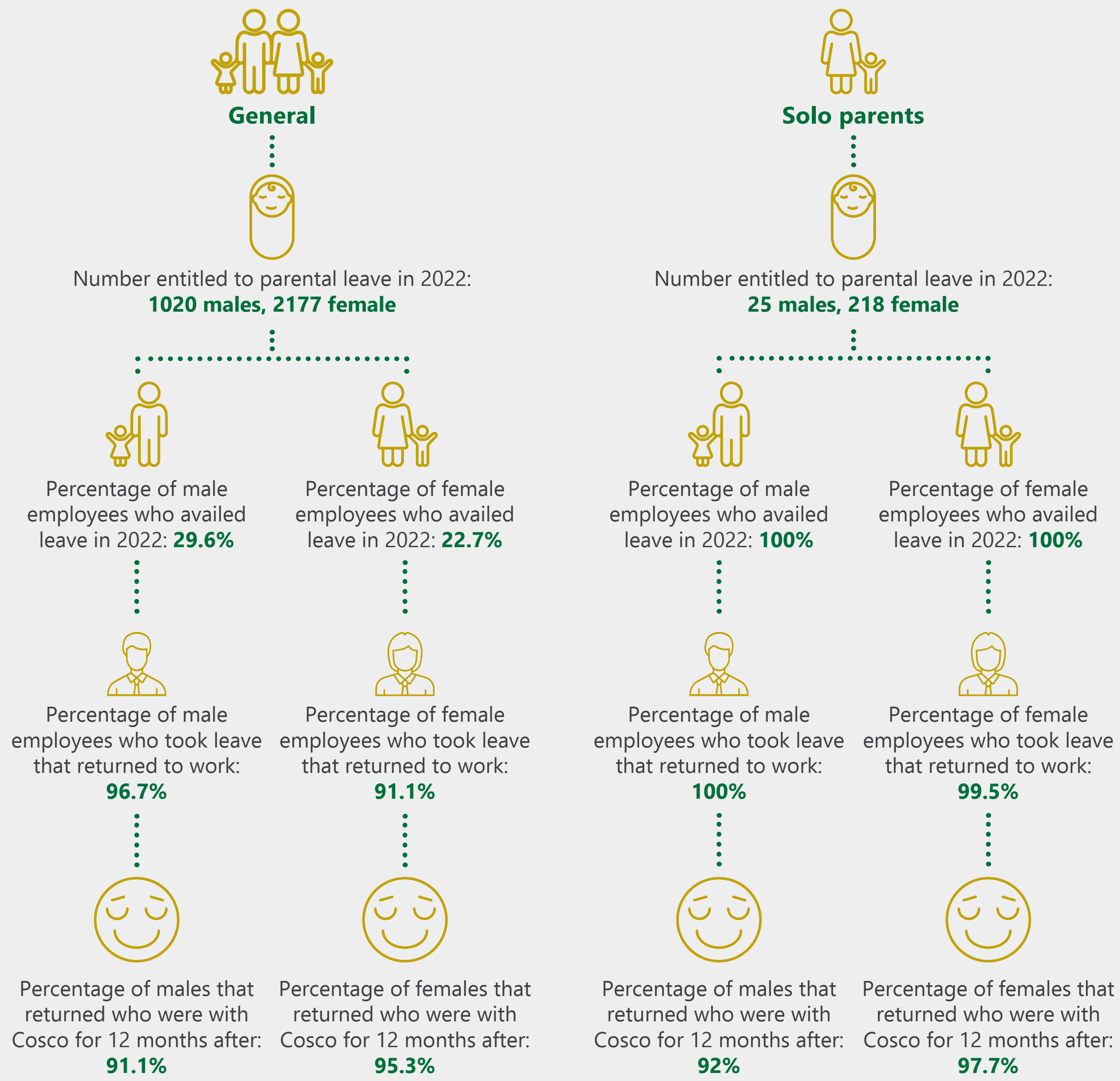


New Joinees	2022	Turnover %	2021	Turnover %	2020	Turnover %
By gender						
Male	1366	23.6	898	17.1	757	17.7
Female	1687	21.2	1167	17.3	944	22.7
By age						
<30 years	1973	20.2	1371	18.5	1084	20.8
30 - 50 years	1073	26	691	14.9	573	15.4
>50 years	7	2.1	6	2.2	4	1.4

The opening up of more stores and revival of the economy post pandemic has increased the number of new joinees in 2022, as compared to 2021 and 2020. The number of female new joinees is higher than males, and the maximum number of joinees was in the lesser than 30 years age category.

Parental leave policies are applicable to married men and women, and for solo parents. A paternity leave period of 7 days is allowed for the first four deliveries. For women, a maternity leave of 105 days is given for normal and C-section delivery with an additional 15 days for single mothers. 100% of the benefits are provided in all cases. Parental leave of 7 days is provided to solo parents, in addition to being able to access flexible work schedules.

This year's parental leave data is presented in the chart below:



For workers, the minimum number of weeks' notice typically provided to employees and their representatives prior to the implementation of significant operational changes that could substantially affect them ranges between 1 week and 1 month depending on the situation.

The benefits provided to our full-time employees are different for various subsidiaries, as shown below:

Puregold

Applicable Benefits	Employment Category			
	Senior Management	Middle Management	Junior Management	Workers
Health Insurance	✓	✓	✓	✓
Personal Accident Insurance /Group Personal Accident	✓	✓	✓	✓
Life Insurance	✓	✓	✓	✓
Dependent Insurance	✗	✗	✗	✗
Employees' Pension Scheme (EPS) - Part of PF	✗	✗	✗	✗
Employees' Provident Fund Scheme (EPFS) - Part of PF	✗	✗	✗	✗
Employees' Deposit Linked Insurance Scheme (EDLIS) - Part of PF	✗	✗	✗	✗
Bonus (if any)	✗	✗	✗	✗
Car Lease - (OYCS)	✗	✗	✗	✗
Employee Stock Option	✗	✗	✗	✗

Applicable Benefits	Employment Category			
	Senior Management	Middle Management	Junior Management	Workers
Employees State Insurance - Applicable as per ESI act at covered units	✗	✗	✗	✗
Group Life Insurance - Employee Contribution Scheme)	✗	✗	✗	✗
Health Maintenance Insurance	✓	✓	✓	✓
Meal Allowance (applicable to Operations employees and management initiated transfers/in cases of Official Business)	✓	✓	✓	✓
Transportation Allowance (applicable to Operations employees and management initiated transfers/in cases of Official Business)	✓	✓	✓	✓
Laundry Allowance	✗	✗	✗	X
Uniform Allowance	✗	✗	✗	✗
Benovalant Fund - Employee Contribution Scheme)	✗	✗	✗	✗
Scholarship of employee's children	✓	✓	✓	✓

Minimum benefits that are standard for full-time employees of the organization, but are not furnished to temporary or part-time employees by significant locations of operation	Unit
Group Personnel Accident Policy	All direct employees, upon hiring
Group Health Insurance Policy	Upon regularization
Joint Group Personnel Accident Policy	N/A
Stock ownership	N/A
Retirement provision	Upon retirement
Any other benefits - Group Life Insurance	Upon regularization

S&R

Applicable Benefits	Employment Category			
	Senior Management	Middle Management	Junior Management	Workers
Health Insurance	✓	✓	✓	✓
Personal Accident Insurance /Group Personal Accident	✓	✓	✓	✓
Life Insurance	✓	✓	✗	✗
Dependent Insurance	Voluntary (Charge to Employee)	Voluntary (Charge to Employee)	Voluntary (Charge to Employee)	Voluntary (Charge to Employee)
Employees' Pension Scheme (EPS) - Part of PF	✗	✗	✗	✗
Employees' Provident Fund Scheme (EPFS) - Part of PF	✗	✗	✗	✗
Employees' Deposit Linked Insurance Scheme (EDLIS) - Part of PF	✗	✗	✗	✗
Bonus (if any)	✓	✓	✗	✗
Car Assignment	✓	✗	✗	✗
Employee Stock Option	✗	✗	✗	✗
Employees State Insurance - Applicable as per ESI act at covered units	✗	✗	✗	✗
Group Life Insurance - Employee Contribution Scheme)	✗	✗	✗	✗
Health Maintenance Insurance	✗	✗	✓	✓
Meal Allowance	✓	✓	✓	✓
Transportation Allowance	✓	✓	✓	✓
Laundry Allowance	✗	✗	✗	✗
Uniform Allowance	✗	✗	✗	✗
Benovalant Fund - Employee Contribution Scheme)	✗	✗	✗	✗
Bereavement Fund	Voluntary Contribution	Voluntary Contribution	Voluntary Contribution	Voluntary Contribution

Minimum benefits that are standard for full-time employees of the organization, but are not furnished to temporary or part-time employees by significant locations of operation	Unit
Group Personnel Accident Policy	Regular employees
Group Health Insurance Policy	Regular employees
Joint Group Personnel Accident Policy	no
Stock ownership	no
Retirement provision	Regular Employees 60 Y.O - Voluntary 62 Y.O - Mandatory

The Keepers Holdings

Applicable Benefits	Employment Category			
	Senior Management	Middle Management	Junior Management	Workers
Health Insurance	✓	✓	✓	✓
Personal Accident Insurance /Group Personal Accident	✓	✓	✓	✓
Life Insurance	✓	✓	✓	×
Dependent Insurance	×	×	×	×
Employees' Pension Scheme (EPS) - Part of PF	×	×	×	×

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Applicable Benefits	Employment Category			
	Senior Management	Middle Management	Junior Management	Workers
Employees' Provident Fund Scheme (EPFS) - Part of PF	×	×	×	×
Employees' Deposit Linked Insurance Scheme (EDLIS) - Part of PF	×	×	×	×
Bonus (if any)	✓	✓	✓	✓
Car Lease - (OYCS)	×	×	×	×
Employee Stock Option	×	×	×	×
Employees State Insurance - Applicable as per ESI act at covered units	×	×	×	×
Group Life Insurance - Employee Contribution Scheme)	×	×	×	×
Health Maintenance Insurance	×	×	×	×
Meal Allowance	✓	✓	✓	✓
Transportation Allowance	✓	✓	✓	✓

Real Estate

Applicable Benefits	Employment Category			
	Senior Management	Middle Management	Junior Management	Workers
Health Insurance	✓	✓	✓	✓
Personal Accident Insurance /Group Personal Accident	✓	✓	✓	✓
Life Insurance	✓	✓	✓	✓
Dependent Insurance	✗	✗	✗	✗
Employees' Pension Scheme (EPS) - Part of PF	✗	✗	✗	✗
Employees' Provident Fund Scheme (EPFS) - Part of PF	✗	✗	✗	✗
Employees' Deposit Linked Insurance Scheme (EDLIS) - Part of PF	✗	✗	✗	✗
Bonus (if any)	✗	✗	✗	✗
Car Lease - (OYCS)	✗	✗	✗	✗
Employee Stock Option	✗	✗	✗	✗
Employees State Insurance - Applicable as per ESI act at covered units	✗	✗	✗	✗

Applicable Benefits	Employment Category			
	Senior Management	Middle Management	Junior Management	Workers
Group Life Insurance - Employee Contribution Scheme)	✗	✗	✗	✗
Health Maintenance Insurance	✓	✓	✓	✓
Meal Allowance	✗	✗	✗	✗
Transportation Allowance	✓	✓	✗	✗
Laundry Allowance	✗	✗	✗	✗
Uniform Allowance	✗	✗	✗	✗
Benovalant Fund - Employee Contribution Scheme)	✗	✗	✗	✗

Minimum benefits that are standard for full-time employees of the organization, but are not furnished to temporary or part-time employees by significant locations of operation	Yes / No
Group Personnel Accident Policy	✓
Group Health Insurance Policy	✓
Joint Group Personnel Accident Policy	✗
Stock ownership	✗
Retirement provision	✗
Any other benefits	✓

NE Pacific

Applicable Benefits	Employment Category			
	Senior Management	Middle Management	Junior Management	Workers
Health Insurance	✓	✓	✓	✓
Personal Accident Insurance /Group Personal Accident	✓	✓	✓	✓
Life Insurance	✓	✓	✓	✓
Dependent Insurance	✗	✗	✗	✗
Employees' Pension Scheme (EPS) - Part of PF	✗	✗	✗	✗
Employees' Provident Fund Scheme (EPFS) - Part of PF	✗	✗	✗	✗
Employees' Deposit Linked Insurance Scheme (EDLIS) - Part of PF	✗	✗	✗	✗
Bonus (if any)	✗	✗	✗	✗
Car Lease - (OYCS)	✗	✗	✗	✗
Employee Stock Option	✗	✗	✗	✗
Employees State Insurance - Applicable as per ESI act at covered units	✗	✗	✗	✗

Applicable Benefits	Employment Category			
	Senior Management	Middle Management	Junior Management	Workers
Group Life Insurance - Employee Contribution Scheme)	✗	✗	✗	✗
Health Maintenance Insurance	✗	✗	✗	✗
Meal Allowance	✓	✓	✓	✓
Transportation Allowance	✗	✗	✗	✗
Laundry Allowance	✗	✗	✗	✗
Uniform Allowance	✗	✗	✗	✗
Benovalant Fund - Employee Contribution Scheme)	✗	✗	✗	✗

Minimum benefits that are standard for full-time employees of the organization, but are not furnished to temporary or part-time employees by significant locations of operation	Yes / No
Group Personnel Accident Policy	✓
Group Health Insurance Policy	✓
Joint Group Personnel Accident Policy	✗
Stock ownership	✗
Retirement provision	✗
Any other benefits	✗

Office Warehouse

Applicable Benefits	Employment Category			
	Senior Management	Middle Management	Junior Management	Workers
Health Insurance	✓	✗	✗	✗
Personal Accident Insurance /Group Personal Accident	✓	✓	✓	✓
Life Insurance	✓	✗	✗	✗
Dependent Insurance	✗	✗	✗	✗
Employees' Pension Scheme (EPS) - Part of PF	✗	✗	✗	✗
Employees' Provident Fund Scheme (EPFS) - Part of PF	✗	✗	✗	✗
Employees' Deposit Linked Insurance Scheme (EDLIS) - Part of PF	✗	✗	✗	✗
Bonus (if any)	✗	✗	✗	✗
Car Lease - (OYCS)	✗	✗	✗	✗
Employee Stock Option	✗	✗	✗	✗

Applicable Benefits	Employment Category			
	Senior Management	Middle Management	Junior Management	Workers
Employees State Insurance - Applicable as per ESI act at covered units	✗	✗	✗	✗
Group Life Insurance - Employee Contribution Scheme)	✗	✗	✗	✗
Health Maintenance Insurance	✗	✗	✗	✗
Meal Allowance	✗	✗	✗	✗
Transportation Allowance	✗	✗	✗	✗
Laundry Allowance	✗	✗	✗	✗
Uniform Allowance	✗	✓	✓	✓
Benovalant Fund - Employee Contribution Scheme)	✗	✗	✗	✗

Occupational Health and Safety

As outlined above, the company safety policy outlines guidelines for safety management for the entire group. The HR department is primarily responsible for implementing guidelines in this regard. The occupational health and safety practices followed by our various subsidiaries are summarized below:

Puregold

PPCI is committed to comply with the requirements of RA 11058 and DOLE Department Order 198-18 (its Implementing Rules and Regulations) and the applicable provisions of the Occupational Safety and Health Standards (OSHS) (for all workers across all stores, including agency and indirect workers). PPCI ensures a safe and healthful workplace for all working people by affording them full protection against all hazards in their work environment. The following initiatives are implemented according to compliance requirements:

- All workers including new hires are provided with orientation and information on all types of hazards in the workplace.
- Provision for, and use of personal protective equipment
- Safety signage and devices that warn workers and the public on hazards at the workplace
- Implementation of Occupational Safety & Health Program
- Presence of a structured Safety & Health Committee (comprising a Safety Officer, a First Aider, a Chairperson, a Secretary, and Members). The Safety Officer is chiefly responsible for OHS-related offers.
- Safety Officer of the company attends a mandatory forty (40)-hour basic OSH training course as prescribed in the OSH standard.
- Trained First Aider is certified to administer first aid by the Philippine Red Cross
- Regular submission of Occupational Safety & Health Reports
- Free welfare facilities for employees and workers all workers, including agency and indirect workers
- Workers are not required to return to work if they feel imminent danger exists in their jobs
- Frequent monitoring and inspection of health or safety aspects of the store operations being undertaken with the participation of the officers and the employees
- Assistance to government inspectors in the conduct of safety and health inspection
- Transport is available on standby to transport injured personnel to the nearest clinic/hospital
- Regular direct employees are provided with HMO and accident, health insurance benefits
- Only authorized personnel have access to employee health records
- Issuance of Work Stoppage Order when necessary, based on the requirements and procedures provided by the OSH standards

S&R

S&R also follows local compliance requirements with respect to OHS. Continued improvement is pursued on OHS related matters by conducting regular trainings, seminars and drills annually. Periodic safety assessments are also conducted. Hazards and risk management processes are based on recognized standards. Recommendations based on incident investigation are made to eliminate hazards and minimize the risk of their occurrence, in addition to spot audits. Occupational health seminars are conducted according to legal requirements, and partnerships are built with health clinics to facilitate annual check-ups (for which transport is also arranged for employees if required). S&R adheres to the regulations under the Data Privacy Act, which requires maintaining confidentiality of personal information about workers, including their medical records. Workers are required to participate in all awareness activities with relation to occupational health and safety, which includes orientation, trainings, and drills. Employees exercise their respective functions and duties in formal committee meetings, and any disputes in related processes should be resolved by the officers of the committee. There are two OHS trainings that are provided regularly by S&R to all employees, which are described below:

- **The Basic Occupational Safety and Health Training (BOSH)** is a 40-hour course providing safety officers with a clear and concise explanation of their various responsibilities with regard to Occupational Safety and Health Standards. Trainees participate in a group discussion, a workshop and perform case analyses. Furthermore, the program aims to equip employees with detailed knowledge on OSH concepts, principles and practices applicable to the S&R clubs. Written and practical exams were administered and certificates of completion are awarded, which are valid for 5 years.
- **Basic Life Support and First Aid Training** is a 16-hour course. This training provides trainees with the knowledge and skills necessary to respond to breathing and cardiac emergencies. First Aid training teaches employees to recognize and care for a variety of first aid emergencies such as burns, cuts, scrapes, sudden illnesses, head, neck, back injuries, heat and cold emergencies. The employees who successfully passed and completed the course receive a first aider license valid for 2 years.

Real Estate Group

- The real estate segment follows rules set by the Department of Labor and Employment for the Occupational Safety & Health Standards. A Safety Officer and First Aider is present, who are trained on being certified first aid providers and safety officers. These employees usually belong to the Administrative, or Engineering & Maintenance Department. BOSH for SO1 is an 8-hour OSH orientation plus 2-hour Training of Trainers designed to impart knowledge and skills on basic concepts and principles of occupational safety and health to enable potential safety officers (SO1-certification) to implement their respective company's safety and health program.
- For NE Pacific mall, there are two safety officers (full-time employees of Cosco) and an accredited Pollution Control Officer (PCO) (on contract). This segment adheres to the guidelines of the Department of Labor and Employment, and the Department of Environment and Natural Resources. The safety officers are from the Operations Department, and the first aider is from the Leasing Department. Daily inspection and monitoring of all restricted areas of establishment are carried out. Workers also have the right to discuss any assignment that the feel are unsafe performing, with their supervisors. Since medical files of employees contain sensitive and confidential information, the files are saved appropriately with access only available for the HR staff. Workers' access to non-occupational medical services is facilitated through accident and health insurance provided by the company.

The possibility of safety incidents at Office Warehouse and The Keepers Holdings is negligible. At a group level, 51,838 employees and workers are not employed by Cosco, but are in the system because their work is controlled by Cosco.

Our OHS data (at a group level) is provided in the tables below:

Safety Data for Employees				
Description	**Unit**	**Male***	**Female***	**Total**
Fatalities as a result of work related-injury	Number	0	0	0
Fatalities as a result of work related-injury	Rate	0	0	0
High consequence of work-related injuries (excluding fatalities)	Number	1	0	0
High consequence of work-related injuries (excluding fatalities)	Rate	1	0	0
Recorded work related injuries	Number	12	1	13
Recorded work related injuries	Rate	12	1	13
Man-hours worked	Hours	12,655,200	16,212,000	28,867,200

**Except for S&R, all subsidiaries have zero work-related injuries*
**Zero work-related injuries for contract workers*

Safety Data for Employees					
Description	**Unit**	**Male***	**Female***	**Total**	**Description about main type of work-related ill health**
Fatalities as a result of work related-ill health	Number	0	0	0	
Cases of recordable work-related ill health	Number	0	0	0	

**Zero work-related ill health for contract workers*

Training and Education

At Cosco, training and education for all our employees and workers is one of the top priorities. The group focuses on keeping both employees and workers enabled with the skills required to ensure their maximum productivity at work, while also keeping in mind that it should improve their knowledge and professional expertise in the long run. In a nutshell, the focus is not only on improving their performance at Cosco, but also on furthering their careers.

Our training data for the year is represented in the table above. Average number of training hours has increased in 2022 from 2021, given the opportunities for in-person and online training.

Average hours of training			
	2022	**2021**	**2020**
Male employees	239,514	140,480	267,406
Female employees	201,439	221,615	249,362
Senior management	49	19	36
Middle management	188	77	136
Junior management	927	376	675
Workers (Permanent)	1,103	440	825
Non Supervisors	3,431	1,401	2,541
Contractual workers	0	0	0
Overall average training hours	**55,831**	**45,551**	**65,123**

The list of trainings provided by the group include:

Type and scope of programs implemented and assistance provided to upgrade employee skills	
Puregold	
Onboarding programs	New employee orientation program, Customer Service Standards, Departmental training course, Training course for section supervisor, management trainee, store managers, area managers,
Technical programs	HR upskilling program, Basic accounting for store operations, Supply Chain Module, Basic Work Management, People Management Coaching, Reliability (for accountability), Conversation Matters (for communication)
Essential Skills	Laws of Leadership, Managing your Team, Customer Service Program, "The Leader in Me", Internal Theft, Shoplifting
S&R	
Internal Developmental Trainings	Professional Image, Improving member service experience, Actions by Staff at touchpoints
Communication	Basic Grammar, Effective Presentation
Leadership	Effective Leadership, Basic Supervisory Skills, Basic Managerial Skills, On-the-job orientation
Customer Engagement Programs	Ring the Bell (during Christmas season) and Star Magic board (to build relationships with customers)
Technical Trainings	Front end Trainers Certification program, Touch points trainer certificate program, Membership trainers' certification program, Bakery training, CCTV Operators Certification Training, Fire Safety Training, Forklift Operators Training, Wholesale Telemarketers' Training
External Trainings	Basic OHS training, Red Cross First Aid with Basic Life Support Training, Forklift training (TESDA Certificate NCII), Tire Training
Apart from this, an official newsletter, **"S&R Connect"**, is issued twice a year to employees	
Office Warehouse	
Technical trainings	Product Knowledge Training, Furniture and Assembly Training, Customer Service Training, Sales Audit Training, Inventory Training, Safety Training, First Aid Training, Earthquake and Fire Drill Training, Team Building Training, Supervisory Training, Leadership Training, Financial Literacy Training

Transition assistance programs provided to facilitate employability and the management of career endings resulting from retirement or termination of employment	
Office Warehouse	Job Orientation Training
	Turnover training
	Coaching and counselling

All our employees undergo performance appraisals, which follow different conventions for various subsidiaries as follows:

- **Puregold:** Twice a year, the performance of regular employees is evaluated by their immediate supervisor. The assessment is in July for the period of January to June, and in January for the period of July to December. Web-based performance reviews are conducted through an online portal, with the intent of providing timely performance feedback, and for promoting communication and healthy working relationships that will improve productivity and efficiency.
- **S&R:** Performance appraisals are issued to regular employees on a semi-annual basis, similar to Puregold's procedure. For probationary employees, performance appraisal is done in the 3rd and 5th month of joining.
- **Real Estate and NE Pacific:** The performance review schedule begins after the probation period (in the 4th month of hiring). Annual performance reviews are conducted in November each year.
- **Office Warehouse:** All employees undergo performance reviews every year. Key performance indicators include job knowledge / productivity, communication, affiliation, organizational sensitivity, work traits, sales, inventory, product knowledge, merchandise display, stock ordering and arrangement, store policy compliance, grooming, attendance, work attitude, customer service.

The group HR policies reflect Cosco's commitment towards diversity and inclusion at the workplace. The number of women in the group's governance body and employee payroll has consistently been higher than the number of men. Data in this regard is presented in the table below:

Diversity of governance bodies and employees			
Year	**2022**	**2021**	**2020**
Male	5273	4834	4739
Female	6755	6409	6178
Total Employees	12,028	11,243	10,917
% of Female Employee	56%	57%	57%
<30 years	4566	4545	4188
30 - 50 years	7141	6431	6446
>50 years	321	267	294

The male-female remuneration ratio is 1:1 for Cosco Group.

Moreover, as highlighted above in the list of policies, there is a strict stand against discrimination on any grounds across the group. In the year 2022, there were no incidents of discrimination at Cosco, and there were no instances of child labour or forced / compulsory labour. At the time of recruitment, the age of applicants is scrutinized closely. In the reporting year, workers' rights to exercise freedom of association or collective bargaining were not violated or at significant risk, and there were no incidents signifying violation of indigenous rights.

Customer Health and Safety

As a business operating in the retail industry, we recognize the immense responsibility we have towards ensuring the highest quality and safety standards in the products that we sell since these are sometimes directly consumed/used by customers. We have strict quality standards in place that are supposed to be met by our suppliers, and we closely monitor complaints/issues raised by our customers, if any, in this regard.

None of our products is currently assessed for health and safety impacts since they are all supplied by top multinational and local suppliers and they already possess the required certifications. There were no incidents of non-compliance with customer health and safety standards in the reporting year.

Promoting Sustainable Lifestyles

Cosco Group recognize the importance of promoting sustainable lifestyle to our customers, employees and all stakeholders. The following programs and initiatives are implemented and highly encouraged within the group:

- Bring your own eco-bag
- No plastic days on Mondays and Wednesday on all Puregold Stores.
- Eliminate use of single plastics by encouraging purchase bigger size SKUs rather than sachets.
- Promote cash for trash by exchanging recyclable packaging materials for cash rebates.
- Selling energy-efficient and solar powered products in our stores.

Relevant GRI Indicators: 3-3: Management of material topic

Non-GRI: Initiatives to promote sustainable lifestyles among customer groups

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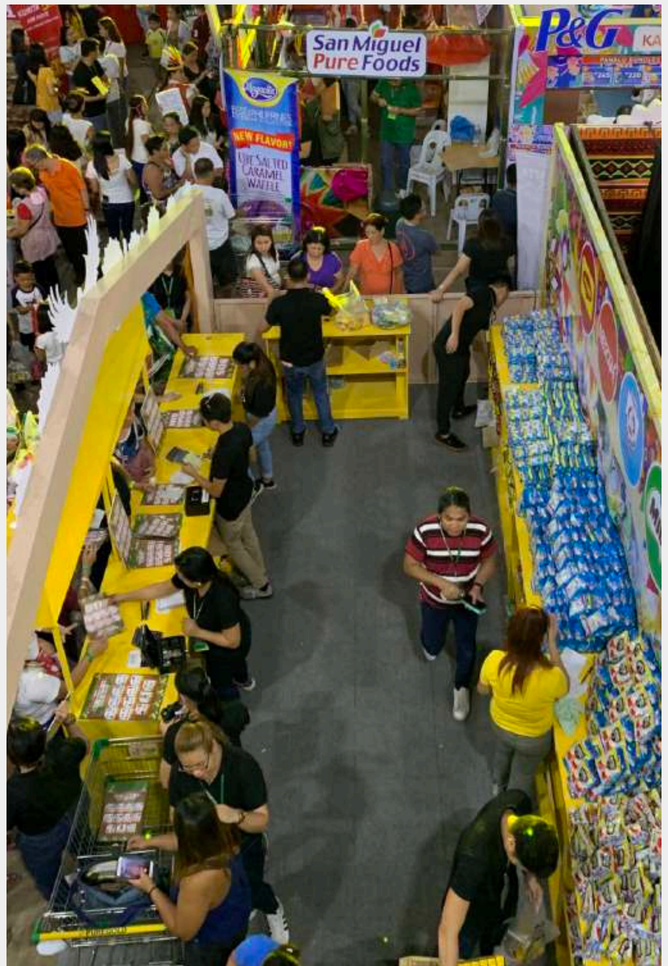
Customer Privacy and Cybersecurity

Collecting customers data is an integral part of Cosco's operation, especially for membership shopping and retail store businesses. Customer data helps us optimize the products and experience we offer to them. In this process, we ensure we adhere to the highest accountability standards with respect to maintaining the confidentiality of this data. Across the group, we adhere to the local Data Privacy Act. All employees across all stores are trained on data security practices by the HR department. In the year 2022, there were no complaints received from outside parties and from regulatory bodies, and no identified threats, leaks, or losses of customer data. The respective IT Heads and data privacy officers per business unit are in-charge for the customer privacy and cybersecurity.



Fair Marketing and Labelling Practices

Many of the products that Cosco sources for all its subsidiaries are imported from external brands, who all follow local and (in some cases) international regulations on marketing and labelling. Adherence in this respect is closely monitored by the procurement team whenever Cosco engages with new suppliers, and also during the course of regular interactions with suppliers. All products that are being sold at Puregold and S&R stores comply with food and drug regulations in the Philippines. There were no incidents of non-compliance with marketing / labelling regulations in the year 2022.

Communities and Livelihoods

Co-existence with communities surrounding our operations is an essential element of Cosco's stakeholder engagement strategy, since it is people from these communities that help us thrive by buying our products and coming back to our stores for the experience that we seek to provide. Therefore, Cosco has always sought to understand the needs of this community to give back to them in ways that help them achieve collective advancement as a society. Our CSR initiatives in the year 2022 are listed below:

- Office Warehouse has launched the Puno ng Pag-ibig Program that staged the Tree Planting Project partnership with DENR and the Essay Writing Contest for students on September 30, 2022.
- Cosco Group has donated money for setting up a school in the University of Caloocan with 15 classrooms and 5 laboratories, at a total cost of Php 68 Million.
- Cosco Group has also donated money to Laoag – for constructing school buildings and a fire protection building with total costs of Php 58.2 Million.
- Cosco Group has donated 10.5M Php for a total of 16,000 doses of COVID-19 vaccines
- A total of 1,178 scholarship grants was given through LCCK Foundation amounting to Php 65.4 million.

Our total CSR spending for the year 2022 was Php 202.1 million compared to Php 10.7 million in 2021.

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Respect for the Rule of the Land

Since our inception, we have tracked changing regulatory requirements and ensured strict compliance with them. We believe that following local and national rules and regulations is essential for the smooth running of our operations and for maintaining good relationships with local authorities. This is an essential element in building our reputation and goodwill over a period of time, which establishes trust in our brand.

Governance and Anti-Corruption

Our corporate governance committee is composed of three members, all of whom are independent directors, including the Chairman. It is headed by an independent director, Mr. Oscar S. Reyes. The Corporate Governance Committee is responsible for nomination and selection of this director. The committee also nominates and selects and appoints a "Group Sustainability Officer'' who is responsible for overseeing management of sustainability impacts (ESG) by identifying and managing climate risks. The Governance Committee is closely involved in the review of the sustainability report along with the IACGR (Integrated Annual Corporate Governance Report).

The Conflict-of-Interest Policy is applicable to the Directors, Officers and Employees of Cosco Capital, Inc., who are expected to act and perform their duties in the interest of the Company. They should not receive personal gain, benefit, grant, gift or any advantage by virtue of their position in the Company. They must immediately disclose to the Board or to their immediate superior any possible occurrence of conflict of interest or any offer of cash, gift or any benefit from customer, supplier or third-party contractor of the Company. Any violation of this policy invites serious disciplinary action and / or dismissal from work. Critical concerns or audit findings are raised during monthly risk management meetings before these are forwarded to the Board for action. Group-wide sustainability performance is evaluated through annual sustainability reports and reviewed during governance seminars which includes topics on sustainability.

Policy commitments made by Cosco Capital in 2022 are as follows:

- No plastic wastes in all S&R warehouse
- Reduce plastic consumption in all Puregold stores
- Promote recycling in all Puregold stores
- Increased reliance on solar energy consumption.

In order for employees to realise the importance of adhering to these commitments, we conduct training and awareness seminars for all employees such as anti-corruption policy training, health and safety training, disaster preparedness training, etc. In order to remediate negative ESG impacts, we are currently in the process of developing an ESG Policy Manual that is awaiting approval.

We have a simple mechanism in place for employees to report grievances, wherein they first talk to their immediate supervisor, who raises the concern with the human resources department or the corporate governance department. 100% of Cosco Group's employees have received communication on anti-corruption, and there were zero incidents of corruption / anti-competitive behaviour in the reporting year. Our anti-corruption policies and clauses based on our code of conduct are outlined in the table below:

ANTI-CORRUPTION POLICIES BASED ON CODE OF CONDUCT	
Corruption is defined as abuse of entrusted power for private gain, as well as instances of dishonesty, deceit, fraud, misconduct, falsification, manipulation, bribery, crime, exploitation, extortion, fraud, graft, nepotism, and other similar violations.	
Article D - Misconduct **Sanction - Suspension up to Dismissal**	
Section 21	Using company time and/or use of company property to do an unauthorized work for personal or other's gain
Section 22	Engaging in any form of gambling/lottery/game of chance while on or off duty within the company premises
Section 32	Commission of any criminal offense against a customer or a non-company personnel
Section 36	Rendering services for another employer during working hours or while in active employment for the company without the knowledge or approval from Management
Section 39	Engaging in lending or personal business for profit within the company premises

ANTI-CORRUPTION POLICIES BASED ON CODE OF CONDUCT	
Section 44	Soliciting/accepting contribution or items for any purpose without prior authorization from the Management;
	Soliciting from any supplier, business/trade partner any gift, contribution or support in any form without prior approval from Management
Section 52	Malversation of company funds
Section 53	Abuse of position/authority for personal gain or advantage
Section 54	Stealing
Section 55	Commission of a crime or offense
Section 59	Fraud or wilful breach of the trust and confidence reposed by the Management
Section 61	Accepting or offering money, gift, anything of value, commission, preferential treatment, promise, in consideration of any act, contract, decision or service connected with the discharge of employee's work
Section 63	Using Company's name in personal transaction or business for personal profit/gain

Compliance to the Law

In case of instances related to fines/non-compliances that are to be reported, this is done with the Office of the Corporate Secretary for corporate matters, and with the Administrative Office and the EHS Department for environmental concerns.

Way Forward on Sustainability

We hope this sustainability report provides a reasonable insight into our sustainability performance for the year 2022, and our intent to pursue industry leadership in sustainability initiatives and disclosure in the future.

In order to identify our direction when it comes to sustainability initiatives in the next few years, we completed an internal assessment of our existing practices and priorities under each of our organizations. Based on this assessment, we have identified several actions to be pursued in the short term (less than 1 year), medium term (1-2 years) and long term (3+ years).

Below are a few select areas that will be pursued based on the assessment:

- Establishing effective data management practices for ESG performance
- Prioritizing GHG emissions and Energy efficiency measures across operations
- Adopting an enterprise-wide risk management framework that integrates ESG risks
- Promoting capacity building among key staff and top suppliers on sustainability practices
- Levelling up internal awareness on workplace sustainability actions
- Establishing a structured approach to CSR management for greater impact

Cosco Group commits to achieving net zero carbon emissions across its operation by 2050 in support of international agreements for climate action such as the United Nation's Paris Agreement and Glasgow Climate Pact.

In the next 5 years, we see ourselves working rigorously to scaling new heights when it comes to sustainability actions, performance and positive impact. Pursuing this journey could significantly improve our understanding of the ESG ecosystem, provide our employees and key stakeholders a rejuvenated purpose while staying within the Cosco Capital family and set an example for the rest to follow.

GRI Content Index

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			
			REQUIREMENT OMITTED	REASON	EXPLANATION	
General disclosures						
GRI 2: General Disclosures 2021	2-1 Organizational details	Pages 5 - 15	*A gray cell indicates that reasons for omission are not permitted for the disclosure or that a GRI Sector Standard reference number is not available.*			
	2-2 Entities included in the organization's sustainability reporting	Page 2				
	2-3 Reporting period, frequency and contact point	Page 2				
	2-4 Restatements of information	NA				
	2-5 External assurance	NA				
	2-6 Activities, value chain and other business relationships	Pages 5 – 15				
	2-7 Employees	pages 16-17, page 73				
	2-8 Workers who are not employees	pages 16-17, page 73				
	2-9 Governance structure and composition	Page 78				
	2-10 Nomination and selection of the highest governance body	Page 78				
	2-11 Chair of the highest governance body	Page 78				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			
			REQUIREMENT OMITTED	REASON	EXPLANATION	
GRI 2: General Disclosures 2021	2-12 Role of the highest governance body in overseeing the management of impacts	Page 78				
	2-13 Delegation of responsibility for managing impacts	Page 78				
	2-14 Role of the highest governance body in sustainability reporting	Page 78				
	2-15 Conflicts of interest	Page 78				
	2-16 Communication of critical concerns	Page 78				
	2-17 Collective knowledge of the highest governance body		Omitted	Data not available since there are no sustainability focused training programs for the governance body at present	We have been adhering to local SEC guidelines for sustainability reporting. The past 2-3 years have helped us understand where we are on sustainability and through learnings from our first GRI based sustainability report, we have identified actions for the future which includes training programs on sustainability for all employees	
	2-18 Evaluation of the performance of the highest governance body		Omitted	This data is confidential	This data is confidential	
	2-19 Remuneration policies		Omitted	This data is confidential	This data is confidential	
	2-20 Process to determine remuneration		Omitted	This data is confidential	This data is confidential	

GRI Content Index

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			
			REQUIREMENT OMITTED	REASON	EXPLANATION	
GRI 2: General Disclosures 2021	2-21 Annual total compensation ratio	Page 73				
	2-22 Statement on sustainable development strategy	Pages 18 - 22				
	2-23 Policy commitments	Page 78				
	2-24 Embedding policy commitments	Page 78				
	2-25 Processes to remediate negative impacts	Throughout the report				
	2-26 Mechanisms for seeking advice and raising concerns	Page 78				
	2-27 Compliance with laws and regulations	Pages 78 - 80				
	2-28 Membership associations	None				
	2-29 Approach to stakeholder engagement	Pages 23, 24				
	2-30 Collective bargaining agreements	Page 73				
Material topics						
GRI 3: Material Topics 2021	3-1 Process to determine material topics	Pages 25-30	*A gray cell indicates that reasons for omission are not permitted for the disclosure or that a GRI Sector Standard reference number is not available.*			
	3-2 List of material topics	Pages 25-30				
Economic performance						
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 38				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			
			REQUIREMENT OMITTED	REASON	EXPLANATION	
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Pages 38, 39				
	201-2 Financial implications and other risks and opportunities due to climate change	NA	Omitted	Not currently tracked	Planned to be tracked in the next 2 years	
	201-3 Defined benefit plan obligations and other retirement plans	Page 40				
	201-4 Financial assistance received from government	None				
Market presence						
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 38				
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	Page 73				
	202-2 Proportion of senior management hired from the local community	Page 40				
Indirect economic impacts						
GRI 3: Material Topics 2021	3-3 Management of material topics	NA				

GRI Content Index

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			REQUIREMENT OMITTED	REASON	EXPLANATION
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	None			
	203-2 Significant indirect economic impacts	None			
Procurement practices					
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 40			
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	Page 40			
Anti-corruption					
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 78			
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	Page 78			
	205-2 Communication and training about anti-corruption policies and procedures	Pages 78, 79, 80			
	205-3 Confirmed incidents of corruption and actions taken	Pages 78, 79			

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			REQUIREMENT OMITTED	REASON	EXPLANATION
Anti-competitive behavior					
GRI 3: Material Topics 2021	3-3 Management of material topics	Pages 78, 79			
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Pages 78, 79			
Tax					
GRI 3: Material Topics 2021	3-3 Management of material topics	Pages 39, 40			
GRI 207: Tax 2019	207-1 Approach to tax	Page 40			
	207-2 Tax governance, control, and risk management	Page 40			
	207-3 Stakeholder engagement and management of concerns related to tax	Page 40			
	207-4 Country-by-country reporting	NA			
Materials					
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 46			

GRI Content Index

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			
			REQUIREMENT OMITTED	REASON	EXPLANATION	
GRI 301: Materials 2016	301-1 Materials used by weight or volume	Page 46	Omitted	Data not tracked	Sourced from multiple brands	
	301-2 Recycled input materials used	Page 46				
	301-3 Reclaimed products and their packaging materials	Page 46				
Energy						
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 43				
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Page 43				
	302-2 Energy consumption outside of the organization	Not tracked	Omitted	Not tracked	We currently do not have the infrastructure in place to track energy data outside our operations	
	302-3 Energy intensity	Page 44				
	302-4 Reduction of energy consumption	Page 45				
	302-5 Reductions in energy requirements of products and services	None				
Water and effluents						
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 49				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			
			REQUIREMENT OMITTED	REASON	EXPLANATION	
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	Page 49				
	303-2 Management of water discharge-related impacts	Page 49				
	303-3 Water withdrawal	Page 49				
	303-4 Water discharge	Page 49				
	303-5 Water consumption	Page 49				
Biodiversity						
GRI 3: Material Topics 2021	3-3 Management of material topics	Not applicable				
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Not applicable				
	304-2 Significant impacts of activities, products and services on biodiversity	Not applicable				
	304-3 Habitats protected or restored	Not applicable				
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	Not applicable				

GRI Content Index

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			REQUIREMENT OMITTED	REASON	EXPLANATION
Emissions					
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 45			
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	Page 45			
	305-2 Energy indirect (Scope 2) GHG emissions	Page 45			
	305-3 Other indirect (Scope 3) GHG emissions		Omitted	Not calculated yet	We currently do not track the data but plan to do so in the next couple of years
	305-4 GHG emissions intensity	Page 45			
	305-5 Reduction of GHG emissions	Page 45	Omitted	Not calculated yet	We currently do not track the data but plan to do so in the next couple of years
	305-6 Emissions of ozone-depleting substances (ODS)	Not available	Omitted	Not tracked	Insignificant
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Not available	Omitted	Not tracked	Insignificant
Waste					
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 46			

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION		
			REQUIREMENT OMITTED	REASON	EXPLANATION
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	Pages 46-48			
	306-2 Management of significant waste-related impacts	Pages 46-48			
	306-3 Waste generated	Pages 46-48			
	306-4 Waste diverted from disposal	Pages 46-48			
	306-5 Waste directed to disposal	Pages 46-48			
Supplier environmental assessment					
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 51			
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	Page 51			
	308-2 Negative environmental impacts in the supply chain and actions taken	Page 51			
Employment					
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 52			

GRI Content Index

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			
			REQUIREMENT OMITTED	REASON	EXPLANATION	
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Page 53				
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Pages 56-67				
	401-3 Parental leave	Page 55				
Labor/management relations						
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 55				
GRI 402: Labor/ Management Relations 2016	402-1 Minimum notice periods regarding operational changes	Page 55				
Occupational health and safety						
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 68				
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	Pages 68-70				
	403-2 Hazard identification, risk assessment, and incident investigation	Pages 68-70				
	403-3 Occupational health services	Pages 68-70				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			
			REQUIREMENT OMITTED	REASON	EXPLANATION	
GRI 403: Occupational Health and Safety 2018	403-4 Worker participation, consultation, and communication on occupational health and safety	Pages 68-70				
	403-5 Worker training on occupational health and safety	Pages 68-70				
	403-6 Promotion of worker health	Pages 68-70				
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Pages 68-70				
	403-8 Workers covered by an occupational health and safety management system	Pages 68-70				
	403-9 Work-related injuries	Pages 68-70				
	403-10 Work-related ill health	Pages 68-70				
Training and education						
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GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Page 71			
	404-2 Programs for upgrading employee skills and transition assistance programs	Page 72			
	404-3 Percentage of employees receiving regular performance and career development reviews	Page 73			
Diversity and equal opportunity					
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GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Page 73			
	405-2 Ratio of basic salary and remuneration of women to men	Page 73			
Non-discrimination					
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GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	Page 73			

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Freedom of association and collective bargaining					
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GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Page 73			
Child labor					
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GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	Page 73			
Forced or compulsory labor					
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GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	Page 73			
Security practices					
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GRI 410: Security Practices 2016	410-1 Security personnel trained in human rights policies or procedures	NA			

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Rights of indigenous peoples						
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 73				
GRI 411: Rights of Indigenous Peoples 2016	411-1 Incidents of violations involving rights of indigenous peoples	Page 73				
Local communities						
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 77				
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	Page 77				
	413-2 Operations with significant actual and potential negative impacts on local communities	Page 77				
Supplier social assessment						
GRI 3: Material Topics 2021	3-3 Management of material topics	Page 51				
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	Page 51				
	414-2 Negative social impacts in the supply chain and actions taken	Page 51				

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Public policy						
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GRI 415: Public Policy 2016	415-1 Political contributions	NA				
Customer health and safety						
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GRI 416: Customer Health and Saf\ety 2016	416-1 Assessment of the health and safety impacts of product and service categories	Page 74				
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Marketing and labeling						
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Customer privacy						
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GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Page 76				

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