

COVER SHEET

C S 2 0 1 5 0 3 0 1 4

SEC Registration Number

F R U I T A S H O L D I N G S , I N C .

(Company's Full Name)

N O . 6 0 C O R D I L L E R A S T .

B R G Y . D O N A J O S E F A Q U E Z O N C I T Y

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

RUSHELL A. SALVADOR

Contact Person

+(632) 8731-8886

Company Telephone Number

DEFINITIVE INFORMATION STATEMENT

1 2

Month

3 1

Day

Fiscal Year

FORM TYPE

Month

Day

Annual Meeting

Secondary License Type, If Applicable

Dept Requiring this Doc

Amended Articles Number / Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

**NOTICE OF ANNUAL STOCKHOLDERS' MEETING
OF
FRUITAS HOLDINGS, INC.**

Please take notice that the 2020 Annual Stockholders' Meeting ("ASM") of Fruitas Holdings, Inc. (the "Company") will be held on 01 December 2020 (Tuesday) at 2:00 pm via remote communication. The virtual ASM is necessitated by the COVID-19 pandemic situation during which physical gatherings are highly discouraged.

The Agenda for the ASM shall be as follows:

1. Call to order
2. Certification of service of notice and presence of quorum
3. Reading and approval of the minutes of the last Annual Meeting of Stockholders held on (August 24, 2019)
4. Ratification of all acts and resolutions of the Board of Directors and Management from the date of the last annual stockholders' meeting until the date of this meeting
5. Presentation of the President's Report
6. Management Report and Approval of Audited Financial Statements for the year 2019
7. Election of the members of the Board of Directors, including the Independent Directors, for the year 2020
8. Appointment of External Auditors
9. Other Matters
10. Adjournment

The Minutes of the 2019 ASM is available for examination on the website of the Company at www.Fruitasholdings.com

The record date shall be on October 26, 2020 for the purpose of determining the list of stockholders of the Corporation who are entitled to vote in the 2020 ASM.

The Company will allow attendance by stockholders only by remote communication and voting *in absentia*, subject to validation procedures, though the directors will be in the principal office of the Company.

Stockholders who will participate in the ASM by remote communication should send an e-mail indicating their intent to participate to IPO.Compliance@fruitasholdings.com. They will then be sent a link to a registration form requiring certain information and documentation. Upon their successful accomplishment of the registration form, they will receive an e-mail invitation with a complete guide on how to join the ASM and how to cast votes *in absentia*. Registration and voting must be accomplished by November 26, 2020. For any registration concerns, please contact IPO.Compliance@fruitasholdings.com. Please refer to the *Definitive Information Statement* ("DIS") on the guidelines on attendance by remote communication and voting *in absentia*. The DIS is posted on the website of the Company at www.Fruitasholdings.com. Only stockholders who have successfully registered within the prescribed period, together with the stockholders who voted *in absentia* and by proxy, will be included in the determination of quorum.

Proxies, in the form provided by the Company, must be scanned and emailed to the Company's Corporate Secretary at IPO.Compliance@fruitasholdings.com not later than November 23, 2020. The proxies shall be validated by November 26, 2020. The Corporate Secretary's decision shall be final and binding on the shareholders, and those not settled during the proxy validation shall be deemed waived and may no longer be raised. **WE ARE NOT, HOWEVER, SOLICITING PROXIES.**

Stockholders may send their questions about the ASM and the Company to IPO.Compliance@fruitasholdings.com.

Pursuant to SEC Notice dated April 20, 2020, the Stockholders may examine the Definitive Information Statement, Management Report, and SEC Form 17A at the Company's website and through the PSE Edge Portal.

There will be an audio and video recording of the ASM. All votes cast shall be validated by the Stock and Transfer Agent, BDO Unibank, Inc.

Quezon City, Philippines, 13 October 2020.

For the Board of Directors,


MARVIN C. YU
Corporate Secretary



PROXY FORM

FRUITAS HOLDINGS, INC.
2020 Annual Stockholders' Meeting

I/We hereby name and appoint _____ or in his /her absence, the CHAIRMAN of the meeting, as my/our proxy at the Annual Stockholders' Meeting of FRUITAS HOLDINGS, INC. ("FHI") to be held via remote communication using the Zoom Video Communications platform on 01 December 2020 at 2:00pm.

2020 Annual Stockholders' Meeting

Place: _____

Date: _____

Witness: _____

Number of shares held: _____

Signature of Stockholder/s over Printed Name/s

Please scan the completed and signed proxy form and e-mail the scanned copy to the Corporate Secretary at IPO.Compliance@fruitasholdings.com not later than 23 November 2020.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

- Preliminary Information
Statement
 Definitive Information Statement

2. Name of Registrant as specified in its charter: **FRUITAS HOLDINGS, INC.**

3. Province, country or other jurisdiction of incorporation or organization: **Quezon City,
Philippines**

4. SEC Identification Number **CS201503014**

5. BIR Tax Identification Code **008-961-476**

6. **No. 60 Cordillera St., Brgy. Doña Josefa,
Quezon City, Philippines**

Address of principal office

1113

Postal

Code

7. Registrant's telephone number, including area code **(632) 8243-1741**

8. Date, time and place of the meeting of security holders
**01 December 2020, 02:00 p.m., virtual meeting via remote communication
using the Zoom platform (with the presiding officer and executive directors
physically present in the principal office)**

9. Approximate date on which the Information Statement is first to be sent or given to
security holders
09 November 2020

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8
of the RSA:

Title of Each Class

Common stock

Number of Shares of Common Stock
Outstanding

2,133,680,000 shares

11. Are any or all of registrant's securities listed in a Stock Exchange?

Yes []

No []

Name of Stock

Philippine Stock

Exchange:

Exchange

Class of securities listed:

**Common
Shares**

**WE ARE NOT ASKING YOU FOR A PROXY
AND YOU ARE REQUESTED NOT TO SEND US A PROXY.**

PART I.

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. Date, time and place of meeting of security holders.

Date: 01 December 2020

Time: 02:00 pm

Place: **Virtual meeting via remote communication using the Zoom platform** (with the presiding officer and executive directors physically present in the principal office)

Principal Office: 60 Cordillera St., Brgy. Doña Josefa, Quezon City

The presiding officer and executive directors will be physically present in the Registrant's registered principal office at 60 Cordillera St., Brgy. Doña Josefa, Quezon City for the 2020 Annual Stockholders' Meeting. Successfully registered stockholders of record as of October 26, 2020, the Record Date, may join the meeting through the Zoom platform. The Registrant will provide the necessary details of the meeting once the stockholder of record has successfully completed pre-registration requirements.

This Information Statement shall be sent with the Notice of the Annual Stockholders' Meeting and other related documents to the stockholders, in accordance with the Registrant's By-Laws, by or before 09 November 2020. This Information Statement may likewise be accessed by the Registrant's stockholders beginning 09 November 2020 at the Registrant's website, www.fruitasholdings.com.

Item 2. Dissenters' Right of Appraisal

Pursuant to Section 80, Title X, of the Revised Corporation Code of the Philippines ("Corporation Code"), any stockholder of the Registrant shall have the right to dissent and demand payment of the fair value of his shares only in the following instances:

- (1) In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of

- authorizing preferences in any respect superior to those outstanding shares of any class, or of extending or shortening the term of corporate existence;
- (2) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets;
 - (3) In case of merger or consolidation; and
 - (4) In case of investments in another corporation, business or purpose.

The appraisal right, when available, may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the Registrant within thirty (30) days after the date on which the vote was taken, for payment of the fair value of his share, provided that failure to make the demand within such period shall be deemed a waiver of the appraisal right. A stockholder must have voted against the proposed corporate action in order to avail himself of the appraisal right. If the proposed corporate action is implemented or effected, the Registrant shall pay to such stockholder upon surrender of his certificate(s) of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the Registrant cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the corporation and the third by the two thus chosen. The findings of the majority of appraisers shall be final, and their award shall be paid by the Registrant within thirty (30) days after such award is made, provided that no payment shall be made to any dissenting stockholder unless the Registrant has unrestricted retained earnings in its books to cover such payment and that upon payment by the Registrant of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the Registrant.

Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

None of the following has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon, other than election to office:

- (1) Each person who has been a director or officer of the Registrant at any time since the beginning of the last fiscal year;
- (2) Each nominee for election as a director of the Registrant; and
- (3) Each associate of any of the foregoing persons.

No director has informed the Registrant in writing that he/she intends to oppose any action to be taken at the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

- (a) Number of shares outstanding of the class/es entitled to vote and number of votes of said class/es of shares: Common shares – **2,133,680,000 shares**
- (b) Record Date: 26 October 2020

Under Section 7, Article II of the Registrant's By-Laws, each stockholder shall, at every meeting of the stockholders be entitled to one vote, in person or by proxy, for each share, of capital stock held by such stockholder.

Section 3, Article III of the By-Laws further provides that at each meeting of the stockholders for the election of directors at which a quorum is present, the directors shall be elected by cumulative vote with each share having a number of votes equal to the number of the directors to be elected. The persons receiving the highest number of votes shall be the directors.

Section 8, Article II of the By-Laws, meanwhile, provides that the instrument appointing a proxy shall be in writing, signed under the hand of the appointer or his attorney-in-fact duly authorized in writing or, if the appointer is a corporation, either under the seal of the corporation or under the hand of an officer or attorney-in-fact duly authorized by the corporation. Any corporation that is a stockholder may also by resolution of its directors or other governing body authorize such person as it thinks fit to act as its attorney-in-fact at any and all meetings of stockholders, and the person so authorized shall be entitled to exercise the same powers on behalf of the corporate stockholders that he represents as that which the corporation could have itself exercised if present. A proxy need not be a stockholder, unless otherwise provided in the proxy, and it shall be valid only for the meeting at which it has been presented to the Secretary or Assistant Secretary. All proxies must be in the hands of the Secretary or Assistant Secretary at least 5 business days before the time set for the meeting. A stockholder shall not be allowed to designate 2 or more proxies for any meeting unless the designation is in the alternative.

(1) Security Ownership of Certain Record and Beneficial Owners (of more than 5% of the Registrant's voting securities) as of 30 September 2020

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of Shares Held	Percent of class
Common Shares	PCD Nominee Corp. ¹ / The Enterprise Center, Ayala Avenue Corner Paseo de Roxas, Makati City / Stockholder of Record	Please see BDO Report as of September 30, 2020	Filipino	2,120,289,700	99.37%

¹ PCD Nominee Corp. includes 1,400,617,010 shares beneficially owned by Lester C. Yu representing 65.64% of outstanding shares (122,117,000 in his name, 1,258,500,000 shares owned by Lush Properties Inc., 20,000,000 shares owned by Ralproperties Inc. and 10 shares owned by Ms. Janet Yu, Mr. Yu's mother)

(2) Security Ownership of Management as of September 30, 2020

Title of Class	Name of Beneficial Owner	Amount and nature of beneficial ownership	Citizenship	Percent of class
Common Shares	Lester C. Yu – Director, President and Chief Executive Officer ²	122,117,000 – Direct 1,278,500,010 – Indirect	Filipino	65.64%
Common Shares	Rogelio M. Guadalquiver - Chairman	500,000 – Direct	Filipino	0.02%
Common Shares	Calvin F. Chua – Director and Chief Financial Adviser	3,950,000 – Direct 59,000 – Indirect	Filipino	0.19%
Common Shares	Bambi Maureen E. Donato – Independent Director	10,000 – Direct	Filipino	0.00%
Common Shares	Shirley Tan – Independent Director	10,000 – Direct	Filipino	0.00%
Common Shares	Dennis Beng Hui – Independent Director	10,000 – Direct	Filipino	0.00%
Common Shares	Roselyn A. Legaspi – Managing Director – Visayas and Mindanao	3,088,000 – Direct	Filipino	0.14%
Common Shares	Madelene T. Sayson – Chief Operating Officer	1,500,000 – Direct	Filipino	0.07%
Common Shares	Marvin C. Yu – Corporate Secretary	1,030,000 – Direct	Filipino	0.05%

Except as indicated in the above table, none of the above-listed officers and management indirectly own shares of the Registrant. Except as aforementioned, no other officers of the Registrant hold, directly or indirectly, shares in the Registrant.

(3) Voting Trust Holders of 5% or more

The Registrant is not aware of any voting trust agreements or any other similar agreements which may result in a change in control of the Registrant.

(4) Description of Any Arrangement which May Result in a Change in Control of Registrant/Any Change of Control Since the Beginning of the Last Fiscal Year

No change in control of the Registrant has occurred since the beginning of its last fiscal year. The Registrant is likewise unaware of any arrangement which may result in a change of control.

² The indirect shares of Mr. Lester C. Yu of 1,278,500,010 includes 1,258,500,000 shares owned by Lush Properties Inc. (58.98% to FRUIT'S total outstanding share and 97% owned by Mr. Yu) , 20,000,000 shares owned by Ralproperties Inc. (0.94% to FRUIT's total outstanding shares and 54.7% owned by Mr. Yu) , and 10 shares owned by Ms. Janet Yu (Mr. Yu's mother).

Item 5. Directors and Executive Officers of the Registrant

The record of attendance of the directors at the meetings of the Board of Directors (the “Board”) held in 2019 is as follows:

Directors	No. of Meetings Attended/Held	Percent Present
Roger M. Guadalquiver	2/2	100%
Lester C. Yu	2/2	100%
Calvin F. Chua	2/2	100%
Irene O. Chua	2/2	100%
Dennis T. Beng Hui	2/2	100%
Bambi Maureen E. Donato	2/2	100%
Shirley O. Tan	2/2	100%

The current Board of Directors was formed on Aug. 2019. The meetings of the Board of Directors in 2019 revolved around the application for and execution of the Initial Public Offering of the Registrant.

The Management Committee members and other officers, unless removed by the Board, shall serve as such until their successors are elected or appointed.

(A)(1) Information on directors, executive officers and nominees

The following are the names, ages and citizenship of all directors, including independent directors, executive officers and all persons nominated or chosen to become such:

Name	Age	Position	Citizenship
Rogelio M. Guadalquiver	78	Chairman	Filipino
Lester C. Yu	45	Director, President, and Chief Executive Officer	Filipino
Calvin F. Chua	41	Director and Chief Financial Adviser	Filipino
Bambi Maureen E. Donato	44	Independent Director	Filipino
Dennis T. Beng Hui	50	Independent Director	Filipino
Shirley O. Tan	57	Independent Director	Filipino
Roselyn A. Legaspi	42	Managing Director – Visayas and Mindanao	Filipino
Madelene T. Sayson	31	Chief Operating Officer	Filipino
Marvin C. Yu	42	Corporate Secretary	Filipino
Lerma C. Fajardo	33	Deputy Chief Financial Officer and Comptroller	Filipino
Rushell A. Salvador	31	Vice-President – Compliance Officer	Filipino
Juneil Dominic P. Torio	28	Chief Financial Officer, Treasurer, and Investor Relations Officer	Filipino

The following states the positions and offices held or to be held by the directors and executive officers, the period which said director has served of his 1-year term under the By-Laws of the Registrant, the directors’ and executive officers’ business experience for the last 5 years and their other directorship/s in reporting companies:

Rogelio M. Guadalquiver, was appointed as the FHI’s Chairman on Aug. 24, 2019. He is also currently a Director of Philippine Deposit Insurance Corporation. Rogelio was the

Chairman and Chief Executive Officer of CG & Co. from 2000 to 2018. Prior to joining CG & Co., he was a senior partner of SGV & Co., a member practice firm of Ernst & Young where he was heavily involved in both domestic and global audit practices. He also specialized in initial public offerings, industry research studies, corporate restructuring, business process re-engineering, business risk management, and financial and tax management consulting. Mr. Guadalquiver is a Certified Public Accountant and holds a Master's in Management degree from the Asian Institute of Management and a Bachelor of Science in Commerce degree from University of San Jose-Recoletos.

Lester C. Yu, has been the President and Chief Executive Officer since its incorporation and served as the FHI's Chairman from Feb. 2015 to Aug. 2019. Mr. Lester Yu started his career with their family business, Janette Jewelry in 1989. Before founding the Group, he entered the banking industry and served as the youngest Branch Manager for Westmont Bank. He is responsible for the growth of the Group from a single store to more than 900 stores nationwide. Under his leadership, the Group has successfully introduced several well-known brands and has made strategic acquisitions such as Negril Trading, which houses the De Original Jamaican Pattie Shop and Juice Bar brand and Sabroso Lechon. Mr. Yu is also the Chairman and President of Ralproperties, Inc., One Fifty Food Place, Inc., Lush Properties Inc., Negril Trading, Inc., Themangofarm Corp., Frutasgroup Incorporated, Buko ni Frutas, Inc., Lush Enterprises Corp., Bamazeh Incorporated, Lush Coolers, Inc., La Petite Parisienne, Inc., Dough Matters, Inc., Lush Harvest Manufacturing Inc., Toyoda Technik Corporation, and Cocodelivery Incorporated. He holds a Master's of Business Administration degree from the University of the Philippines and a degree in Industrial Management Engineering from De La Salle University.

Calvin F. Chua, was elected as Director and Chief Financial Adviser on Aug. 24, 2019. He has served as a consultant of the Frutas Group since May 2017. He is also currently an Executive Director and Treasurer of AlphaPrimus Advisors Inc. He was part of the Corporate Finance team of ING Bank N.V., Manila Branch, most recently as Consultant up to June 2019 and Director up to July 2015. During his stint at ING Bank, he advised on mergers and acquisitions and capital-raising activities of various Philippine clients across several sectors. He holds a Bachelor of Science degree in Management Engineering and a Bachelor of Arts degree in Economics (Honors Program) from Ateneo de Manila University.

Bambi Maureen E. Donato, was elected as our Independent Director on Aug. 24, 2019. Bambi is currently the Program and Marketing Manager for the Inquirer Academy, a member of the Inquirer Group of Companies. Prior to working with Inquirer Academy, she was Regional Marketing Manager of SUBSTOGO Corporation, Marketing Manager of Silverworks and was a Marketing Manager for Yellow Cab Food Corporation. She was also involved with Couples for Christ Global Mission Foundation Inc. as a SFC International Council and Missions Head during the early stages of her career. Ms. Donato holds a Master's in Business Administration from De La Salle University and a Bachelor of Science in Management from Ateneo de Manila University.

Dennis T. Beng Hui, was elected as our Independent Director on Aug. 24, 2019. Mr. Beng Hui is the Founder and current Managing Director of Technopoly Inc., a consulting REGISTRANT which uses Lean Thinking and Six Sigma to improve business performance. Technopoly has served various clients across several sectors, including the foodservices sector. He taught at De La Salle University, Department of Industrial Engineering, for more than 15 years until 2017. He holds a Master's of Science degree in Industrial Engineering and a Bachelor of Science degree in Industrial Management Engineering minor in Mechanical Engineering from De La Salle University. He is also a PhD candidate in Industrial Engineering at De La Salle University. He is a Certified ASEAN Engineer (ASEAN,

2013) and a Certified Professional Industrial Engineer (Philippine Institute of Industrial Engineers, 2010).

Shirley O'Yek Tan, was elected as our Independent Director on Aug. 24, 2019. She is currently the Corporate Treasurer of Bank of Makati, one of the top 10 Thrift Banks in the Philippines, and sits as a member of the Senior Management Committees of said bank. Her responsibilities include planning and formulating policies to protect the financial well-being of the Bank, as well as managing the overall operations of the Corporate Treasury sector to ensure that strategic plans are implemented and financial targets are met. Shirley graduated from University of Santo Tomas with a Bachelor of Science in Commerce, major in Accounting and is a Certified Public Accountant.

Roselyn A. Legaspi, was appointed as our Managing Director – Visayas & Mindanao on Aug. 2019 and is responsible for the overall operations of FHI for the said regions. She has been with the Fruitas Group since 2002 and has served as a Director of FHI from Feb. 2015 to Aug. 2019. Ms. Legaspi is also the Vice President and Director of Negril Trading, Inc., Bamazeh Inc., Lush Properties Incorporated, Ralproperties Inc., and Sure Jobs Academy Inc. She is also a Director for Gyuma Fragrance Inc., Lush Harvest Manufacturing Inc., Themangofarm Corp., La Petite Parisienne, Inc., and Lush Enterprises Corp. Also, Ms. Legaspi is the Treasurer of Fruitasgroup Incorporated and Buko ni Fruitas, Inc. She obtained her Bachelor of Science degree in Accountancy in 1999 and also passed her Civil Service Exams in 1997. She is currently taking up her Master's in Business Administration degree at the University of San Carlos, Cebu City.

Madelene T. Sayson, was elected as our Chief Operating Officer on Jan. 2018 and has been with the Group since 2009. She also served as a Director of FHI from Feb. 2015 to Aug. 2019. Ms. Sayson is also the Chairman and President of Gyuma Fragrance Inc. She is the Corporate Secretary and Director of One Fifty Food Place, Inc., Lush Properties Inc., Negril Trading, Inc., Bamazeh Incorporated, Dough Matters, Inc., Sure Jobs Academy, Inc., and Toyoda Technik Corporation Ms. Sayson is also the Vice President and Director of Themangofarm Corp. and La Petite Parisienne, Inc. She is a Director in Buko ni Fruitas, Inc. and the Treasurer and Director of Lush Coolers, Inc. She holds a Bachelor of Science degree in Accountancy from Garcia College of Technology.

Marvin C. Yu, has been FHI's Corporate Secretary since Aug. 24, 2019. He has more than 15 years of experience in the technical and engineering field. He was a Consultant in the SMC Telco Project, Master Planning Network Coverage Senior Manager for the Sun Cellular 2G and 3G Project, and RF Network Planning, Design and Optimization Engineer for Smart Communications Inc. Mr. Marvin Yu holds a Bachelor of Science degree in Electronics and Communications Engineering from De La Salle University and an Electronics and Communications Engineering Board Passer.

Lerma C. Fajardo, has been the Group's Deputy Chief Financial Officer and Comptroller since 2018. She has over 10 years of experience in accounting and finance, previously working as an Assistant Manager for Extramind Global Outsourcing Group, Inc. She holds a Bachelor of Science degree in Accountancy from Polytechnic University of the Philippines and is a Certified Public Accountant.

Rushell A. Salvador, was appointed as our Vice President - Compliance Officer on July 2019. She has been with the Group as Profit and Loss Accounting Manager since May 2016. Prior to joining the Group, Ms. Salvador held different Finance and Accounting positions in Polyserve Philippines, Inc. and HR Network Inc. before being a consultant of Jardine Schindler Elevator Corporation from June 2014 to February 2015. She holds a Bachelor of

Science in Accountancy from Polytechnic University of the Philippines, Sta. Mesa, Manila and is a Certified Public Accountant.

Juneil P. Torio, has been the Investor Relations Officer since July 2019 and was appointed as the Chief Financial Officer and Treasurer on August 2020. He is responsible for the financial health of the Registrant and all interactions with investors and financial institutions through creating programs which strengthens relationship of FHI to the various investment groups and individuals. Prior to joining FHI, he was a Manager in EXL Services Philippines where he started as a Management Trainee post his graduate studies. In 2013, he started his career as Management Trainee/Special Projects Officer in the Commercial Centers Division of Robinsons Land Corporation. He holds a Master's degree in Business Administration from the Asian Institute of Management and a Bachelor of Arts degree in Management Economics from the Ateneo de Manila University.

All the incumbent Directors above have one (1) year term of office.

All directors have been nominated for re-election to the Board of Directors, with the exception of Ms. Irene O. Chua, given her demise. Ms. Madelene T. Sayson has been nominated for election to the Board of Directors.

No director has resigned or declined to stand for re-election to the Board of Directors since the date of the last annual meeting of security holders because of a disagreement with the registrant on any matter relating to the Registrant's operations, policies or practices.

The Registrant does not believe that any of the descriptions provided for or by the directors is incorrect or incomplete.

(A)(2) Significant Employees

The Registrant has no other significant employee other than its Executive Officers. While the Registrant values the contribution of each of its executive and non-executive employees, the Registrant believes there is no non-executive employee that the resignation or loss of whom would have a material adverse impact on the business of the Registrant. Other than standard employment contracts, there are no special arrangements with non-executive employees of the Registrant.

(A)(3) Family Relationships

Mr. Lester C. Yu and Mr. Marvin C. Yu are brothers. Except for said relationship, none of the aforementioned Directors or Executive Officers are related to the others by consanguinity or affinity within the fourth civil degree.

(A)(4) Involvement in Certain Legal Proceedings

None of the directors, executive officers or nominees for election have been involved in any bankruptcy proceeding, nor have they been convicted by final judgment in any criminal proceeding, or been subject to any order, judgment, or decree of a court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending, or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, or found in action by any court or administrative bodies to have violated a securities or commodities law, for the past five (5) years up to the latest date.

As of the date of this report, the Registrant is not a party to any litigation or arbitration proceedings of material importance, which could be expected to have a material adverse

effect on the Registrant or on the results of its operations. No litigation or claim of material importance is known to be pending or threatened against the Registrant or any of its properties.

Certain Relationships and Related Transactions

In the ordinary course of business, the Registrant entered into loan transactions for working capital requirements with certain directors, officers, stockholders and related interests. Under the Registrant's policies, these loans are made substantially on the same terms as loans to other individuals and businesses of comparable risk.

Outstanding balances are unsecured, noninterest-bearing and settled in cash upon demand. Management makes an annual assessment of the financial position of the related parties and the market in which the related parties operates. There were no impairment losses recognized in 2020 and 2019.

Intercompany transactions eliminated in consolidation pertain to due to/from related parties, intercompany revenue and dividend income. Total due to/from related parties eliminated amounted to P320.9 million as at June 30, 2020. Intercompany revenue eliminated amounted to P24.3 million and P59.5 million in 2020 and 2019, respectively.

Item 6. Compensation of Directors and Executive Officers

(1) Summary Compensation Table

Name	Year	Salary	Bonuses	Total
Total Compensation of the 5 most highly compensated executive officers namely: Lester C. Yu, Roselyn A. Legaspi, Madelene T. Sayson, Marvin C. Yu, and Irene O. Chua	2020 (Estimated)	₱6.1 million	₱1.2 million	₱8.3 million
	2019	₱5.3 million	₱0.4 million	₱5.7 million
	2018	₱20.4 million	₱1.7 million	₱22.1 million
All other officers as a group unnamed	2020 (Estimated)	₱4.3 million	₱0.4 million	₱4.7 million
	2019	₱4.3 million	₱0.4 million	₱4.7 million
	2018	₱1.6 million	₱0.1 million	₱1.7 million

The total annual compensation paid to the above-named officers and directors was paid in cash.

The annual compensation includes the basic salary and 13th month bonus.

(2) Standard Arrangements

There are no standard arrangements pursuant to which any director of the Registrant was compensated, or is to be compensated, directly or indirectly by the Registrant, during 2018 and 2019, for any service provided as a director. Directors do not receive a *per diem* amount.

(3) Any Other Arrangement

There are no other arrangements pursuant to which any director of the Registrant was compensated, or is to be compensated, directly or indirectly by the Registrant, during 2018 and 2019, for any service provided as a director.

(4) Contracts between Registrant and Executive Officers

a. Employment Contract

There are no employment contracts between the Registrant and the named executive officers.

b. Compensatory Plan or Arrangement

There are no compensatory plans or arrangements between the Registrant and the named executive officers.

c. Warrants and options held by the executive officers and directors

There are no outstanding warrants or options held by the Registrant's named executive officers, and all officers and directors as a group.

d. Per diems

Directors and officers do not receive a *per diem*.

Item 7. Independent Public Accountants

- (a) The principal accountant and external auditor of the Registrant is Reyes Tacandong & Co. ("RT & Co.") with Mr. Wilson Teo as partner-in-charge. The same accounting firm is being recommended for re-election at the annual stockholders' meeting.
- (b) Representatives of RT & Co. for the current year are not expected to participate at the annual stockholders' meeting. They will be given the opportunity to make a statement if they desire to do so and respond to appropriate questions after the meeting, if necessary.

Pursuant to the General Requirements of SRC Rule 68, par. 3 (Qualifications and Report of Independent Auditors), the Registrant has engaged RT & Co. as external auditor, with Mr. Wilson Teo as the partner-in-charge, for the audit years 2015 to 2020.

- (c) Changes in and Disagreement with Accountants on Accounting and Financial Disclosure

Reyes Tacandong & Co. has not resigned from, been dismissed from or ceased service to the Registrant, The Registrant has not had any material

disagreements on accounting and financial disclosures with said accountant/external auditor.

There are no disagreements with auditors, represented by Mr. Wilson Teo, on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which, if not resolved to their satisfaction, would have caused the auditors to make reference thereto in their reports on the financial statements of the Registrant and its subsidiaries.

(d) Audit and Audit-Related Fees

The following table sets out the aggregate fees billed for the current year and each of the last three years for professional services rendered by RT&Co. to our Registrant, excluding fees directly related to the Offer.

In ₱ Millions	2019	2018	2017
Audit and Audit-Related Fees *	₱ 2.55	₱ 1.68	₱ 1.5
All Other Fees**	None	None	None
Total	₱ 2.55	₱ 1.68	₱ 1.5

* Audit and Audit-Related Fees. This category includes the audit of annual financial statements and interim financial statements and services that are normally provided by the independent auditor in connection with statutory and regulatory filings or engagements for those calendar years. This is exclusive of out-of-pocket expenses incidental to the independent auditors' work, the amounts of which do not exceed 10% of the agreed-upon engagement fees.

** All Other Fees. This category includes other services rendered by RT&Co. such as internal audit, or special audit if any.

(e) Tax Fees

Except as provided above, the Registrant did not pay any tax fees and other fees to its external auditors.

Item 11. Financial and Other Information

Audit Committee's Approval Policies and Procedures

In relation to the audit of our annual financial statements, our Corporate Governance Manual, which was approved by the Board of Directors on Aug. 24, 2019, provides that the audit committee shall, among other activities, (i) evaluate significant issues reported by the external auditors in relation to the adequacy, efficiency and effectiveness of policies, controls, processes and activities of our Registrant, (ii) ensure that other non-audit work provided by the external auditors are not in conflict with their functions as external auditors, and (iii) ensure the compliance of our Registrant with acceptable auditing and accounting standards and regulations.

The Audit Committee shall be composed of at least four (4) voting members who are members of the Group's Board, at least three of which are non-executive directors, including the independent directors. The Chairman of this Committee should be an independent director.

The key functions of the Audit Committee are assisting the Group's Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations; providing oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks, including receipt or information on risk exposures and risk management activities; providing oversight over the Internal Audit Department and External Auditors; monitoring and evaluating the adequacy and effectiveness of our Registrant's internal control system; reviewing the quarterly and annual financial statements before their submission to our Registrant's Board; and overseeing the implementation of risk management and related party strategies and policies.

The Audit Committee is composed of the following members, the chairman of which is an independent director:

Name	Position
Dennis T. Beng Hui	Chairman
Shirley O. Tan	Member
Irene O. Chua	Member
Rogelio M. Guadalquiver	Member

The audited financial statements as of December 31, 2019, Management's Discussion and Analysis, Market Price of Shares Dividends and other data related to the Registrant's financial information are in the Registrant's Annual Report attached to this Information Statement as Annex A. The Registrant's unaudited interim financial statements as of June 30, 2020 are attached as Annex B.

Item 15. Action with Respect to Reports

At the time of the 2019 Annual Stockholders' Meeting, the Registrant was not yet listed with the Philippines Stock Exchange. The Registrant was successfully included in the main board of the PSE on November 29, 2019 only.

During the meeting, 90.34% of the shares participated and approved the matters taken up, which are listed below. All incumbent Board of Directors, present and previous Corporate Secretaries, and Lush Properties, Inc. (as represented by Mr. Lester Yu) participated in the said stockholders' meeting. The Chairman, Mr. Rogelio M. Guadalquiver, presided over the meeting. Each stockholder present was also given the opportunity to raise questions and concerns as part of the agenda. The 2019 Annual Stockholders' Meeting concluded with a new set of Board of Directors, appointment of a new Corporate Secretary, and approval of the application for the Initial Public Offering of the Registrant, as well as the other matters listed below.

The following reports/Minutes will be submitted for approval by the stockholders:

1. Minutes of the last Annual Meeting of Stockholders held on Aug. 24, 2019, covering the following matters: (i) approval of the President's Report and the Annual Report for the year 2018; (ii) approval and the adoption of the Audited Financial Statements for the year ended 31 December 2018; (iii) approval and the adoption of the Interim Audited Financial Statements for the first half of 2019; (iv) ratification of all acts of the Board of Directors and Management since the annual stockholders' meeting in June 21, 2018; (v) election of the directors and independent directors of the Registrant for the ensuring fiscal year;

(vi) appointment of the external auditor of the Registrant for the fiscal year 2019; and (vii) approval of the application for Initial Public Offering.

2. Audited Financial Statements for the year 2019.
3. Ratification of all acts and resolutions of the Board of Directors and Management for the year 2019 until the date of the meeting, as set forth in the minutes of the meetings of the Board of Directors held during the same period and in the disclosures that have been duly filed with the SEC and the PSE. These minutes cover the approval of the quarterly and annual reports of the Registrant filed with the SEC and the PSE; resignation/election of members of the Board of Directors; acting as surety for the loans of the subsidiaries and guarantee for the refinancing, additional and new issuance of corporate notes its parent Registrant and affiliates; appointment of authorized signatures for various transactions in the normal course of business of the Registrant as well as opening and closure of various investment and/or deposit accounts.
4. Selection of External Auditors

Item 16. Matters Not Required to be Submitted

No action will be taken with respect to this item.

Item 17. Amendments of Charter, By-Laws and other Documents

There will no amendments to the charter, By-laws and other documents.

Item 18. Other Proposed Action

Please see Item 16 above.

Item 19. Voting Procedures

Guidelines for Participating via Remote Communication and Voting in Absentia

The 2020 ASM of Fruitash Holdings, Inc. (the "Company") will be held on 01 December 2020 (Tuesday) at 2:00 pm via remote communication. The virtual ASM is necessitated by the COVID-19 pandemic situation during which physical gatherings are highly discouraged.

The record date shall be on October 26, 2020 for the purpose of determining the list of stockholders of the Corporation who are entitled to vote in the 2020 ASM. The Company will allow attendance by stockholders only by remote communication and voting in absentia, subject to validation procedures, though the directors will be in the principal office of the Company.

Stockholders who will participate in the ASM by remote communication should send an e-mail indicating their intent to participate to IPO.Compliance@fruitasholdings.com. They will then be sent a link to a registration form requiring certain information. The following documents must likewise be uploaded:

A. Individual stockholders

1. Copy of valid government ID of stockholder/proxy
2. If appointing a proxy, copy of proxy form duly signed by stockholder (need not be notarized)

B. Multiple stockholders or joint owners

1. Proof of authority of stockholder voting the shares signed by the other registered stockholders, for shares registered in the name of multiple stockholders (need not be notarized)
2. Copy of valid government IDs of all registered stockholders

C. Corporate stockholders

1. Secretary's Certificate or Board Resolution appointing and authorizing a representative
2. Proxy Form for authorized representative
3. Valid government ID of the authorized representative

D. Stockholders with shares under broker account

1. Certification from broker as to the number of shares owned by stockholder
2. Valid government ID of stockholder
3. If appointing a proxy, copy of proxy form duly signed by stockholder (need not be notarized)

The Company will then check and validate the entries uploaded by the stockholder.

Upon their successful accomplishment of the registration form and validation by the Company, they will receive an e-mail invitation with a complete guide on how to join the ASM and how to cast votes in absentia. Registration and voting must be accomplished by November 24, 2020. Only stockholders who have successfully registered within the prescribed period, together with the stockholders who voted in absentia and by proxy, will be included in the determination of quorum.

Proxies, in the form provided by the Company, must be scanned and emailed to the Company's Corporate Secretary at IPO.Compliance@fruitasholdings.com not later than November 26, 2020. The proxies shall be validated by November 26, 2020. The Corporate Secretary's decision shall be final and binding on the shareholders, and those not settled during the proxy validation shall be deemed waived and may no longer be raised.

Manner of voting

In all items for approval, except in the election of directors, each share of stock entitles its registered owner to 1 vote.

For the purpose of electing directors, a stockholder may vote such number of his shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them in the same principle among as many candidates as he shall see fit. Unless required by law, or demanded by a stockholder present or represented at the meeting and entitled to vote thereat, voting need not be by ballot and will be done by show of hands.

The matters to be acted upon by the stockholders as contained in the agenda, except the election of Directors, would require the affirmative vote of a majority of the shares of the Registrant's common stock represented and entitled to vote.

Stockholders who have successfully registered in accordance with the Guidelines for Participating via Remote Communication shall be provided via e-mail of the link to the voting portal. Stockholders can then cast their votes for specific items in the agenda, as follows:

1. Said stockholders shall access the voting portal by clicking the link sent by e-mail to the email-address of the stockholder provided to the Registrant.
2. Upon accessing the portal, the stockholders can proceed to vote on each agenda item.
 - a. A stockholder has the option to vote “Approve”, “Disapprove”, or “Abstain” on each agenda item for approval.
 - b. For the election of directors, the stockholder has the option to vote for all nominees, withhold vote for any of the nominees, or vote for certain nominees only. Accordingly, a stockholder entitled to vote: (i) may vote such number of shares owned by it for as many persons as there are Directors to be elected; or (ii) may cumulate said shares and give one candidate as many votes as the number of Directors to be elected multiplied by the number of their shares; or (iii) may distribute them on the same principle among as many candidates as may be seen fit.
3. Once the stockholder has finalized his/her vote, he/she can proceed to submit his/her vote by clicking the “Submit” button.

Voting requirements

- (a) With respect to the election of directors, candidates who received the highest number of votes shall be declared elected.
- (b) With respect to the adoption of the Audited Financial Statements for the year ended 31 December 2019, the vote of majority of the outstanding capital stock entitled to vote and represented in the meeting is required to approve such matters.

Method of counting votes

The Corporation’s stock transfer agent and Office of the Corporate Secretary will tabulate all votes received and will validate the results.

PART III.

INFORMATION REQUIRED IN A PROXY FORM

UPON THE WRITTEN REQUEST OF A STOCKHOLDER, THE REGISTRANT UNDERTAKES TO FURNISH SAID STOCKHOLDER A COPY OF SEC FORM 17-A FREE OF CHARGE, EXCEPT FOR EXHIBITS ATTACHED THERETO WHICH SHALL BE CHARGED AT COST. ANY WRITTEN REQUEST FOR A COPY OF SEC FORM 17-A SHALL BE ADDRESSED AS FOLLOWS:

**FRUITAS HOLDINGS, INC.
60 Cordillera St. corner E. Rodriguez Sr. Ave.
Brgy. Doña Josefa, Quezon City**

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth on this Report is true, complete and correct. This Report is signed in Quezon City on October 30, 2020.

By:


Juneil Dominic P. Torio
CFO and Treasurer

MANAGEMENT REPORT

I. FINANCIAL STATEMENTS

The Financial Statements of the Registrant as of and for the year ended December 31, 2019 are incorporated herein in the accompanying Index to Financial Statements and Supplementary Schedules of the 2019 Annual Report in Annex A. The interim Financial Statements of the Registrant as of June 30, 2020 are included as Annex B.

II. INFORMATION ON INDEPENDENT ACCOUNTANT

Our fiscal year begins on January 1 and ends on December 31. Reyes Tacandong & Co. ("RT&Co.") has audited our financial statements for the years ended December 31, 2019, 2018 and 2017 in accordance with the Philippine Standards on Auditing.

Wilson P. Teo is the current audit partner and has served the Registrant from 2015 to 2019. We have not had any material disagreements on accounting and financial disclosures with our current external auditor for the same periods or any subsequent interim period. RT&Co. has neither shareholdings in the Registrant nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities of our Registrant. RT&Co. will not receive any direct or indirect interest in the Registrant or our securities (including options, warrants or rights thereto) pursuant to or in connection with the Registration. The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

The following table sets out the aggregate fees billed for the current year and each of the last three years for professional services rendered by RT&Co. to the Registrant, excluding fees directly related to the Offer.

In ₱ Millions	2019	2018	2017
Audit and Audit-Related Fees*	₱ 2.55	₱ 1.68	₱ 1.5
All Other Fees**	None	None	None
Total	₱ 2.55	₱ 1.68	₱ 1.5

* Audit and Audit-Related Fees. This category includes the audit of annual financial statements and interim financial statements and services that are normally provided by the independent auditor in connection with statutory and regulatory filings or engagements for those calendar years. This is exclusive of out-of-pocket expenses incidental to the independent auditors' work, the amounts of which do not exceed 10% of the agreed-upon engagement fees.

** All Other Fees. This category includes other services rendered by RT&Co. such as internal audit, or special audit if any.

III. AUDIT COMMITTEE'S APPROVAL AND PROCEDURES FOR THE SERVICES OF THE EXTERNAL AUDITOR

The scope, extent and nature of the services to be referred to, and/or rendered by the appointed external auditor of the Registrant has been unanimously approved by the audit committee in a meeting duly called for the purpose, including the fees to be paid for the services thus rendered and/or referred. In relation to the audit of the Registrant's annual

financial statements, the Registrant's Corporate Governance Manual provides that the audit committee shall, among other activities (i) evaluate significant issues reported by the external auditors in relation to the adequacy, efficiency and effectiveness of policies, controls, processes and activities of the Registrant; (ii) ensure that other non-audit work provided by the external auditors are not in conflict with their functions as external auditors; and (iii) ensure the compliance of the Registrant with acceptable auditing and accounting standards and regulations.

IV. MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion should be read in conjunction with the accompanying consolidated financial statements and notes thereto, which form part of this SEC Form Amended 17-A as "Annex B". The consolidated financial statements and notes thereto have been prepared in accordance with the Philippine Financial Reporting Standards (PFRS).

Results of Operations for First Half ended 2020 vs First Half ended 2019

Key Highlights

Revenues

The Group generated revenues of ₱462.1 million for the six months ended June 30, 2020, a 50.9% or ₱479.1 million decline from the same period in 2019, which closed at ₱914.2 million. The decline was driven by the temporary suspension of operation of certain stores due to the imposed quarantine in the second half of March which continued until the end of May.

Cost of Sales

Cost of sales for the six months ended June 30, 2020 closed at ₱185.7 million, 52.6% or ₱206.4 million decline from the same period in 2019 which closed at ₱392.2 million. The decline is attributable mainly to the reduction in revenues, although the Group was able to improve its gross profit margin which registered at 59.8% for the first half of 2020 versus the 58.3% of the same period in 2019.

Operating Expenses

The Group's operating expenses settled at ₱313.1 million at the close of the first half of 2020, a 34.8% or a ₱166.8 million decline from the same period in 2019 which settled at ₱479.9. The decline was attributed to the reduced business volume in 2020 and cost containment measures undertaken by the Group.

Income Tax Expense/ Benefits

From ₱22.2 million current income tax in the first half of 2019 to ₱ 10.5 million income tax benefit for the same period in 2020. Benefits from income tax for the first half ended June 30, 2020 was primarily due to higher deferred tax for attributable from taxable losses caused by the COVID-19 pandemic.

Net Income/Loss

Net loss for the first half ended June 30, 2020 closed at ₱12.3 million compared to the same period of the prior year of ₱52.0 million net income driven by the decrease in revenue despite the improvement in gross profit margin and operating expenses

Financial Condition as of JUNE 30, 2020 versus December 2019

FRUIT had consolidated total assets of ₱1.65 billion as of June 30, 2020 a slight decrease from the total assets of ₱1.80 billion last December 2019.

Cash and cash equivalents

As of end June 2020, cash and cash equivalents totalled ₱679.7 million, down from ₱853.3 million as of end-2019 primarily as a result of temporary suspension of operations during the quarantine period. Cash includes cash on hand and in banks while cash equivalents are short-term, highly liquid investments that are easily convertible to cash.

Trade and other receivables

Trade and other receivables were at ₱100.5 million as of June 30, 2020 compared to ₱83.6 million as of end-2019, an increase of 20.2% due to higher third party trade receivables.

Inventories

As of June 30, 2020, inventories decreased to ₱39.2 million from ₱50.0 million as of end-2019. The decrease was attributed to the Group's initiative to use up existing inventories during the lockdown period

Property, plant, and equipment

Consolidated net property, plant, and equipment stood at ₱203.5 million as of June 30, 2020. Acquisition of property and equipment for the first half of the year reached ₱19.9 million, which was invested in the building of new stores and improvements in the corporate office and commissary.

Intangible assets

Intangible assets stood at ₱222.3 million for the period; the slight increase was brought about by the recognition of goodwill from the purchase of Soykingdom Inc.

Trade and other payables

Trade and other payables decreased by 47.5% for the six months ending June 2020 to ₱71.4 million driven by the payment of trade payables for the purchase of inventories towards the end of 2019.

Notes Payable

As of June 30, 2020, the Group's notes payable stood at ₱159.5 million, as deleveraging continued into the second quarter of 2020.

Equity

As of June 30, 2020, the Company's consolidated equity slightly decreased to ₱1.30 billion from ₱1.31 billion as of end-2019.

Cash Flow Summary

Net cash used in operating activities amounted to ₱103.2 million for the six months of 2020.

Net cash used in investing activities was ₱25.5 million for the first six months of 2020, driven by CAPEX and acquisitions.

Net cash used in financing activities was ₱44.8 million for the first six months of 2020, as the Group paid down some notes payable and due to the roll forward of lease liabilities.

	Interim Six Months Ended June 30, 2019	Interim Six Months Ended June 30, 2020
Revenue Growth	n/a	(50.9%)
Gross Profit Margin	58.3%	59.8%
Net Income/ Loss (₱ million)	51.9	(12.3)
	As of December 31, 2019	As of June 30, 2020
Current Ratio	3.9	5.3
Debt to Equity Ratio	37.0%	27.2%

REVIEW OF YEAR END 2019 VS YEAR END 2018

Key Highlights

FRUIT delivered a consolidated net income of Php 121.5 million for the twelve months ending December 31, 2019. This yields a net income margin of 6.25% and an increase of 21.14% year-on-year compared to the reported net income of Php 100.3 million in 2018.

FRUIT's total revenues for the year ending 2019, which includes those from the in-house commissary, amounted to Php 1,945.2 million, growing by 23.28% versus reported revenues of Php 1,579.2 million for the comparable period in 2018.

Revenues

The Group generated revenues of Php 1,945.2 million for 2019, a 23.2% or Php 215.0 million upswing from the same period in 2018, which closed at Php 1,579.2 million. The increase was driven by the hike in revenues of existing stores and sales from the new stores that opened during the year. Negril Trading, which primarily houses the Group's key food brands De Original Jamaican Pattie and Sabroso Lechon, had a particularly solid performance, registering revenue growth of 43%, ending 2019 with Php 423 million revenue, even in the midst of swine fever that hit parts of the Philippines in the second half of 2019. Net sales contribution from Visayas and Mindanao grew by 39% in 2019.

Cost of Sales

Cost of sales for 2019 closed at Php 814.4 million, 22.4% or Php 149.0 million increase over the same period in 2018 which closed at Php 665.4 million. The rise is attributable to the increase in revenues. The Group was able to improve its gross profit margin which registered at 58.1% for 2019 versus the 57.9% of the same period in 2018.

Operating Expenses

The Group's operating expenses settled at Php 954.3 million at the close of 2019, a 24.4% or a Php 187.4 million increase from the same period in 2018. The uptick was attributed the increased business volume in 2019, which drove manpower expenses and rent expense. IPO expenses worth Php 6.9 million were also charged to general and administrative expenses.

Pre-tax Income

Consolidated pre-tax income reached Php 145.7 million in 2019, rising by 4.16% from Php139.9 million in 2018. This was driven by cost and efficiency improvements, which helped offset some increases in input prices.

Income Tax Expense

Income tax expense declined by 38.9% from Php 39.6 million in 2018 to Php 24.2 million for 2019, in view of the increase in deferred income tax from Php 3.7 million in 2018 to Php 20.7 million in 2019.

Other Income

Other income increased to Php 7.9 million for 2019 compared to Php 2.6 million in 2018.

Net Income

Net income for 2019 closed at Php 121.5 million, a 21.1% or Php 21.2 million upsurge from 2018 of Php 100.3 million driven by the increase in revenues and overall slight improvement in margins. Core net income for 2019 was at Php 125.5 million, 34% higher than Php 93.9 million in 2018. Core net income excludes the impact of some IPO expenses charged to profit and loss in 2019 and the one-off gain from bargain purchase in 2018.

FY19 Financial Condition

FRUIT had consolidated total assets of Php 1,796.4 million as of December 31, 2019, an increase of 98.6% versus total assets of Php 904.4 million as of end-2018.

Cash and cash equivalents

As of end 2019, cash and cash equivalents totalled Php 853.3 million. Cash includes cash on hand and in banks while cash equivalents are short-term, highly liquid investments that are easily convertible to cash.

Trade and other receivables

Trade and other receivables was at Php 83.6 million as of year-end 2019 compared to Php 55.6 million in 2018, an increase of 48% due to higher third party trade receivables.

Inventories

As of December 31, 2019, inventories decreased from Php 49.9 million to Php 52.0 million in 2018, a decrease of 4.1% due to improved management of inventory levels.

Property, plant, and equipment

Consolidated net property, plant, and equipment stood at Php 222.8 million as of year-end 2019, 21.9% higher than December 31, 2018 which stands at Php 182.7 million. The increase over this period was due to continued store network expansion.

Intangible assets

Intangible assets stood at Php 214.4 million for the period.

Accounts payable and other current liabilities

Accounts payable and other current liabilities increased by 20.70% for the full-year 2019 to Php 136.0 million, driven primarily by the increase in nontrade payables.

Loans payable

As of December 31, 2019, the Registrant's total interest-bearing debt stood at ₱ 195.7 million. Short-term loans amounting to Php 118.1 million was used to partially fund working capital requirements.

Total long-term loans payable stood at Php 77.6 million, which was primarily used prior to the Registrant's IPO in 2019 for the capital expenditures for the commissaries and head office.

Capital stock and Additional paid-in capital

For the twelve months ending December 31, 2019, the Registrant's total capital stock stood at Php 213.4 million, a 33.4% increase from the total capital stock of Php 160 million as of December 31, 2018.

Cash flows

Consolidated net cash provided by operating activities amounted to Php 185.7 million for the full-year 2019, 34.0% higher versus the previous year's Php 138.6 million. The increase is primarily attributable to the improvement in operating income before working capital changes from Php 202.3 million in 2018 to Php 287.2 million for 2019, while interest paid increased from Php 16.1 million in 2018 to Php 28.2 million for 2019.

Consolidated net cash used in investing activities was Php 191.4 million. This is mainly due to capital expenditures for new store openings and other corporate investments.

Consolidated net cash used by financing activities was Php 599.3 million in 2019, primarily arising from IPO Proceeds, which was reduced by pay down of notes payable.

Key Performance Indicators (KPIs)

	Audited Twelve Months Ended December 31, 2018	Audited Twelve Months Ended December 31, 2019
Revenue Growth	37.0%	23.2%
Gross Profit Margin	57.9%	58.1%
Reported Net Income (Php million)	100.3	121.5
Core Net Income (Php million)	93.9	126.3
Core Net Income Margin	5.9%	6.5%
EBITDA (Php million)	201.8	292.2
EBITDA Margin	12.8%	15.0%
Return on Average Assets	12.3%	9.0%
Return on Average Equity	29.0%	14.4%
Current Ratio	100.6%	393.4%
Debt to Equity Ratio	142.0%	37.0%

Gross Profit Margin is gross profit as a percentage of revenues
Net Income Margin is net income as a percentage of revenues
EBITDA is defined as earnings before interest, tax, depreciation and amortization
EBITDA margin is EBITDA as a percentage of revenues
Return on Average Assets is net income as a percentage of the average of the assets at year-end and assets at end of the immediately preceding year
Return on Average Equity is net income as a percentage of the average of the equity at year-end and equity at end of the immediately preceding year
Current Ratio is current assets divided by current liabilities
Debt to Equity Ratio is total liabilities over total equity

COMMITMENTS AND CONTINGENCIES

There is no material commitment and contingency as of 31 December 2019 and as of 31 December 2018.

REVIEW OF YEAR END 2018 VS YEAR END 2017

FINANCIAL CONDITION

As of December 31, 2018 vs. December 31, 2017

Our total assets stood at ₱904.4 million as of December 31, 2018, higher by 24.0% than the total assets of ₱729.2 million as of December 31, 2017.

Cash and cash equivalents stood at ₱260.5 million as of December 31, 2018, lower by 11.5% than the amount of ₱294.4 million as of December 31, 2017. The decrease was due to net cash outflows from investing activities of ₱187.8 million outpacing combined net cash inflows from operating activities and financing activities of ₱153.9 million in 2018.

Trade and other receivables stood at ₱55.6 Million as of December 31, 2018, higher by 189.7% than the trade and other receivables of ₱19.2 million as of December 31, 2017. The increase during this period was due to higher volume of sales to franchisees.

Merchandise inventory stood at ₱52.0 million as of December 31, 2018, higher by 33.5% than the total merchandise inventory of ₱39.0 million as of December 31, 2017. The increase from 2017 to 2018 was due to the store network expansion of the Group.

Property and equipment stood at ₱182.7 million in 2018, higher by 116.4% than the property and equipment in 2017, of ₱84.5 million. The increase from 2017 to 2018 was due to the store improvement program implemented during the year.

Trade and other payables stood at ₱112.7 million in 2018, higher by 132.8% than the trade and other payables in 2017, of ₱48.4 million. The increase in trade and other payables from 2017 to 2018 was due to the increased level of purchases for the period.

Mortgage payable stood at ₱5.96 million in 2018, a 34.54% increase from 2017, where mortgage payable stood at ₱4.43 Million. The increase in mortgage payable is due to additional vehicles acquired.

Notes Payable in 2018 stood at ₱311.1 million, a slight decrease of 0.2% from 2017 when the outstanding balance stood at ₱311.8 million. The Notes Payable were sourced from local commercial banks, to finance its working capital requirements.

Capital stock stood at ₱160 million as of December 31, 2018, unchanged from ₱160 million in 2017.

Total equity stood at ₱373.7 million in 2018, which was an increase of 15.2% from 2017, where total equity was at ₱318.9 million. Total equity increased from 2017 to 2018 due to addition of net income of ₱100.3 million for the period, which was reduced by the declaration of ₱45.5 million of dividends.

REVIEW OF YEAR END 2017 VS YEAR END 2016

RESULTS OF OPERATIONS

Year Ended December 31, 2017 compared to year ended December 31, 2016

Our total assets stood ₱729.2 million as of December 31, 2017, which was higher by 188.2% than the total assets of ₱253.0 million as of December 31, 2016.

Cash and cash equivalents stood at ₱294.4 million as of December 31, 2017, which was higher by 117.8% than the cash level of ₱135.2 million as of December 31, 2016, driven by strong cash flow from operating activities and proceeds from issuance of promissory notes .

Trade and other receivables stood at ₱19.2 million as of December 31, 2017, which was higher by 180.1% than the trade receivables of ₱6.9 million as of December 31, 2016. The increase was due to the increased number of franchisees in 2017.

Merchandise inventory stood at ₱39.0 million as of December 31, 2017, which was higher by 540.2% than the total merchandise inventory of ₱6.1 million as of end-2016. The increase from 2016 to 2017 was due to the significant store network expansion of the Group.

Property and equipment stood at ₱84.5 million as of December 31, 2017, which was 553.8% higher than the property and equipment as of December 31, 2016, of ₱12.9 million. The increase from 2016 to 2017 was due to the significant number of stores added in 2017.

Trade and other payables stood at ₱48.4 million as of December 31, 2017. This was 79.7% higher than the trade and other payables as of December 31, 2016, of ₱26.9 million. The increase in trade and other payables during this period was due to the increased level of purchases for the period.

Mortgage payable stood at ₱4.43 Million as of December 31 2017, which was an increase of 710.39% from the mortgage payable as of December 31, 2016 of ₱622,982. The increase in mortgage payable was due to additional vehicles acquired.

Notes Payable as of December 31, 2017 had an outstanding balance of ₱311.8 million, which was drawn to fund expansion activities.

Capital stock stood at ₱160 million as of December 31, 2017, which was a 21.0% increase from ₱132.2 million in 2016. Capital stock increased because in 2017, new shares worth ₱27.8 million were issued at par.

Total equity stood at ₱318.9 million as of December 31, 2017, which was an increase of 165.5% from total equity in December 31, 2016 of ₱192.7 million. Total equity increased from 2016 to 2017 due to sale of FHI shares held by subsidiaries, increase in retained earnings, and addition in other equity reserves as FHI increased its ownership of its subsidiaries to 100%.

Events After the Reporting Period

Impact of COVID-19. In March 2020, the COVID-19 outbreak was declared to be a global pandemic by the World Health Organization and the Registrant's Group temporarily closed its Group-operated stores across the country beginning March 16, 2020. The Registrant expects these stores to remain closed until further notice. The Registrant plans to follow the guidance of local governments and health organizations to determine when it can reopen these stores. As the situation continues to evolve rapidly, the Registrant is not currently able to predict the timing of the reopening of all its stores but will be subject on a location-by-location basis.

As the community quarantine eases, the Registrant expects to see material improvement in sales as compared to sales while the country was subject to Enhanced Community Quarantine imposed. The Group has started to strategically re-open stores and around 70% of its total stores have reopened.

Despite the decrease of the Registrant Group's topline, management made sure to manage and rationalize expenses to maximize the bottom line. The Group took additional steps from March 2020 onwards to reduce discretionary spending and other expenditures, rolled out procedures to ensure continuous delivery of products using the newly acquired subsidiary, Cocodelivery Inc., and repurposed or upgrade some stores into delivery hubs, also known as Community Stores. The Registrant continues to monitor the situation closely and may implement further measures to provide additional flexibility and improve the Registrant's cash position and liquidity. We managed our payables through negotiating longer terms with suppliers and decreasing our rent expenses.

The Registrant Group is still pushing through with its plans to expand more stores in strategic locations. The Registrant wants to position itself in high foot-traffic and logistically viable areas to ensure the sustainability of the store which may be located inside and outside of commercial centers. Aside from the current pandemic the world is experiencing, the Registrant sees no major risk on the business' operational and financial health and management believes that the Registrant's strong financial condition and ability to obtain short-term or long-term borrowings, the Registrant Group can continue in this more health-conscious environment.

Apart from the events discussed above or in this Management Report, there are no other known trends, events or uncertainties expected to have a material impact on liquidity/sales or events that will trigger direct or contingent financial obligation that is material to the Registrant, including any default or acceleration of an obligation. There is also no known cause for any material change from period to period of financial statements or any seasonal aspects that may have a material effect on the financial statements.

Likewise, the corporation has not entered into any material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships with unconsolidated entities or other persons during the reporting period nor made any material commitments for capital expenditures

IV. NATURE AND SCOPE OF BUSINESS

(A) Background

Fruitas Holdings, Inc. (“FHI”) serves as the holding Registrant of food and beverage kiosk operators with 24 active brands across its portfolio. As of December 31, 2019, it has a total of 1,068 stores across the Philippines. The Group serves Philippine consumers daily with fresh fruit shakes and juices, lemonade, coolers, milk tea, desserts, meat-filled pastries, and *lechon* (roasted pig), among other products.

FHI traces its roots from Lush Enterprises Corporation (“LEC”), which was incorporated by Mr. Lester Yu in 2000. LEC opened its first “*Fruitas Fresh from Babot’s Farm*” store in 2002 at SM Manila. Fast forward to 2019, FHI has more than 1,000 stores across the Philippines generally located in prime commercial establishments and institutions. Since its establishment, FHI, its Subsidiaries, and other indirect subsidiaries Green Empire International Limited and Oceanic Limited (the “Group”), has expanded its brand portfolio to include *Buko Loco*, *Buko ni Fruitas*, *Juice Avenue*, *Johnn Lemon*, *Black Pearl*, *Tea Rex*, *De Original Jamaican Pattie Shop and Juice Bar*, *The Mango Farm*, and *Sabroso Lechon* to name a few. The Group continues to make its mark in the industry through the growth of its store network, expansion through acquisitions, and development of new business concepts and formats. In addition, FHI through one of its subsidiaries, Fruitasgroup Incorporated (“FGI”), operates 2 foodparks which are both situated in Quezon City, Philippines.

The Group’s main production facilities are strategically located in Metro Manila, Philippines for more efficient supply chain operations. The Group maintains its own logistics facilities to deliver various materials, supplies, and products to its stores.

The Group considers itself as one of the largest food and beverage kiosk operators in the Philippines. The multiple brands across its portfolio allows it to serve a wide array of products to the local market. The kiosk format enables the Group to be flexible and expand faster. The Group believes its business model is highly scalable, as evidenced by its store network expansion in the past years.

The Group generated total revenues of ₱ 1,152.6 million, ₱ 1,579.2 million, ₱ 1,945.2 million for the years ended December 31, 2017, 2018, and 2019 respectively, and net income of ₱ 172.9 million, Php ₱million, and Php ₱million for the same periods.

On November 29, 2019, FRUIT reached another milestone by successfully listing on the Main Board of the Philippine Stock Exchange (PSE) with a total of 2,133,680,000 common shares at ₱1.68 per share.

(B) Risks Relating to the Business

The business and operations of the Group are subject to a number of laws, rules and regulations governing the food and beverage kiosk industry in the Philippines. These laws and regulations impose requirements relating to food manufacturing and storage. In particular, the Group is subject to extensive regulation by the Food and

Drug Administration (“FDA”) and local government units (“LGU”), and environmental regulators.

Food service businesses are affected by changes in consumer tastes, economic conditions and demographic trends. The timing of product launches, pricing and advertising efforts of competitors may also impact our sales. In the past, we have introduced new products which were unsuccessful and there can be no guarantee that we will be able to introduce new products or new menu items successfully in the future. If we cannot successfully introduce new products or new menu offerings, our business, financial condition and results of operations could be materially and adversely affected.

The food and beverage kiosk industry in the Philippines is highly competitive with relatively low barriers to entry. As such, there are many well-established food services that compete directly and indirectly with FHI. FHI’s competitors are located domestically. The domestic competitors in the meat-filled pastry category is *Yumpanada*. In the buko (coconut) category are *Louie’s Buko*, *Coconut Republic*, *Buko Express Pies & Sweets* and *Buko Juan*. In the fruit shakes category are *Fruit Magic*, *Big Chill* and *Thirsty*. In the juices and smoothies category are *Islands Juice*, *Pure Nectar*, *Jamba Juice*, *Fruitfull*, *Mooshi Green Bar* and *Tube Cane Juice*. In the coolers category is *Zagu*. In the fries category are *Potato Corner* and *Potato Giant*. In the Lemonade Category are *Simply Lemon* and *Lemon na Bai*. These competitors may not be the only ones in the industry, as there can be other major or minor players in each category. If the Registrant’s Group will not be able to compete with them, this could lead to a decline to our businesses affecting our financial conditions and operations.

Our ability to perform on a day-to-day basis is dependent on the capacity and efficiency of our manpower and infrastructure. There may be material interruptions in manpower because of natural calamities or fortuitous events, such as our employees not being able to go to work because of a typhoon or our vehicles not being able to go to different areas because of floods which can affect our delivery schedule. Moreover, our future sales growth will depend on our ability to acquire or lease strategic land for increase of production capacity and will depend on our ability to acquire or maintain machines that will make production and distribution more efficient. Not being able to capably distribute our product and not being able to acquire or lease strategic land or machines will increase our costs, affecting our capacity to successfully operate daily.

We cannot guarantee that our internal controls and training will be fully effective in preventing all food safety issues at our stores, including any occurrences of foodborne illnesses such as salmonella, E. coli and hepatitis A. In addition, there is no guarantee that our franchised stores will maintain the high levels of internal controls and training we require at our owned stores. Furthermore, we and our franchisees rely on third-party vendors, making it difficult to monitor food safety compliance and increasing the risk that foodborne illness would affect multiple locations rather than a single store. Some foodborne illness incidents could be caused by third-party vendors and transporters outside of our control. New illnesses resistant to our current precautions may develop in the future, or diseases with long incubation periods could arise, that could give rise to claims or allegations on a retroactive basis. One or more instances of foodborne illness in any of our stores or markets or related to food products we sell could negatively affect our store sales nationwide if highly publicized on national media outlets or through social media. This

risk exists even if it were later determined illness was wrongly attributed to us or one of our stores. The occurrence of food safety or foodborne illness incident at one or more of our stores, or negative publicity or public speculation about an incident, could materially adversely affect our business, financial condition and results of operations.

V. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDERS MATTERS

Market Information

The Registrant's common shares are being traded at the Philippine Stock Exchange. The high and low sales prices for each quarter within the last three fiscal years as traded on the Philippine Stock Exchange are as follows:

Quarter	2020			2019		
	High	Low	Close	High	Low	Close
1st	2.07	0.90	1.17			
2nd	1.53	1.13	1.31			
3rd	1.35	1.08	1.20			
4th				2.45	1.03	1.20

The market capitalization of FRUIT as of September 30, 2020, based on the closing price of ₱1.20 per share, was approximately ₱2.56 billion.

As of October 26, 2020, FRUIT's market capitalization stood at ₱2.71 billion based on the ₱1.27 per share closing price.

Price Information as of the Latest Practicable Trading Date

<u>Trading Date</u>	<u>High</u>	<u>Low</u>	<u>Close</u>
26 October 2020	1.28	1.24	1.27

Stockholders

There are approximately 14 holders of common equity security of the Registrant with 12 certificated shareholders as of September 30, 2020 (based on the number of accounts registered with the Stock Transfer Agent).

	Stockholder's Name	Common Shares	Percentage
1	PCD Nominee Corp. (Filipino)	2,120,289,700	99.37%
2	PCD Nominee Corp. (Non-Filipino)	13,246,300	0.62%
3	Myra P. Villanueva	59,000	0.00%
4	Milagros P. Villanueva.	20,000	0.00%
5	Myrna P. Villanueva	20,000	0.00%
6	Marietta V. Cabreza	10,000	0.00%
7	Irene Chua	10,000	0.00%
8	Dennis Beng Hui	10,000	0.00%
9	Ma. Christmas R. Nolasco	10,000	0.00%
10	Calvin Fenix Chua	1,000	0.00%
11	Vincent Ricardo Cuevas	1,000	0.00%
12	Bambi Maureen Enriquez Donato	1,000	0.00%
13	Rogelio Mesina Guadalquiver	1,000	0.00%
14	Shirley O'yek Tan	1,000	0.00%
	TOTAL	2,133,680,000	
	Total issued and outstanding common shares as of September 30, 2020	2,133,680,000	100.00%

The following are non-certificated shareholders and part of PCD Nominee Corp. (Filipino) which hold significant shares of the Registrant (more than 5%) as of September 30, 2020:

	Stockholder's Name	Common Shares	Percentage
1	Lush Properties Inc.	1,258,500,000	58.98%
2	Lester C. Yu	122,117,000	5.72%

Dividends

Last September 18, 2020, the Registrant declared regular cash dividends amounting to Php0.01 per share or a total of Php 21,336,800.00 on all shares of common stock issued and outstanding to stockholders of record as of Aug. 27, 2020.

There are no outstanding dividends payable as at September 30, 2020.

Dividend Policy

We have approved a dividend policy of distributing 30% of our net income after tax from the preceding year payable primarily in cash. However, the Board of Directors, in its discretion, may decide to declare dividends to be payable in property or share. Declaration of dividends is subject to the requirements of applicable laws and regulations, the terms and conditions of our outstanding loan facilities, and the absence of circumstances that may restrict the payment of such dividends, such as when we undertake major projects, expansions, and developments. Dividends must be approved by our Board of Directors and in the case of stock dividends, approved by 2/3 of the Registrant's total outstanding capital stock at a regular or special meeting called for the purpose, and may be declared only from our unrestricted retained earnings. The Registrant will conduct a periodic review of available unrestricted balance of retained earnings for purposes of earmarking surplus profit for future capital expenditures or for distributing the same as special cash or stock dividends. Our

board of directors may, at any time, modify our dividend policy or declare special dividends, depending upon our capital expenditure plans and/or any terms of financing facilities entered into to fund our current and future operations and projects. We cannot assure you that we will pay any dividends in the future.

Record Date

Pursuant to existing Philippine SEC rules, cash dividends declared by a Registrant must have a record date not less than 10 nor more than 30 days from the date the cash dividends are declared. With respect to stock dividends, the record date is to be not less than 10 or more than 30 days from the date of shareholder approval, provided however, that the set record date is not to be less than 10 trading days from receipt by the PSE of the notice of declaration of stock dividend. In the event that a stock dividend is declared in connection with an increase in authorized capital stock, the corresponding record date is to be fixed by the Philippine SEC.

Recent Sale of Unregistered Securities

The following securities were issued as exempt from the registration requirements of the SRC and therefore have not been registered with the Philippine SEC.

- In November 2016, the Registrant sold its common shares at par value of Php1.00 per share to the following individuals and entity: Madelene Timbas-Sayson (150,000 shares); Marvin Yu (100,000 shares), and Lester Yu (7,000,000 shares).
- In February 2017, the Registrant sold its common shares at par value of Php1.00 per share to Melanie Legaspi (50,000 shares); and to Lush Properties Incorporated (12,700,000 shares).
- On 15 February 2017, the majority of the Board of Directors of the Registrant and its stockholders owning or representing at least two-thirds of the outstanding capital stock of the Registrant approved to change the par value of its common shares from Php1.00 to Php0.10 per share and reclassified Php 30 million of its authorized capital stock to 3,000,000,000 preferred shares with par value of Php0.01 per share. Thus, the number of common shares of the Registrant increased from 500,000,000 common shares at Php1.00 per share, to 4,700,000,000 common shares at Php0.10 per share. As a result of the lowering of the par value, the common shares of the following entities and individuals increased: Lush Properties Incorporated (from 38,700,000 common shares to 387,000,000 common shares); Ralproperties Inc. (from 10,000,000 common shares to 100,000,000 common shares); Lester C. Yu (from 17,250,000 common shares to 172,500,000 common shares); Jonathan G. Co (from 100,000 common shares to 1,000,000 common shares); Sherlyn U. Gonzales (from 250,000 common shares to 2,500,000 common shares); Roselyn A. Legaspi (from 300,000 common shares to 3,000,000 common shares); Madelene Timbas-Sayson (from 150,000 common shares to 1,500,000 common shares); Marvin C. Yu (from 100,000 common shares to 1,000,000 common shares); Melanie Legaspi (from 150,000 common shares to 1,500,000 common shares); Lush Enterprises Corporation (from 26,000,000 common shares to 260,000,000 common shares); FGI (from 26,000,000 common shares to 260,000,000 common shares); and BNF (from 26,000,000 common shares to 260,000,000 common shares).

- On 7 November 2017, the Registrant sold its common shares at par value of Php0.10 to the following entities and individuals: Next Merchant Holdings, Inc. (74,490,000 common shares); Highlands Sunrise Holdings Inc. (74,480,000 common shares); Calvin Chua (500,000 common shares); Rogelio Guadalquiver (500,000 common shares); Bambi Maureen Donato (10,000 common shares); Bernardino Ramos (10,000 common shares); and Shirley Tan (10,000 common shares).
- On 20 August 2019, the Registrant sold its common shares at par value of Php 0.10 to the following individuals: Dennis Beng Hui (10,000 common shares); and Irene O. Chua (10,000 common shares).

Stock Options

None.

VI. COMPLIANCE WITH LEADING PRACTICE ON CORPORATE GOVERNANCE

The Registrant's Board has adopted a Revised Manual on Corporate Governance. The Registrant's Revised Manual on Corporate Governance describes the terms and conditions by which the Registrant intends to conduct sound corporate governance practices that are consistent with the relevant laws and regulations of the Republic of the Philippines, and which seek to enhance business transparency and build shareholder value.

Ultimate responsibility and oversight of the Registrant's adherence to superior corporate governance practices rests with the Board of Directors. As a policy matter, the Board will hold monthly meetings, at which any number of relevant corporate governance issues may be raised for discussion.

Practical oversight of the Registrant's corporate governance standards is exercised through the Board's Corporate Governance Committee.

The Registrant is committed to building a solid reputation for sound corporate governance practices, including a clear understanding by its Directors of the Registrant's strategic objectives, structures to ensure that such objectives are realized, systems to ensure the effective management of risks and the systems to ensure the Registrant's obligations are identified and discharged in all aspects of its business. Each January, the Registrant will issue a certification to the Philippines Securities and Exchange Commission and the Philippine Stock Exchange that it has fulfilled its corporate governance obligations.

As of the date of this report, there are no known material deviations from the Registrant's Manual of Corporate governance. The Registrant is taking further steps to enhance adherence to principles and practices of good corporate governance.

COVER SHEET

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 SEC Registration Number

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(Company's Full Name)

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			B	R	G	Y	.	D	O	N	A		J	O	S	E	F	A		Q	U	E	Z	O	N		C	I	T	Y
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(Business Address: No., Street City / Town / Province)

RUSHELL A. SALVADOR

 Contact Person

+ (632) 8731-8886

 Company Telephone Number

SEC FORM 17-A

1	2
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 Month

3	1
---	---

 Day
 Fiscal Year

FORM TYPE

0	6
---	---

 Month

0	8
---	---

 Day
 Annual Meeting

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 Secondary License Type, If Applicable

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 Dept Requiring this Doc
 Section

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 Amended Articles Number /

--

 Total No. of Stockholders

Total Amount of Borrowings

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 Domestic

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 Foreign

To be accomplished by SEC Personnel concerned

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 File Number

LCU

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 Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes

COVER SHEET

for AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C S 2 0 1 5 0 3 0 1 4

COMPANY NAMEFRUITAS HOLDINGS, INC. (A Subsidiary of
LUSH PROPERTIES, INC.) AND SUBSIDIARIE
S**PRINCIPAL OFFICE** (No./Street/Barangay/City/Town/Province)No. 60 Cordillera St., Brgy. Dona Josefa
a, Quezon City, 1113

Form Type

A C F S

Department requiring the report

C R M D

Secondary License Type, If Applicable

N / A

COMPANY INFORMATION

Company's Email Address

-

Company's Telephone Number/s

(02) 8243-1741

Mobile Number

-

No. of Stockholders

131

Annual Meeting (Month / Day)

Every Second Monday of June

Fiscal Year (Month / Day)

December 31

CONTACT PERSON INFORMATIONThe designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

Ms. Madelene Timbas-Sayson

Email Address

madelene.sayson@fruitasholdings.com

Telephone Number/s

(02) 8243-1741

Mobile Number

-

CONTACT PERSON'S ADDRESS

No. 60 Cordillera St., Brgy. Dona Josefa, Quezon City, 1113

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

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



June 29, 2020

Philippine Stock Exchange

6/F PSE Tower, 5th Avenue corner 28th Street
Bonifacio Global City, Taguig City

Attention: Ms. Janeth A. Encarnacion
Head, Disclosure Department

Subject: Fruititas Holdings Inc. 2019 SEC Form 17-A Annual Report

Dear Ms. Encarnacion:

We hereby submit the SEC Form 17-A Annual Report for the year ended 31December 2019 with the following exhibits:

1. 2019 Audited Financial Statement
2. Reports on SEC Form 17-A
3. Sustainability Report

We trust that you will find everything to be in order.

Very Truly Yours,

FRUITAS HOLDINGS INC.

By:  Rushell A. Salvador
Compliance Officer

Hotlines: +632.8330.2889 | +63.939.101.0101 Luzon / +63.947.101.0101 Vis Min

Fruititas HQ: 60 Cordillera St. corner E. Rodriguez Sr. Ave., Brgy. Doña Josefa, Quezon City 1113, Philippines

www.FruititasHoldings.com

SECURITIES AND EXCHANGE COMMISSION

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. For the fiscal year ended **December 31, 2019**
2. SEC Identification Number **CS201503014**
3. BIR Tax Identification No. **008-961-476**
4. Exact name of issuer as specified in its charter **Fruitas Holdings, Inc.**
5. **Quezon City, Philippines** Province, Country or other jurisdiction of
incorporation or organization
6. (SEC Use Only)
Industry Classification Code:
7. **60 Cordillera St. corner E. Rodriguez Sr. Ave, Brgy. Doña Josefa, Quezon City**
Address of principal office

1113

Postal Code

8. **(632) 8243-1741**
Issuer's telephone number, including area code
9. **Not Applicable**
Former name, former address, and former fiscal year, if changed since 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 Shares

2,133,680,000

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 Share

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code

of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes No

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

Yes No

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

Total Number of Outstanding Shares	2,133,680,000
Less: Outstanding Shares held by Affiliates	1,451,257,010
Shares held by Non-Affiliates	682,422,990
Closing price as of March 31, 2020	Php 1.17
Aggregate Market Value of Voting Stock held by Non-Affiliate	Php 798,434,898
Level of Public Float based on information available as of March 31, 2020	31.98%

**APPLICABLE ONLY TO ISSUERS INVOLVED IN
INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS
DURING THE PRECEDING FIVE YEARS:**

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Yes No

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) 2019 Consolidated Financial Statements of Fruitas Holdings, Inc. and its Subsidiaries attached as Annex A;

(b) List of Stockholders attached as Annex B;

(c) Sustainability Report attached as Annex C

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

a. Overview

Fruitas Holdings, Inc. (“FHI”) serves as the holding company of food and beverage kiosk operators with more than 25 active brands across its portfolio. As of December 31, 2019, it has a total of 1,068 stores across the Philippines. The Group serves Philippine consumers daily with fresh fruit shakes and juices, lemonade, coolers, milk tea, desserts, meat-filled pastries, and *lechon* (roasted pig), among other products.

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The Group generated total revenues of ₱1,152.6 million, ₱1,579.2 million, ₱1,945.2 million for the years ended December 31, 2017, 2018, and 2019 respectively, and net income of ₱172.9 million, ₱100.3 million, and ₱121.5 million for the same periods.

b. Key Risks

The business and operations of the Group are subject to a number of laws, rules and regulations governing the food and beverage kiosk industry in the Philippines. These laws and regulations impose requirements relating to food manufacturing and storage. In particular, the Group is subject to extensive regulation by the Food and Drug Administration (“FDA”) and local government units (“LGU”), and environmental regulators.

Foodservice businesses are affected by changes in consumer tastes, economic conditions and demographic trends. The timing of product launches, pricing and advertising efforts of competitors may also impact our sales. In the past, we have introduced new products which were unsuccessful and there can be no guarantee that we will be able to introduce new products or new menu items successfully in the future. If we cannot successfully introduce new products or new menu offerings, our business, financial condition and results of operations could be materially and adversely affected.

The food and beverage kiosk industry in the Philippines is highly competitive with relatively low barriers to entry. As such, there are many well-established food services that compete directly and indirectly with us.

Our competitors are located domestically. The domestic competitors in the Meat-filled pastry category is *Yumpanada*; in the Buko (Coconut) category are *Louie's Buko*, *Coconut Republic*, *Buko Express Pies & Sweets* and *Buko Juan*; in the Fruit Shakes category are *Fruit Magic*, *Big Chill* and *Thirsty*; in the Juices and Smoothies category are *Islands Juice*, *Pure Nectar*, *Jamba Juice*, *Fruitfull*, *Mooshi Green Bar* and *Tube Cane Juice*; in the Coolers category is *Zagu*; in the Fries category are *Potato Corner* and *Potato Giant*; in the Lemonade Category are *Simply Lemon* and *Lemon na Bai*. These competitors may not be the only ones in the industry as there can be other major or minor players in each category. If our Group will not be able to compete with them, this could lead to a decline to our businesses affecting our financial conditions and operations.

Our ability to perform on a day-to-day basis is dependent on the capacity and efficiency of our manpower and infrastructure. There may be material interruptions in manpower because of natural calamities or fortuitous events like our employees not being able to go to work because of a typhoon or our vehicles not being able to go to different areas because of floods which can affect our delivery schedule. Moreover, our future sales growth will depend on our ability to acquire or lease strategic land for increase of production capacity and will depend on our ability to acquire or maintain machines that will make production and distribution more efficient. Not being able to capably distribute our product and not being able to acquire or lease strategic land or machines will increase our costs, affecting our capacity to successfully operate daily.

We cannot guarantee that our internal controls and training will be fully effective in preventing all food safety issues at our stores, including any occurrences of foodborne illnesses such as salmonella, E. coli and hepatitis A. In addition, there is no guarantee that our franchised stores will maintain the high levels of internal controls and training we require at our owned stores. Furthermore, we and our franchisees rely on third-party vendors, making it difficult to monitor food safety compliance and increasing the risk that foodborne illness would affect multiple locations rather than a single store. Some foodborne illness incidents could be caused by third-party vendors and transporters outside of our control. New illnesses resistant to our current precautions may develop in the future, or diseases with long incubation periods could arise, that could give rise to claims or allegations on a retroactive basis. One or more instances of foodborne illness in any of our stores or markets or related to food products we sell could negatively affect our store sales nationwide if highly publicized on national media outlets or through social media. This risk exists even if it were later determined illness was wrongly attributed to us or one of our stores. The occurrence of food safety or foodborne illness incident at one or more of our stores, or negative publicity or public speculation about an incident, could materially adversely affect our business, financial condition and results of operations.

Item 2. Properties

Our key properties are summarized as follows:

Location	Area	Status
Offices		
60 Cordillera, Quezon City	1,464 sq. m.	Leased
Tisa, Cebu City*	538 sq. m.	Owned**
68 Data, Quezon City	420 sq. m.	Leased
1 Ubay, Quezon City	500 sq. m. (approximate)	Leased
Commissaries		
70 Brixton Hills, Quezon City	1,046 sq. m.	Leased
72 Brixton Hills, Quezon City	750 sq. m.	Leased
KJ Street, Kamias, Quezon City	1,928 sq. m.	Leased
Altura, Manila (Sabroso)	958 sq. m.	Leased
Altura, Manila (Porto's Peri-Peri)	1,031 sq. m.	Leased
Warehouses		
Labangon, Cebu City	1,500 sq. m. (approximate)	Leased
120 Kapiligan, Quezon City	1,000 sq. m (approximate)	Leased
Sasa, Davao City	240 sq. m.	Owned**
Foodparks		
150 Maginhawa St, Quezon City	600 sq. m.	Leased
55 Cordillera St, Quezon City	1,646 sq. m.	Sub-leased
Properties for future use		
71 Brixton Hills, Quezon City	750 sq. m.	Leased
Tisa, Cebu City	457 sq. m.	Owned**
Catwayan, Carles, Iloilo	6,128sqm	Owned**

* Also the site for House of Fruitas in Cebu

** Titles are still in the process of being transferred to FGI's name

For our retail establishments, we lease spaces from various entities across the Philippines. The site for the Le Village Lifestyle Park is sub-leased by FGI from One Fifty Food Place, Inc., a company which is 99.8% owned by Mr. Lester Yu.

Item 3. Legal Proceedings

As of the date, neither the Group nor any of its properties is engaged in or a subject of any material litigation, claims or arbitration either as plaintiff or defendant, which could be expected to have a material effect on our financial position and we are not aware of any facts likely to give rise to any proceedings which would materially and adversely affect our business or operations.

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

Except for matters taken up during the annual meeting of the stockholders, there was no other matter submitted to a vote of security holders during the period covered by this report.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

a.) Market Information

The Company's common shares are traded in the Main Board of the Philippine Stock Exchange, Inc. ("PSE"). The common shares were listed on November 29, 2019.

The following table shows the high and low prices (in pesos per common share) of the Company's shares in the PSE for each month from date of listing:

Period	High	Low
4 th Quarter 2019	2.45	1.03
1 st Quarter 2020	2.07	0.90

The market capitalization of the Company's common shares as of end 2019, based on the closing price of Php 1.21 per share was Php 2,581,752,800. The market capitalization of the Company's common shares as of March 31, 2020, based on the closing price of Php 1.17 per share was Php 2,496,405,600.

b) Holders

Total shares outstanding as of December 31, 2019, is 2,133,680,000 with a par value of P1.00

The number of shareholders of record as of December 31, 2019, was 10. The shareholders as of the same date are as follows:

Name of Shareholder	Number of Shares	% Ownership
Lush Properties Incorporated	1,258,500,000	58.98%
PCD Nominee Corp. (Filipino)	684,420,700	32.08%
Lester C. Yu	112,500,000	5.27%
Ralproperties, Inc.	70,000,000	3.28%
PCD Nominee Corp. (Non-Filipino)	8,236,300	0.39%
Irene Chua	10,000	0.00%
Dennis Beng Hui	10,000	0.00%
Calvin Fenix Chua	1,000	0.00%
Bambi Maureen Enriquez Donato	1,000	0.00%
Shirley O Yek Tan	1,000	0.00%

c) Dividends

Last June 27, 2019, the Company declared regular cash dividends amounting to Php0.0088 per share or a total of Php 14,000,000.00 on all shares of common stock issued and outstanding to stockholders of record as of June 30, 2019. This amount represents the total cash declared and paid for in 2019.

There are no outstanding dividends payable as at December 31, 2019.

d) Recent Sales of Unregistered or Exempt Securities, Including Recent Issuance of Securities Constituting an Exempt Transaction

On 20 August 2019, the Company sold its common shares at par value of Php0.10 to the following individuals: Dennis Beng Hui (10,000 common shares); and Irene O. Chua (10,000 common shares).

Item 6. Management's Discussion and Analysis or Plan of Operation.

The following discussion should be read in conjunction with the accompanying consolidated financial statements and notes thereto, which form part of this SEC Form Amended 17-A as "Annex B". The consolidated financial statements and notes thereto have been prepared in accordance with the Philippine Financial Reporting Standards (PFRS).

FY 19 Results of Operations

Revenues

The Group generated revenues of ₱1,945.2 million for 2019, a 23.2% or ₱215.0 million upswing from the same period in 2018, which closed at ₱1,579.2 million. The increase was driven by the hike in revenues of existing stores and sales from the new stores that opened during the year. Negril Trading, which primarily houses the Group's key food brands De Original Jamaican Pattie and Sabroso Lechon, had a particularly solid performance, registering revenue growth of 43%, ending 2019 with ₱423 million revenue, even in the midst of swine fever that hit parts of the Philippines in the second half of 2019. Net sales contribution from Visayas and Mindanao grew by 39% in 2019.

Cost of Sales

Cost of sales for 2019 closed at ₱814.4 million, 22.4% or ₱149.0 million increase over the same period in 2018 which closed at ₱665.4 million. The rise is attributable mainly to the increase in revenues. The Group was able to improve its gross profit margin which registered at 58.1% for 2019 versus the 57.9% of the same period in 2018.

Operating Expenses

The Group's operating expenses settled at ₱954.3 million at the close of 2019, a 24.4% or a ₱187.4 million increase from the same period in 2018. The uptick was attributed to the increased business volume in 2019, which drove manpower expenses and rent expense. IPO expenses worth ₱6.9 million were also charged to general and administrative expenses.

Income Tax Expense

Income tax expense declined by 38.9% from ₱39.6 million in 2018 to ₱24.2 million for 2019, in view of the increase in deferred income tax from ₱3.7 million in 2018 to ₱20.7 million in 2019.

Net income

Net income for 2019 closed at ₱121.5 million, a 21.1% or ₱21.2 million upsurge from 2018 of ₱100.3 million driven by the increase in revenues and overall slight improvement in margins. Core net income for 2019 was at ₱125.5 million, 34% higher than ₱93.9 million in 2018. Core net income excludes the impact of some IPO expenses charged to profit and loss in 2019 and the one-off gain from bargain purchase in 2018.

FY19 Financial Condition

Our total assets stood at ₱1,796.4 million as of December 31, 2019, an increase of 98.6% from the total assets of ₱904.4 million as of December 31, 2018.

Cash and cash equivalents stood at ₱853.3 million as of December 31, 2019, an increase of 227.6% from the amount of ₱260.5 million as of December 31, 2018. The increase in cash level is attributed to proceeds from the IPO, which was reduced when the Group paid down some notes payable.

Trade and other receivables stood at ₱83.6 million as of December 31, 2019, higher by 50.2% than the trade and other receivables of ₱55.6 million as of December 31, 2018. Trade receivables represent mainly outstanding receivables from franchisees. The increase was due to higher volume of sales to franchisees in 2019.

Merchandise inventory stood at ₱49.9 million as of December 31, 2019, lower by 4.1% than the total merchandise inventory of ₱52.0 million as of December 31, 2018. The decrease over this period was due to the Group's conscious effort to reduce inventory levels.

Property and equipment stood at ₱222.8 million as of December 31, 2019, higher by 21.9% than the property and equipment as of December 31, 2018, of ₱182.7 million. The increase over this period was due to continued store network expansion.

Trade and other payables stood at ₱136.0 million as of December 31, 2019, higher by 20.7% than the trade and other payables as of December 31, 2018, of ₱112.7 million. This increase in trade and other payables over this period was due to increased volume of business in 2019.

Mortgage payable stood at ₱4.7 million as of December 31, 2019, a 21.6% decrease from December 31, 2018, where mortgage payable stood at ₱6.0 million. The decrease in mortgage payable is due to repayments of the mortgage.

Notes payable as of December 31, 2019 stood at ₱191.1 million, a 38.6% decrease from December 31, 2018 when the outstanding balance stood at ₱311.3 million. The notes payable were generally paid down from IPO proceeds.

Capital stock stood at ₱213.4 million as of December 31, 2019, a 33.4% increase from the total capital stock of ₱160 million as of December 31, 2018.

Total equity stood at ₱1.31 billion as of December 31, 2019, which was an increase of 250.9% from December 31, 2018, where total equity was at ₱373.7 million. Total equity increased over this period due to addition of net income of ₱121.5 million for the period and net proceeds from the IPO.

Cash flows

The net cash generated from the Group's operations for the six months ended June 30, 2019 was ₱36.8 million which included income before income tax of ₱74.2 million. Working capital changes meanwhile amounted to an outflow of ₱52.2 million.

Net cash used in investing activities amounted to ₱109.9 million for the six months ended June 30, 2019

Net cash provided by operating activities amounted to ₱185.7 million for 2019, 34.0% higher versus the previous year's ₱138.6 million. The increase is primarily attributable to the improvement in operating income before working capital changes from ₱202.3 million in 2018 to ₱287.2 million for 2019, while interest paid increased from ₱16.1 million in 2018 to ₱28.2 million for 2019.

Net cash used in investing activities was ₱191.4 million in 2019, generally unchanged from ₱187.8 million.

Net cash provided by financing activities was ₱599.3 million in 2019, primarily coming from IPO proceeds, which was reduced by paydown of notes payable .

Key Performance Indicators (KPIs)

	Audited Twelve Months Ended December 31, 2018	Audited Twelve Months Ended December 31, 2019
Revenue Growth	37.0%	23.2%
Gross Profit Margin	57.9%	58.1%
Reported Net Income (₱ million)	100.3	121.5
Core Net Income (₱ million)	93.9	126.3
Core Net Income Margin	5.9%	6.5%
EBITDA (Php million)	201.8	292.2
EBITDA Margin	12.8%	15.0%
Return on Average Assets	12.3%	9.0%
Return on Average Equity	29.0%	14.4%
Current Ratio	100.6%	393.4%
Debt to Equity Ratio	142.0%	37.0%

Gross Profit Margin is gross profit as a percentage of revenues

Net Income Margin is net income as a percentage of revenues

EBITDA is defined as earnings before interest, tax, depreciation and amortization

EBITDA margin is EBITDA as a percentage of revenues

Return on Average Assets is net income as a percentage of the average of the assets at year-end and assets at end of the immediately preceding year

Return on Average Equity is net income as a percentage of the average of the equity at year-end and equity at end of the immediately preceding year

Current Ratio is current assets divided by current liabilities

Debt to Equity Ratio is total liabilities over total equity

Item 7. Financial Statements

The Company's financial statements and notes thereto form part of this SEC Form as "Annex A".

Item 8. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

a.) External Auditor

Our fiscal year begins on January 1 and ends on December 31. Reyes Tacandong & Co. ("RT&Co.") has audited our financial statements for the years ended December 31, 2019, 2018 and 2017 in accordance with the Philippine Standards on Auditing.

Wilson P. Teo is the current audit partner and has served our Company from 2015 to 2019. We have not had any material disagreements on accounting and financial disclosures with our current external auditor for the same periods or any subsequent interim period. RT&Co. has neither shareholdings in our Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities of our Company. RT&Co. will not receive any direct or indirect interest in our Company or our securities (including options, warrants or rights thereto) pursuant to or in connection with the Offer. The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

b.) Audit Fees

The following table sets out the aggregate fees billed for the current year and each of the last three years for professional services rendered by RT&Co. to our Company, excluding fees directly related to the Offer.

In ₱ Millions	2019	2018	2017
Audit and Audit-Related Fees ^a	₱ 2.00	₱ 1.68	₱ 1.5
All Other Fees ^b	₱ 0.55	None	None
Total	₱ 2.55	₱ 1.68	₱ 1.5

- a. Audit and Audit-Related Fees. This category includes the audit of annual financial statements and interim financial statements and services that are normally provided by the independent auditor in connection with statutory and regulatory filings or engagements for those calendar years. This is exclusive of out-of-pocket expenses incidental to the independent auditors' work, the amounts of which do not exceed 10% of the agreed-upon engagement fees.
- b. All Other Fees. This category includes other services rendered by RT&Co. such as internal audit, or special audit if any.

c.) Audit Committee and Policies

In relation to the audit of our annual financial statements, our Corporate Governance Manual, which was approved by the Board of Directors on Aug. 24, 2019, provides that the audit committee shall, among other activities, (i) evaluate significant issues reported by the external auditors in relation to the adequacy, efficiency and effectiveness of policies, controls, processes and activities of our Company, (ii) ensure that other non-audit work provided by the external auditors are not in conflict with their functions as external auditors, and (iii) ensure the compliance of our Company with acceptable auditing and accounting standards and regulations.

The Audit Committee shall be composed of at least four (4) voting members who are members of the Group's Board, at least three of which are non-executive directors, including the independent directors. The Chairman of this Committee should be an independent director.

The key functions of the Audit Committee are assisting the Group's Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations; providing oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks, including receipt or information on risk exposures and risk management activities; providing oversight over the Internal Audit Department and External Auditors; monitoring and evaluating the adequacy and effectiveness of our Company's internal control system; reviewing the quarterly and annual financial statements before their submission to our Company's Board; and overseeing the implementation of risk management and related party strategies and policies.

The Audit Committee is composed of the following members, the chairman of which is an independent director:

Name	Position
Dennis T. Beng Hui	Chairman
Shirley O. Tan	Member
Irene O. Chua	Member
Rogelio M. Guadalquiver	Member

d.) Changes in and Disagreement with Accountants on Accounting and Financial Disclosure

There were no disagreements with Accountants on Accounting and Financial Disclosure or Changes in Accounting Policies for the period ended December 31, 2019.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

a.) Directors, Including Independent Directors, and Executive Officers

The overall management and supervision of the Company is undertaken by the Company's Board of Directors. The Company's executive officers and management team cooperate with its Board by preparing appropriate information and documents concerning the Company's business operations, financial condition and results of operations for its review. Pursuant to the Company's amended articles of incorporation, the Company's board of directors shall consist of nine members, of whom three are independent directors.

The table below sets forth each member of the board of directors as of December 31, 2019:

<u>Name</u>	<u>Age</u>	<u>Nationality</u>	<u>Position</u>
Rogelio M. Guadalquiver	76	Filipino	Chairman
Lester C. Yu	44	Filipino	Director, President, and Chief Executive Officer
Irene O. Chua	63	Filipino	Director, Chief Financial Officer and Treasurer
Calvin F. Chua	40	Filipino	Director and Chief Financial Adviser
Bambi Maureen E. Donato	43	Filipino	Independent Director
Dennis T. Beng Hui	49	Filipino	Independent Director
Shirley O'Yek Tan	56	Filipino	Independent Director

The business experiences for the last five years of members of our board of directors are set forth below.

Rogelio M. Guadalquiver, 76, was appointed as the FHI's Chairman on Aug. 24, 2019. He is also currently a Director of Philippine Deposit Insurance Corporation. Rogelio was the Chairman and Chief Executive Officer of CG & Co. from 2000 to 2018. Prior to joining CG & Co., he was a senior partner of SGV & Co., a member practice firm of Ernst & Young where he was heavily involved in both domestic and global audit practices. He also specialized in initial public offerings, industry research studies, corporate restructuring, business process re-engineering, business risk management, and financial and tax management consulting. Mr. Guadalquiver is a Certified Public Accountant and holds a Master's in Management degree from the Asian Institute of Management and a Bachelor of Science in Commerce degree from University of San Jose-Recoletos.

Lester C. Yu, 44, has been our President and Chief Executive Officer since its incorporation and served as the FHI's Chairman from Feb. 2015 to Aug. 2019. Mr. Lester Yu started his career with their family business, Janette Jewelry in 1989. Before founding the Group, he entered the banking industry and served as the youngest Branch Manager for Westmont Bank. He is responsible for the growth of the Group from a single store to more than 900 stores nationwide. Under his leadership, the Group has successfully introduced several well-known brands and has made strategic acquisitions such as Negril Trading, which houses the De Original Jamaican Pattie Shop and Juice Bar brand and Sabroso Lechon. Mr. Yu is also the Chairman and President of Ralproperties, Inc., One Fifty Food Place, Inc., Lush Properties Inc., Negril Trading, Inc., Themangofarm Corp., Frutasgroup Incorporated, Buko ni Frutas, Inc., Lush Enterprises Corp., Bamazeh Incorporated, Lush Coolers, Inc., La Petite Parisienne, Inc., Dough Matters, Inc., Lush Harvest Manufacturing Inc., Toyoda Technik Corporation, and Cocodelivery Incorporated. He holds a Master's of Business Administration degree from the University of the Philippines and a degree in Industrial Management Engineering from De La Salle University.

Irene O. Chua, 63, was appointed as our Chief Financial Officer and Treasurer on Aug. 24, 2019. She has been with the Fruitas Group as a consultant since March 2014. Prior to joining the Group, she was an Assistant Vice President in Philippine National Bank, formerly Allied Bank Corporation, where she worked for 34 years. Ms. Chua is also the President and director of Sure Jobs Academy, Inc. She holds a Bachelor of Science degree in Business Administration from the University of Sto. Tomas.

Calvin F. Chua, 40, was elected as Director and Chief Financial Adviser on Aug. 24, 2019. He has served as a consultant of the Fruitas Group since May 2017. He is also currently an Executive Director and Treasurer of AlphaPrimus Advisors Inc. He was part of the Corporate Finance team of ING Bank N.V., Manila Branch, most recently as Consultant up to June 2019 and Director up to July 2015. During his stint at ING Bank, he advised on mergers and acquisitions and capital-raising activities of various Philippine clients across several sectors. He holds a Bachelor of Science degree in Management Engineering and a Bachelor of Arts degree in Economics (Honors Program) from Ateneo de Manila University.

Bambi Maureen E. Donato, 43, was elected as our Independent Director on Aug. 24, 2019. Bambi is currently the Program and Marketing Manager for the Inquirer Academy, a member of the Inquirer Group of Companies. Prior to working with Inquirer Academy, she was Regional Marketing Manager of SUBSTOGO Corporation, Marketing Manager of Silverworks and was a Marketing Manager for Yellow Cab Food Corporation. She was also involved with Couples for Christ Global Mission Foundation Inc. as a SFC International Council and Missions Head during the early stages of her career. Ms. Donato holds a Master's in Business Administration from De La Salle University and a Bachelor of Science in Management from Ateneo de Manila University.

Dennis T. Beng Hui, 49, was elected as our Independent Director on Aug. 24, 2019. Mr. Beng Hui is the Founder and current Managing Director of Technopoly Inc., a consulting company which uses Lean Thinking and Six Sigma to improve business performance. Technopoly has served various clients across several sectors, including the foodservices sector. He taught at De La Salle University, Department of Industrial Engineering, for more than 15 years until 2017. He holds a Master's of Science degree in Industrial Engineering and a Bachelor of Science degree in Industrial Management Engineering minor in Mechanical Engineering from De La Salle University. He is also a PhD candidate in Industrial Engineering at De La Salle University. He is a Certified ASEAN Engineer (ASEAN, 2013) and a Certified Professional Industrial Engineer (Philippine Institute of Industrial Engineers, 2010).

Shirley O'Yek Tan, 56, was elected as our Independent Director on Aug. 24, 2019. She is currently the Corporate Treasurer of Bank of Makati, one of the top 10 Thrift Banks in the Philippines, and sits as a member of the Senior Management Committees of said bank. Her responsibilities include planning and formulating policies to protect the financial well-being of the Bank, as well as managing the overall operations of the Corporate Treasury sector to ensure that strategic plans are implemented and financial targets are met. Shirley graduated from University of Santo Tomas with a Bachelor of Science in Commerce, major in Accounting and is a Certified Public Accountant.

The table below sets forth the key executive and corporate officers as of December 31, 2019:

Name	Age	Nationality	Position
Roselyn A. Legaspi	41	Filipino	Managing Director – Visayas and Mindanao
Madelene T. Sayson	30	Filipino	Chief Operating Officer
Lerma C. Fajardo	31	Filipino	Deputy Chief Financial Officer and Comptroller
Rushell A. Salvador	30	Filipino	Vice President - Compliance Officer
Edmundo S. Daroy	71	Filipino	Commissary Operations Director, FGI
Jonathan G. Co	61	Filipino	Commissary General Manager, NTI
Marvin C. Yu	41	Filipino	Corporate Secretary
Ma. Teresa Trujillo	56	Filipino	Human Resources Department Head - FGI
Czarina Loreto	27	Filipino	Research & Development Manager - FGI
Sherlyn U. Gonzales	30	Filipino	Purchasing Department Head - FGI
Juneil P. Torio	27	Filipino	Investor Relations Officer

The business experience for the last five years of key executive and officers are set forth below.

Roselyn A. Legaspi, 41, was appointed as our Managing Director – Visayas & Mindanao on Aug. 2019 and is responsible for the overall operations of FHI for the said regions. She has been with the Fruitas Group since 2002 and has served as a Director of FHI from Feb. 2015 to Aug. 2019. Ms. Legaspi is also the Vice President and Director of Negril Trading, Inc., Bamazeh Inc., Lush Properties Incorporated, Ralproperties Inc., and Sure Jobs Academy Inc. She is also a Director for Gyuma Fragrance Inc., Lush Harvest Manufacturing Inc., Themangofarm Corp., La Petite Parisienne, Inc., and Lush Enterprises Corp. Also, Ms. Legaspi is the Treasurer of Fruitasgroup Incorporated and Buko ni Fruitas, Inc. She obtained her Bachelor of Science degree in Accountancy in 1999 and also passed her Civil Service Exams in 1997. She is currently taking up her Master's in Business Administration degree at the University of San Carlos, Cebu City.

Madelene T. Sayson, 30, was elected as our Chief Operating Officer on Jan. 2018 and has been with the Group since 2009. She also served as a Director of FHI from Feb. 2015 to Aug. 2019. Ms. Sayson is also the Chairman and President of Gyuma Fragrance Inc. She is the Corporate Secretary and Director of One Fifty Food Place, Inc., Lush Properties Inc., Negril Trading, Inc., Bamazeh Incorporated, Dough Matters, Inc., Sure Jobs Academy, Inc., and Toyoda Technik Corporation Ms. Sayson is also the Vice President and Director of Themangofarm Corp. and La Petite Parisienne, Inc. She is a Director in Buko ni Fruitas, Inc. and the Treasurer and Director of Lush Coolers, Inc. She holds a Bachelor of Science degree in Accountancy from Garcia College of Technology.

Lerma C. Fajardo, 32, has been the Group's Deputy Chief Financial Officer and Comptroller since 2018. She has over 10 years of experience in accounting and finance, previously working as an Assistant Manager for Extramind Global Outsourcing Group, Inc. She holds a Bachelor of Science degree in Accountancy from Polytechnic University of the Philippines and is a Certified Public Accountant.

Rushell A. Salvador, 30, was appointed as our Vice President - Compliance Officer on July 2019. She has been with the Group as Profit and Loss Accounting Manager since May 2016. Prior to joining the Group, Ms. Salvador held different Finance and Accounting positions in Polyserve Philippines, Inc. and HR Network Inc. before being a consultant of Jardine Schindler Elevator Corporation from June 2014 to February 2015. She holds a Bachelor of Science in Accountancy from Polytechnic University of the Philippines, Sta. Mesa, Manila and is a Certified Public Accountant.

Edmundo S. Daroy, 71, has been with the Group as a consultant since April 2014 and was appointed as Commissary Operations Director for FGI on January 2018. He is mainly responsible for overseeing the production lines and ensuring that output and yields are maximized. Mr. Daroy holds a Bachelor of Science degree in Chemical Engineering from the University of the Philippines and is a licensed chemical engineer.

Jonathan G. Co, 62, has been the General Manager of NTI Commissaries since Nov. 2014. Prior to joining the Group, he worked as the General Manager for 3 years in Bauch Philippines Inc. He also held several senior roles in National Semiconductor Philippines, Intel Corporation both in the United States and the Philippines, Dyne-Sem Electronics, and Analog Devices Philippines. He is also a Director in Sure Jobs Academy, Inc. Mr. Co holds a Bachelor of Science degree in Electronics and Communications Engineering from the University of Sto. Tomas.

Marvin C. Yu, 41, has been FHI's Corporate Secretary since Aug. 24, 2019. He has more than 15 years of experience in the technical and engineering field. He was a Consultant in the SMC Telco Project, Master Planning Network Coverage Senior Manager for the Sun Cellular 2G and 3G Project, and RF Network Planning, Design and Optimization Engineer for Smart Communications Inc. Mr. Marvin Yu holds a Bachelor of Science degree in Electronics and Communications Engineering from De La Salle University and an Electronics and Communications Engineering Board Passer.

Ma. Teresa Trujillo, 56, has been the Human Resources Department Head of FGI since Feb. 2018. She is responsible in overseeing activities within human resources management such as recruitment, compensation and benefits, and organizational development. She was the Officer-in-Charge of the Business Permits Department prior to her current role. She completed 18 units for Ateneo Graduate School of Business' Master's degree in Business Administration for Middle Managers and holds a bachelor's degree in Commerce major in Accounting from Universidad De Sta. Isabel.

Czarina A. Loreto, 27, has been the Research and Development Manager of FGI since Aug. 2019. She is responsible to oversee product development related activities. She joined the Group as the R&D Manager for BNF before transferring to FGI. Prior to joining the Group, she was Assistant Innovation Manager at Tim Hortons Philippines. She was also a Food Division Lead for local coffee roaster Conlins Coffee World, Inc. and was trained extensively in Food Safety Management System during her tenure. She holds a Bachelor's degree in Science major in Food Technology from the University of the Philippines Los Baños.

Sherlyn U. Gonzales, 30, has been the Purchasing Department Head of FGI since Jan. 2018. She is responsible to oversee purchases involving raw materials, products, and equipment. She has been with the Group for more than 12 years. She was the Corporate Secretary and Director of FHI from Feb. 2015 to Aug. 2019. Ms. Gonzales is also the Corporate Secretary and Director of Buko Ni Fruitas, Inc., Lush Harvest Manufacturing Inc., and La Petite Parisienne Inc. She is a Director for Negril Trading, Inc. and Gyuma Fragrance Inc. She is the Treasurer and Director of Bamazeh Incorporated and the Vice President and Director of Dough Matters Inc. She completed the Computer Secretarial course at Northwestern Visayan Colleges in Aklan.

Juneil P. Torio, 27, has been the Investor Relations Officer since July 2019. He is responsible for all interactions with investors and financial institutions through creating programs which strengthens relationship of FHI to the various investment groups and individuals. Prior to joining FHI, he was a Manager in EXL Services Philippines where he started as a Management Trainee post his graduate studies. In 2013, he started his career as Management Trainee/Special Projects Officer in the Commercial Centers Division of Robinsons Land Corporation. He holds a Master's degree in Business Administration from the Asian Institute of Management and a Bachelor of Arts degree in Management Economics from the Ateneo de Manila University.

b.) Family Relationships

Mr. Lester C. Yu and Mr. Marvin C. Yu are brothers. Mr. Jonathan Co is a brother of the mother of Mr. Lester C. Yu and Mr Marvin C. Yu. Aside from the foregoing, there are no family relationships between any Directors and any members of the Group's senior management.

c.) Involvement in Certain Legal Proceedings

None of the directors and officers have been involved in any bankruptcy proceeding, nor have they been convicted by final judgment in any criminal proceeding, or been subject to any order, judgment, or decree of competent jurisdiction, permanent or temporarily enjoining, barring, suspending, or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, or found in action by any court or administrative bodies to have violated a securities of commodities law, for the past five (5) years up to the latest date.

As of date of this report, the Company is not a party to any litigation or arbitration proceedings of material importance, which could be expected to have a material adverse effect on the Company or on the results of its operations. No litigation or claim of material importance is known to be pending or threatened against the Company or any of its properties.

Item 10. Executive Compensation

a.) General

The levels of remuneration of the Company should be sufficient to be able to attract and retain the services of qualified and competent directors and officers. A portion of the remuneration of executive directors may be structured or be based on corporate and individual performance.

No director should participate in deciding on his remuneration.

The Company may, in exceptional cases, e.g., when the Company is under receivership or rehabilitation, regulate the payment of the compensation, allowances, fees and fringe benefits to its directors and officers.

b.) Summary Compensation Table

The following table sets forth our most highly compensated executive officers, including Frutas Holdings, Inc. Chief Executive Officer, for the year ending December 31, 2019:

<u>Name</u>	<u>Position</u>
Lester C. Yu	Director, President and Chief Executive Officer
Roselyn A. Legaspi	Managing Director – Visayas & Mindanao
Madelene T. Sayson	Chief Operating Officer
Irene O. Chua	Director, Treasurer and Chief Financial Officer
Marvin C. Yu	Corporate Secretary

The following table identifies and summarizes the aggregate compensation of our President and CEO and the four most highly compensated executive officers, as well as the aggregate compensation paid to all other officers and Directors as a group, for the years ended December 31, 2017, 2018, and 2019 (estimated):

Aggregate Compensation – Executive Officers (top five)	
Year	Total (P million)
2017	9.2
2018	20.4
2019	5.3

Aggregate Compensation – Directors and Executive Officers (excluding top five above)	
Year	Total (P million)
2017	0.4
2018	1.6
2019	3.3

Standard Arrangements

Other than payment of reasonable per diem as may be determined by the Board for every meeting, there are no standard arrangements pursuant to which directors of the Company are compensated, or were compensated, directly or indirectly, for any services provided as a director and for their committee participation or special assignments for 2019 up to the present.

Other Arrangements

There are no other arrangements pursuant to which any director of the Company was compensated, or to be compensated, directly or indirectly for 2019 up to the present for any service provided as a director.

Warrants and Options

As of the date of this prospectus, there are no outstanding warrants or options held by the President, the CEO, the named executive officers, and all officers and directors as a group.

Item 11. Security Ownership of Certain Beneficial Owners and Management

a.) Security Ownership of Certain Record and Beneficial Owners

As of March 31, 2020, the following were owners of more than 5% of the Company's outstanding shares:

Title of Class	Name of Owner and Relationship with Issuer	Address of Record and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of Shares Held	% to Outstanding	Total
Common	Lush Properties, Inc. / Brgy. Don Manuel Quezon City / Stockholder of Record	68 Data St.	Lester C. Yu, President	Filipino	1,258,500,000	58.98%	

Common	PCD Nominee Corp. / The Enterprise Center, Ayala Avenue Corner Paseo de Roxas, Makati City / Stockholder of Record	Please see BDO Report as of March 31, 2020 attached as Annex "B"	Filipino	674,875,775	31.63%
Common	Lester C. Yu / 288 Escolta St. Binondo Manila / President and CEO, Stockholder of Record	Please see BDO report as of March 31, 2020 attached as Annex "B"	Filipino	112,500,000	5.27%

b.) Security Ownership of the Board of Directors and Senior Management (as of March 31, 2020)

Title of Class	Name of Beneficial Owner	Citizenship	Number of Direct Shares	Number of Indirect Shares	% of Capital Stock
Common	Lester C. Yu	Filipino	112,500,000	1,328,500,010	67.54
Common	Rogelio M. Guadalquivier	Filipino	500,000	-	0.02
Common	Calvin F. Chua	Filipino	3,950,000	59,000	0.19
Common	Bambi Maureen E. Donato	Filipino	10,000	-	0.00
Common	Shirley O'Yek Tan	Filipino	10,000	90,000	0.00
Common	Irene O. Chua	Filipino	10,000	-	0.00
Common	Dennis Beng Hui	Filipino	10,000	-	0.00
Common	Roselyn A. Legaspi	Filipino	3,088,000	-	0.14
Common	Madelene T. Sayson	Filipino	1,500,000	-	0.07
Common	Marvin C. Yu	Filipino	1,030,000	-	0.05
	Total		122,608,000	1,328,649,010	68.02

c.) Voting Trust Holder of 5% or more

As of December 31, 2019, there are no persons holding more than 5.0% of a class of shares under a voting trust or similar agreement.

d.) Changes in Control

There are no arrangements which may result in a change in control of the Registrant as of December 31, 2019.

Item 12. Certain Relationships and Related Transactions

Due from Related Parties

The Company has outstanding noninterest-bearing advances from related parties amounting to ₱114.7 million as of December 31, 2019.

Due to Related Parties

The Company has noninterest-bearing payables to related parties amounting to ₱0.7 million as of December 31, 2019.

Lease Agreements

Group as Lessee - Short-term Lease

The Group entered into several lease agreements with third parties for its store spaces for varying periods of up to one year and renewable monthly, semi-annually, annually. The lease contracts for the stores provide for a monthly rental based on a certain percentage of gross sales and a monthly fixed rental or an agreed minimum rental, whichever is higher. Lease agreements are generally renewable through a notice of lease renewal and upon mutual agreement with the lessors.

Leases - Group as Lessor

Starting 2017, the Group entered into several sublease agreements with third parties for the lease of spaces in food parks for varying periods up to one year.

Franchise Agreements

The Group has granted its franchisees the right to operate outlets under various brands for acquired periods and subject to the terms and conditions specified in the franchise agreements.

The agreements are renewable at the option of the Group. The agreements provide for an initial franchise fee payable upon execution of the agreements. The non-refundable initial franchise fee payment covers the renovation of franchisee's unit, signage, promotional materials and equipment.

In 2017, the Group obtained the rights to the lease of 216 outlets from related parties.

Rental deposits and advance rentals on leases were transferred to the Group through an assignment of lease agreements.

Terms and Conditions of Transactions with Related Parties

Outstanding balances are unsecured, noninterest-bearing and due, demandable and to be settled in cash. Management makes an annual assessment of the financial position of the related parties and the market in which the related parties operates. There were no impairment losses recognized for the year ended in 2019.

Related Party Transaction Policy

The Company enters into transactions with affiliates and other related parties on an arm's length basis. Aligned with this thrust, the Company, in dealing with affiliates and other related parties, ensures above-board transactions and fairness and equity among all parties.

The Company exerts efforts to obtain the most beneficial terms and conditions for the Company, taking into consideration various factors including pricing and quality.

For this purpose, the Company determines the prevailing and applicable price in the market. In the process, it also gathers quotes and/or proposals from other parties engaged in similar or the same undertaking. Based on these, a comparable summary is presented to ascertain a fair price for the applicable related party transaction.

Moving forward, the related party transaction committee shall review all related party transactions of the Company.

Further information on the Company's related part transactions, including detailed breakdowns of amounts receivable from and amounts payable to affiliated companies can be found in the notes to the Company's financial statements.

PART IV – EXHIBITS AND SCHEDULES

Fruitas Holdings, Inc. has three (3) subsidiaries as of December 31, 2019:

Subsidiary	Business	% Ownership	Country of Residence
Fruitasgroup, Inc.	Operating company primarily housing the stores under Fruitas, Buko Loco, Black Pearl, Johnn Lemon, Juice Avenue, Tea Rex, The Mango Farm, Shou, Friends Fries, 7,107 Halo Halo Islands, Fruitas Ice Candy, and Cindy's Candy Cloud, Munifico, and The Pub brands, among others. It also operates the Le Village and Uno Cinquenta Lifestyle Parks.	100%	Philippines
Negril Trading, Inc.	Operating company primarily housing the stores under the De Original Jamaican Pattie Shop and Juice Bar, Sabroso Lechon, and Three Frenchmen Creperie brands.	100%	Philippines
Buko ni Fruitas, Inc.	Operating company primarily housing the stores under the Buko ni Fruitas and House of Desserts brands.	100%	Philippines

(b) Reports on SEC Form 17-C

Date	Subject of Report
November 29, 2019	Capital Infusion to Fruitasgroup Inc.
November 29, 2019	Press Release: Fruitas Ripe for the Picking
December 2, 2019	Debt Repayment of Fruitas Holdings Inc.
December 2, 2019	Clarification of News Report: Fruitas juices up stock market on listing debut
December 2, 2019	Clarification of News Report: Fruitas rises in stock market debut
December 2, 2019	Clarification of News Report: Fruitas eyes market lead in all 7 key areas of kiosk industry
December 2, 2019	Clarification of News Report: Fruitas stocks pick up in stock market debut
December 9, 2019	Weekly stabilization report ending December 6, 2019
December 9, 2019	Clarification of news article "Fruitas to acquire one food company", Philippine Star, December 9, 2019.
December 10, 2019	Press Release: Fruitas Strengthens Financial Position with IPO Proceeds
December 16, 2019	Stabilization Report for the week ending December 13, 2019
December 20, 2019	"Update on Commissary and Store Network Expansion"
December 23, 2019	Stabilization Report for the week ending December 20, 2019
December 30, 2019	Stabilization Report for the week ending December 27, 2019
December 30, 2019	Fruitas Holdings Inc.- Stabilization Activity Report

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of _____ on _____, 20__.

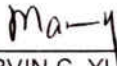
By:



LESTER C. YU
President and CEO



IRENE O. CHUA
CFO and Treasurer



MARVIN C. YU
Corporate Secretary



LERMA C. FAJARDO
Deputy CFO and Comptroller

SUBSCRIBED AND SWORN to before me this ____ day of _____ 20__ affiant(s) exhibiting to me their Tax Identification No., as follows:

NAMES

TIN NOS.

Lester C. Yu	191309944000
Irene O. Chua	101911422000
Marvin C. Yu	214877469000
Lerma C. Fajardo	257881618000

Notary Public

Annex A. Audited Financial Statement

FRUITAS HOLDINGS, INC. AND SUBSIDIARIES

(A Subsidiary of LUSH PROPERTIES, INC.)

Consolidated Financial Statements
As at December 31, 2019 and 2018 and for the
Years Ended December 31, 2019, 2018 and 2017

With independent auditors' report provided by



REYES TACANDONG & Co.

FIRM PRINCIPLES. WISE SOLUTIONS.

FRUITAS HOLDINGS INC.

60 Cordillera St. Brgy Dona Josefa Quezon City, Philippines
Tel: (63.2) 243-1741, (63.2) 330.2889 Mobile: +6396.7888.88
Email: info@fruitasholdings.com / www.fruitasgholdings.com

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

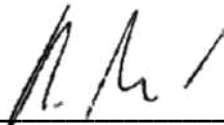
The Management of **Fruitas Holdings Inc.** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein for the years ended **December 31, 2019 and 2018**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.


The Board of Directors is responsible in overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

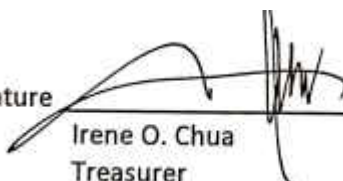
Reyes Tacandong & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signature 

Rogelio M. Guadalquiver
Chairman of the Board

Signature 

Lester C. Yu
CEO and President

Signature 

Irene O. Chua
Treasurer

Signed this 30th day of May 2020

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
FRUITAS HOLDINGS, INC. AND SUBSIDIARIES
No. 60 Cordillera St., Brgy. Dona Josefa
Quezon City, 1113

Opinion

We have audited the consolidated financial statements of FRUITAS HOLDINGS, INC. (a subsidiary of LUSH PROPERTIES, INC.) and Subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2019, 2018 and 2017, and notes to consolidated financial statements, including a summary of significant accounting policies.

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, 2019 and 2018, and their consolidated financial performance and their consolidated cash flows for the years ended December 31, 2019, 2018 and 2017, in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit 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 the audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter –Events After the Reporting Period

As discussed in Note 29 to the consolidated financial statements, in March 2020, the novel coronavirus ("COVID-19") outbreak was declared to be a global pandemic and the Group temporarily closed most of its Group-operated stores across the country beginning on March 16, 2020, and expects these stores to remain closed until further notice. Although the Group anticipates COVID-19 will have a material impact on its business operations, financial condition, results of operations, and cash flows in 2020, the impact of COVID-19 cannot be reasonably estimated as at May 30, 2020. Our opinion is not modified in respect of this matter.



Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audits of the consolidated financial statements of the current year. These matters were addressed in the context of our audits 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.

Valuation of Intangible Assets

The Group carries a significant amount of intangible assets as at December 31, 2019 and 2018. The carrying amount of intangible assets amounted to ₱214.4 million and ₱214.3 million as at December 31, 2019 and 2018, respectively. Under PFRS, the Group is required to test annually the amount of intangible assets with indefinite useful lives for impairment and assess those intangible assets with definite useful lives for any indicator of impairment. The impairment tests were significant to our audit because the assessment process requires significant judgments and assumptions involving expected future financial performance.

We reviewed the cash flow projections included in the annual impairment tests. We assessed and tested the assumptions, methodologies and other data used by comparing them to external and historical data and by analyzing sensitivities in the Group's valuation model. We evaluated cash generating units whether a reasonably possible change in assumptions could cause the carrying amount to exceed its recoverable amount, and assessed the historical accuracy of management's estimates. Based on the procedures performed, we considered management's key assumptions to be within a reasonable range. We also assessed the adequacy of the disclosures in Note 10 to the consolidated financial statements.

Accounting for Leases under PFRS 16

Effective January 1, 2019, the Group adopted the requirements of PFRS 16, *Leases*, using the modified retrospective approach.

PFRS 16 requires lessees to account for leases under a single on-balance sheet model and sets out the principles for the recognition, measurement, presentation and disclosure of leases. We focused on this area as the Group is recognizing majority of the leases as on-balance sheet liabilities with underlying right-of-use assets. Management identified and considered the relevant lease contracts, lease terms and options and discount rates used for their calculations. The accounting policy applied by the Group is explained in Note 2 to the consolidated financial statements. Further details on the leases are disclosed in Notes 2, 3 and 22 to the consolidated financial statements.

We evaluated the appropriateness of key decisions, judgments and accounting policies made by the Group to ensure compliance with PFRS 16. We tested controls in place in the identification of lease contracts and lease term inputs. We evaluated management's method and estimates applied in determining the borrowing rate used for the PFRS 16 calculations.



We performed a combination of test of details and substantive analytical procedures on new lease contracts and modifications made on existing contracts that were recorded since the initial application of this new standard. We tested the amortization and interest expense charged for the period and reviewed the completeness of the lease contracts and the adequacy of the related disclosures in the consolidated financial statements.

Accounting for Financial Assets from Initial Public Offering (IPO)

As discussed in Note 1 to the consolidated financial statements, the Group was listed and traded on the Philippine Stock Exchange (PSE) through an IPO on November 29, 2019. Proceeds from the IPO amounted to ₱896.5 million, of which ₱37.8 million was spent for expenses incurred during the IPO. The IPO is considered as a key audit matter because the amount of proceeds from the IPO is substantial in relation to the consolidated financial statements as a whole. In addition, the PSE requires validation of the utilization of proceeds from public listing.

We performed audit procedures to validate the collection, recording and utilization of proceeds from the IPO. We assessed the propriety of recognition, classification and measurement of the financial assets from proceeds from the IPO. In addition, we examined and validated the documents supporting the utilization of the IPO proceeds as at December 31, 2019 and ascertained the appropriate recording in the Group's consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019 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 Those Charged with Governance 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.



Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit 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 PSAs 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, these 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 PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. 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 audit 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit 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 audit resulting in this independent auditors' report is Wilson P. Teo.

REYES TACANDONG & CO.


WILSON P. TEO
Partner

CPA Certificate No. 92765

Tax Identification No. 191-520-944-000

BOA Accreditation No. 4782; Valid until August 15, 2021

SEC Accreditation No. 92765-SEC Group A

Valid until January 22, 2025

BIR Accreditation No. 08-005144-014-2020

Valid until January 1, 2023

PTR No. 8116482

Issued January 6, 2020, Makati City

May 30, 2020

Makati City, Metro Manila

**REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY CONSOLIDATED FINANCIAL STATEMENTS FOR FILING WITH THE
SECURITIES AND EXCHANGE COMMISSION**

The Stockholders and the Board of Directors
FRUITAS HOLDINGS, INC.
No. 60 Cordillera St., Brgy. Dona Josefa
Quezon City, 1113

We have audited the consolidated financial statements of FRUITAS HOLDINGS, INC. (the "Parent Company" and subsidiary of LUSH PROPERTIES, INC.) and Subsidiaries as at December 31, 2019 and 2018 and for the years ended December 31, 2019 2018 and 2017, on which we have rendered our report dated May 30, 2020.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Parent Company has one hundred thirty-one (131) stockholders and fifteen (15) stockholders owning one hundred (100) or more shares each as at December 31, 2019 and 2018, respectively.

REYES TACANDONG & Co.


WILSON P. TEO
Partner

CPA Certificate No. 92765

Tax Identification No. 191-520-944-000

BOA Accreditation No. 4782; Valid until August 15, 2021

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Issued January 6, 2020, Makati City

May 30, 2020

Makati City, Metro Manila

FRUITAS HOLDINGS, INC.
(A Subsidiary of LUSH PROPERTIES, INC.)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		December 31	
		2019	2018 (As Restated - Note 4)
	Note		
ASSETS			
Current Assets			
Cash and cash equivalents	5	₱853,266,354	₱260,497,779
Trade and other receivables	6	83,566,374	55,638,257
Merchandise inventories	7	49,907,654	52,024,675
Due from related parties	14	114,745,318	40,571,161
Deposits and advance rentals	22	102,516,218	85,559,226
Other current assets	8	13,685,549	6,344,487
Total Current Assets		1,217,687,467	500,635,585
Noncurrent Assets			
Property and equipment	9	222,786,889	182,741,692
Intangible assets	10	214,385,788	214,308,851
Right-of-use (ROU) assets	22	115,194,610	–
Unamortized input value-added tax (VAT)		982,788	2,379,386
Net deferred tax assets	23	25,375,831	4,334,274
Total Noncurrent Assets		578,725,906	403,764,203
		₱1,796,413,373	₱904,399,788
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	11	₱136,017,618	₱112,681,996
Current portion of:			
Notes payable	12	115,834,240	283,689,470
Mortgage payable	13	2,321,815	2,589,472
Lease liabilities	22	27,980,841	–
Due to related parties	14	663,821	22,116,380
Dividends payable	16	–	45,500,320
Income tax payable		26,732,814	30,865,222
Total Current Liabilities		309,551,149	497,442,860

(Forward)

		December 31	
		2019	2018 (As Restated - Note 4)
		Note	
Noncurrent Liabilities			
Noncurrent portion of:			
Notes payable	12	₱75,269,897	₱27,624,634
Mortgage payable	13	2,348,845	3,371,936
Lease liabilities	22	92,241,490	-
Retirement benefits liability	15	5,407,430	2,229,865
Total Noncurrent Liabilities		175,267,662	33,226,435
Total Liabilities		484,818,811	530,669,295
Equity			
Capital stock	16	213,368,000	160,000,000
Additional paid-in capital	16	777,837,044	-
Retained earnings		266,111,391	158,584,199
Other equity reserves	4	55,192,582	55,192,582
Other comprehensive loss	15	(914,455)	(46,288)
Total Equity		1,311,594,562	373,730,493
		₱1,796,413,373	₱904,399,788

See accompanying Notes to Consolidated Financial Statements.

FRUITAS HOLDINGS, INC.
(A Subsidiary of LUSH PROPERTIES, INC.)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Years Ended December 31		
		2019	2018 (As Restated - Note 4)	2017
REVENUE	17	₱1,945,184,563	₱1,579,205,736	₱1,152,567,060
DIRECT COSTS	18	(814,396,877)	(665,367,430)	(458,332,452)
GROSS PROFIT		1,130,787,686	913,838,306	694,234,608
SELLING AND DISTRIBUTION EXPENSES	19	(772,051,259)	(635,395,313)	(369,057,440)
GENERAL AND ADMINISTRATIVE EXPENSES	20	(182,220,088)	(131,451,739)	(79,205,890)
INTEREST EXPENSE	12	(38,664,963)	(16,065,157)	(1,232,519)
OTHER INCOME - Net	21	7,890,994	2,556,365	2,661,832
GAIN FROM BARGAIN PURCHASE	4	-	6,436,907	-
INCOME BEFORE INCOME TAX		145,742,370	139,919,369	247,400,591
PROVISION FOR (BENEFIT FROM) INCOME TAX	23			
Current		44,884,664	43,339,450	74,871,611
Deferred		(20,669,486)	(3,723,588)	(361,015)
		24,215,178	39,615,862	74,510,596
NET INCOME		121,527,192	100,303,507	172,889,995
OTHER COMPREHENSIVE LOSS				
<i>Item not to be reclassified to profit or loss</i>				
Actuarial loss on retirement benefits liability (net of deferred income tax)	15	(868,167)	-	(46,288)
TOTAL COMPREHENSIVE INCOME		₱120,659,025	₱100,303,507	₱172,843,707
NET INCOME ATTRIBUTABLE TO:				
Equity holders of the Parent Company		₱121,527,192	₱100,303,507	₱138,569,320
Non-controlling interests		-	-	34,320,675
		₱121,527,192	₱100,303,507	₱172,889,995

(Forward)

Years Ended December 31				
			2018	
	Note	2019	(As Restated - Note 4)	2017
TOTAL COMPREHENSIVE INCOME				
ATTRIBUTABLE TO:				
Equity holders of the Parent Company		₱120,659,025	₱100,303,507	₱138,523,032
Non-controlling interests		-	-	34,320,675
		₱120,659,025	₱100,303,507	₱172,843,707
Basic and Diluted Earnings Per Share (EPS)				
Attributable to the Equity Holders of the				
Parent Company	24	₱0.0739	₱0.0627	₱0.1014

See accompanying Notes to Consolidated Financial Statements.

FRUITAS HOLDINGS, INC.
(A Subsidiary of LUSH PROPERTIES, INC.)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Years Ended December 31					
		Number of Shares			Amount		
		2019	2018 (As Restated - Note 4)	2017	2019	2018 (As Restated - Note 4)	2017
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY							
Capital Stock	16						
Issued							
Balance at beginning of year		1,600,000,000	1,600,000,000	115,000,000	₱160,000,000	₱160,000,000	₱115,000,000
Issuances		533,680,000	-	45,000,000	53,368,000	-	45,000,000
Effect of stock split		-	-	1,440,000,000	-	-	-
Balance at end of year		2,133,680,000	1,600,000,000	1,600,000,000	213,368,000	160,000,000	160,000,000
Subscribed							
Balance at beginning of year		-	-	17,250,000	-	-	17,250,000
Subscriptions		-	-	27,750,000	-	-	27,750,000
		-	-	45,000,000	-	-	45,000,000
Less subscriptions receivable:							
Balance at beginning of year					-	-	500,000
Collections					-	-	(500,000)
Balance at end of year					-	-	-
Issuances		-	-	(45,000,000)	-	-	(45,000,000)
Balance at end of year		-	-	-	-	-	-
		2,133,680,000	1,600,000,000	1,600,000,000	213,368,000	160,000,000	160,000,000

(Forward)

		Years Ended December 31		
		Amount		
		2019	2018 (As Restated - Note 4)	2017
	Note			
Additional Paid-in Capital	16	₱777,837,044	₱-	₱-
Retained Earnings				
Balance at beginning of year, as previously reported		152,147,292	103,781,012	83,538,533
Gain from bargain purchase	4	6,436,907	-	-
Balance at beginning of year, as restated		158,584,199	103,781,012	83,538,533
Net income		121,527,192	100,303,507	138,569,320
Cash dividends	16	(14,000,000)	(45,500,320)	(118,326,841)
Balance at end of year		266,111,391	158,584,199	103,781,012
Other Equity Reserves				
Balance at beginning of year	4	55,192,582	55,192,582	4,219,471
Excess value over cost of investments		-	-	50,973,111
Balance at end of year		55,192,582	55,192,582	55,192,582
Other Comprehensive Loss				
<i>Not to be reclassified to profit or loss when realized</i>				
Balance at beginning of year	15	(46,288)	(46,288)	-
Remeasurement adjustments on net retirement benefits liability, net of deferred tax		(868,167)	-	(46,288)
		(914,455)	(46,288)	(46,288)

(Forward)

		Years Ended December 31		
		Amount		
		2018		
		(As Restated		
		- Note 4)		
	Note	2019		2017
Shares Held By Subsidiaries -				
At Cost				
	16			
Balance at beginning of year		P-	P-	(P52,000,000)
Sale of shares		-	-	52,000,000
Balance at end of year		-	-	-
NON-CONTROLLING INTERESTS				
Balance at beginning of year		-	-	24,715,536
Acquisition of non-controlling interests	4	-	-	(59,036,211)
Net income		-	-	34,320,675
Balance at end of year		-	-	-
		P1,311,594,562	P373,730,493	P318,927,306

See accompanying Notes to Consolidated Financial Statements.

FRUITAS HOLDINGS, INC.
(A Subsidiary of LUSH PROPERTIES, INC.)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31				
			2018	
	Note	2019	(As Restated - Note 4)	2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		₱145,742,370	₱139,919,369	₱247,400,591
Adjustments for:				
Depreciation and amortization	9	101,893,210	53,426,092	15,641,285
Interest expense	12	38,664,963	16,065,157	1,232,519
Retirement benefits expense	15	1,937,327	527,753	1,203,384
Interest income	5	(1,877,693)	(1,195,358)	(1,431,571)
Unrealized foreign exchange loss	21	850,409	-	-
Gain from bargain purchase	4	-	(6,436,907)	-
Unrealized gain on changes in FVPL	21	-	-	(156,697)
Operating income before working capital changes		287,210,586	202,306,106	263,889,511
Decrease (increase) in:				
Trade and other receivables		(27,928,117)	(36,430,695)	(12,349,113)
Merchandise inventories		2,117,021	(13,058,745)	(32,879,451)
Deposits and advance rentals		(17,766,992)	(19,533,376)	(31,029,718)
Other current assets		(8,578,692)	(4,440,945)	(5,798,542)
Unamortized input VAT		1,396,598	(2,379,386)	-
Financial assets carried at FVPL		-	11,236,373	-
Increase in trade and other payables		23,335,622	64,281,550	21,460,372
Net cash generated from operations		259,786,026	201,980,882	203,293,059
Income taxes paid		(47,779,442)	(48,518,634)	(64,757,240)
Interest paid		(28,186,315)	(16,065,157)	(1,232,519)
Interest received		1,877,693	1,195,358	1,431,571
Net cash flows from operating activities		185,697,962	138,592,449	138,734,871
CASH FLOWS FROM INVESTING ACTIVITIES				
Advances to related parties	14	(260,477,832)	(40,571,161)	(7,451,848)
Collections of due from related parties	14	186,303,675	7,082,438	46,065,236
Acquisitions of:				
Property and equipment	9	(116,452,712)	(146,439,570)	(87,075,749)
Intangible assets	10	(754,017)	(7,909,304)	(201,442,050)
Net cash flows from investing activities		(191,380,886)	(187,837,597)	(249,904,411)

(Forward)

Years Ended December 31				
			2018	
	Note	2019	(As Restated - Note 4)	2017
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Issuance of shares, net of share issue costs	16	₱831,205,044	₱-	₱-
Issuance of promissory notes	12	187,326,411	246,700,000	332,500,000
Availment of mortgage loan	13	1,564,000	3,987,769	4,804,228
Stock subscription		-	-	27,750,000
Payments of:				
Notes payable	12	(307,536,378)	(247,135,896)	(20,750,000)
Due to related parties	14	(96,783,725)	(1,254,719)	3,107,071
Cash dividends	16	(59,500,320)	-	(118,326,841)
Lease liabilities	22	(29,449,542)	-	-
Mortgage payable	13	(2,854,748)	(2,451,949)	(1,001,622)
Advances from related parties	14	75,331,166	15,462,843	(1,581,857)
Acquisition of non-controlling interests		-	-	(8,063,100)
Proceeds from sale of shares held by subsidiaries	16	-	-	52,000,000
Collections of subscriptions receivable		-	-	500
Net cash flows from financing activities		599,301,908	15,308,048	270,438,379
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS				
		(850,409)	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
		592,768,575	(33,937,100)	159,268,839
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR				
		260,497,779	294,434,879	135,166,040
CASH AND CASH EQUIVALENTS AT END OF YEAR				
		₱853,266,354	₱260,497,779	₱294,434,879
SUPPLEMENTARY INFORMATION ON NONCASH ACTIVITIES				
Recognition of ROU assets	22	(₱140,003,225)	₱-	₱-
Recognition of lease liabilities	22	139,193,225	-	-
Reclassification of advances to suppliers to property and equipment	9	-	3,896,000	-
COMPONENTS OF CASH AND CASH EQUIVALENTS				
	5			
Cash on hand		₱2,394,334	₱1,460,954	₱379,818
Cash in banks		249,451,631	225,069,804	225,662,655
Short-term placements		601,420,389	33,967,021	68,392,406
		₱853,266,354	₱260,497,779	₱294,434,879

See accompanying Notes to Consolidated Financial Statements.

FRUITAS HOLDINGS, INC.
(A Subsidiary of LUSH PROPERTIES, INC.)
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

FRUITAS HOLDINGS, INC. (herein referred to as FHI or the “Parent Company”) and its subsidiaries, collectively referred to as the “Group”, were incorporated in the Philippines [except for Green Empire International Limited (GEIL) and Oceanic Luck Limited (OLL)] and registered with the Securities and Exchange Commission (SEC) on the following dates:

Name of Companies	Date of Incorporation
Parent Company	February 18, 2015
Subsidiaries with direct ownership:	
Negril Trading, Inc. (<i>doing business under the name and style of De Original Jamaican Pattie Shop & Juice Bar</i>) (NTI)	June 20, 1990
Buko ni Fruitas Inc. (BNFI)	May 17, 2005
Fruitasgroup Incorporated (<i>doing business under the name and style of Bukoloco, Fruitasicecandy and 7,107 Halo Halo Islands</i>) (FGI)	July 13, 2010
Subsidiaries with indirect ownership:	
Green Empire International Limited (GEIL)*	May 10, 2017
Oceanic Luck Limited (OLL)**	April 25, 2016
*ownership through FGI	
**ownership through GEIL	

The Parent Company is engaged in investment activities.

The principal activities and percentage of ownership of the Parent Company’s subsidiaries as at December 31, 2019 and 2018 are presented below.

Subsidiaries	Principal Activities	Principal Place of Business	Percentage of Ownership
Direct:			
NTI	Production, processing and distribution of goods	Quezon City	100%
BNFI	Trading of goods	Quezon City	100%
FGI	Trading of goods	Quezon City	100%
Indirect:			
GEIL	Holding company	British Virgin Islands	100%
OLL	Holding company	Samoan Islands	100%

Amendments to the Articles of Incorporation (AOI)

In February 2018, the SEC approved the following amendments to the AOI:

- of the seven (7) directors, at least three (3) should be independent; and
- that the authorized capital stock amounting to ₱500.0 million of FHI shall be divided into (a) 3,000,000,000 preferred shares at one centavo (₱0.01) par value a share; and (b) 4,700,000,000 common shares at ten centavos (₱0.10) par value a share. Accordingly, total authorized number of shares is 7,700,000,000 common and preferred shares (see Note 16).

In November 2017, the Parent Company received cash subscriptions aggregating ₱15.0 million from individual and corporate stockholders.

In October 2017, the SEC approved the following amendments to the Parent Company's AOI, among others:

- change in the Parent Company's name from "THE LUSH COMPANY, INC." to "FRUITAS HOLDINGS, INC.";
- 1:10 stock split resulting to a decrease in par value from ₱1.00 to ₱0.10 a share and increasing the authorized capital stock from 500.0 million to 5.0 billion shares (see Note 16).

Changes in Ownership Structure

FHI. The Parent Company is 58.98% owned by LUSH PROPERTIES, INC. (LPI), a company incorporated and domiciled in the Philippines and engaged in leasing/real estate activities.

NTI. In December 2019, NTI acquired the assets of *Heat Stroke Grill* from a sole proprietor for a total consideration of ₱368,000 (see Note 4).

In July 2018, NTI acquired the assets and the brand name *Sabroso Lechon* from Sabroso Lechon Inc. (SLI). The acquisition was completed following the fulfillment of the closing conditions of the Contract to Sell and the Deed of Assignment of the registered trademark and the payment of the related consideration amounting to ₱28.3 million (see Note 4).

In October 2017, FHI acquired 2,152 shares of NTI from the remaining individual stockholders for ₱470,200 to increase FHI's ownership interest to 100% (see Note 4). On the same date, FHI also subscribed to additional 436,625 shares of NTI at ₱255.00 per share equivalent to ₱111.3 million.

BNFI. In December 2019, the Parent Company subscribed to additional 60,000 shares at ₱300.00 for a total consideration of ₱18.0 million.

In October 2017, FHI acquired 13,494 shares of BNFI from the remaining individual stockholders for ₱4.0 million to increase FHI's ownership interest to 100% (see Note 4). On the same date, FHI also subscribed to additional 331,500 shares of BNFI at ₱355.00 a share equivalent to ₱117.7 million.

FGI. In November 2019, the Parent Company subscribed to additional 200,000 common shares and 80,000 preferred shares of FGI at ₱400.00 and ₱1,000.00 per share, respectively, for a total consideration of ₱160.0 million.

In October 2017, FHI acquired 124,992 shares of FGI from the remaining individual stockholders for ₱12.7 million to increase FHI's equity interest in FGI to 100% (see Note 4). Subsequently, FHI also subscribed to additional 400,000 shares of FGI at par and paid ₱82.0 million. The increase in authorized capital stock of FGI was approved by the SEC on December 13, 2019.

In August 2017, FGI subscribed to 1 share of GEIL for US\$1. In December 2017, FGI subscribed to additional 40,000 shares for US\$4.0 million (equivalent to ₱200.2 million) at US\$100 a share equivalent to 100% equity interest. GEIL then acquired 100% of OLL. OLL holds the intellectual property rights to certain brands including *Fruitas*, *The Mango Farm*, *Shou*, *Black Pearl*, *Friends Fries* and *Juice Avenue*. GEIL was incorporated and domiciled in the British Virgin Islands. OLL was incorporated and domiciled in the Samoan Islands.

On November 29, 2019, the common shares of the Parent Company were listed and traded in the PSE through an IPO under the trading name "FRUIT".

The consolidated financial statements were approved and authorized for issuance by the BOD on May 30, 2020.

2. Summary of Significant Accounting and Reporting Policies

The significant accounting policies used in the presentation of the consolidated financial statements have been consistently applied to all the years presented, unless otherwise stated.

Basis of Preparation and Statement of Compliance

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial Reporting Standards Council and adopted by the SEC, including SEC pronouncements. This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations on International Financial Reporting Interpretations Committee (IFRIC).

Bases of Measurement

The consolidated financial statements of the Group have been prepared on a historical cost basis; and are presented in Philippine Peso (Peso), the Group's functional currency. All amounts are rounded to the nearest Peso, unless otherwise indicated.

Historical cost is generally based on the fair value of the consideration given in exchange for an asset and the fair value of the consideration received in exchange for incurring a liability.

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 Group uses observable market data to the extent possible when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

- 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.

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 27 to the consolidated financial statements.

Adoption of New and Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new and amended standards and Interpretations which the Group adopted effective January 1, 2019:

- PFRS 16, *Leases* – PFRS 16 replaced PAS 17, *Leases*, IFRIC 4, *Determining whether an Arrangement contains a Lease*, SIC-15, *Operating Leases-Incentives*, and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases (i.e., leases with a lease term of 12 months or less).

At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term [i.e., ROU asset]. Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the ROU asset.

Lessees will also be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the ROU asset.

Lessor accounting under PFRS 16 is substantially unchanged from accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

The Group generally leases spaces for the retail establishments for a term ranging from six months to 24 months from various entities. These are renewable upon mutual agreement of the parties and do not contain any purchase options. These retail establishments include kiosks, carts and inline food stalls. The Group has assessed that at commencement date, it is not reasonably certain to exercise the extension option on the lease of the kiosks and carts because these are movable improvements and can be relocated any time without undue costs, and the renewal option will be exercised after a complete evaluation of the financial performance of an outlet or a store. Accordingly, the Group availed of the recognition exemption for short-term leases and the related lease expenses are recognized in the profit or loss on a straight-line basis.

For the Group's outlets with permanent and significant improvement and other non-cancellable operating lease commitments, the Group recognized ROU assets and lease liabilities. These liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at January 1, 2019. The incremental borrowing rate applied to the lease liabilities ranges from 10.87% to 11.00%, depending on the lease term. ROU assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments.

Based on the Group's lease agreements, lease payments include fixed payments which are subject to yearly escalation and variable lease payments based on a certain percentage of revenue. The Group assessed that variable lease payments that are linked to the Group's future performance are excluded from the definition of lease payments. Consequently, no lease liability is recognized for those variable lease payments. These are recognized in profit or loss when the event or condition that triggers the payments occurs or when the Group generates revenue.

The Group has adopted PFRS 16 using the modified retrospective method, which requires that the cumulative effect of applying the new standard is recognized at the beginning of the year of initial application. Accordingly, the comparative information presented for 2018 and 2017 have not been restated.

As at December 31, 2018, the Group's operating lease commitments are reconciled to the recognized lease liabilities as at January 1, 2019 as follows:

Operating lease commitments as at December 31, 2018	₱146,626,693
Discount using incremental borrowing rate	(33,199,973)
<u>Lease liabilities as at January 1, 2019</u>	<u>₱113,426,720</u>

The following table summarizes the ROU assets and lease liabilities recognized as at January 1, 2019:

Outlets spaces	₱46,459,204
Land and building	66,967,516
<u>Total ROU assets</u>	<u>₱113,426,720</u>
Current portion of lease liabilities	₱46,459,204
Noncurrent portion of lease liabilities	66,967,516
<u>Total lease liabilities</u>	<u>₱113,426,720</u>

- Philippine Interpretation on IFRIC 23, *Uncertainty Over Income Tax Treatments* – The interpretation provides guidance on how to reflect the effects of uncertainty in accounting for income taxes under PAS 12, *Income Taxes*, in particular (i) matters to be considered in accounting for uncertain tax treatments separately, (ii) assumptions for taxation authorities' examinations, (iii) determinants of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and (iv) effect of changes in facts and circumstances.
- Amendments to PFRS 9, *Financial Instruments - Prepayment Features with Negative Compensation* – The amendments clarify that a financial asset passes the "solely payments of principal and interest" criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. Consequently, financial assets with termination provisions can now be measured at amortized cost (or, depending on the business model, at fair value through other comprehensive income).

- Amendments to PAS 19, *Employee Benefits - Plan Amendment, Curtailment or Settlement* – The amendments specify how companies remeasure a defined benefit plan when a change - an amendment, curtailment or settlement - to a plan takes place during a reporting period. It requires entities to use the updated assumptions from this remeasurement to determine current service cost and net interest cost for the remainder of the reporting period after the change to the plan.
- Annual Improvements to PFRS 2015 to 2017 Cycle:
 - Amendments to PFRS 3, *Business Combinations* and PFRS 11, *Joint Arrangements - Previously Held Interest in a Joint Operation* – The amendments to PFRS 3, *Business Combinations*, clarify that when an entity obtains control of a business that is a joint operation, the acquirer applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the joint operation at its acquisition-date fair value. The amendment to PFRS 11, *Joint Arrangements*, clarifies that when an entity obtains joint control of a business that is a joint operation, the previously held interests in that business are not remeasured.
 - Amendments to PAS 12 - *Income Tax Consequences of Payments on Financial Instruments Classified as Equity* – The amendments require entities to recognize the income tax consequences of dividends as defined in PFRS 9 when the liability to pay dividends are recognized. The income tax consequences of dividends are recognized either in profit or loss, other comprehensive income or equity, consistently with the transactions that generated the distributable profits. This requirement applies to all income tax consequences of dividends, such as withholding taxes.

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS did not have any material effect on the consolidated financial statements of the Group except for PFRS 16. Additional disclosures were included in the consolidated financial statements, as applicable.

Amended PFRS Issued But Not Yet Effective

Relevant amended PFRS, which are not yet effective as at December 31, 2019 and have not been applied in preparing the consolidated financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2020:

- Amendments to References to the Conceptual Framework in PFRS – The amendments include a new chapter on measurement, guidance on reporting financial performance, improved definitions and guidance-in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurements uncertainty in financial reporting. The amendments should be applied retrospectively unless retrospective application would be impracticable or involve undue cost or effort.
- Amendments to PFRS 3 - *Definition of a Business* – This amendment provides a new definition of a “business” which emphasizes that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. To be considered a business, ‘an integrated set of activities and assets’ must now include ‘an input and a substantive process that together significantly contribute to the ability to create an output’.

The distinction is important because an acquirer may recognize goodwill (or a bargain purchase) when acquiring a business but not a group of assets. An optional simplified assessment (the concentration test) has been introduced to help companies determine whether an acquisition is of a business or group of assets.

- Amendments to PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material* – The amendments clarify the definition of “material” and how it should be applied by companies in making materiality judgments. The amendments ensure that the new definition is consistent across all PFRS. Based on the new definition, an information is “material” if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

Deferred effectivity -

- Amendment to PFRS 10, *Consolidated Financial Statements* and PAS 28 - *Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* – The amendments address a conflicting provision under the two standards. It clarifies that a gain or loss shall be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

Under prevailing circumstances, the adoption of the foregoing amended PFRS is not expected to have any material effect on the consolidated financial statements of the Group. Additional disclosures will be included in the consolidated financial statements as necessary.

Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and its subsidiaries.

Subsidiaries

A subsidiary is an entity that is controlled by the Parent Company. A subsidiary is consolidated from the date when control is transferred to the Parent Company directly or through a holding company. Control is achieved when the Parent Company is exposed or has rights to variable returns from its investment with the investee and has the ability to affect those returns through its power over the investee. A subsidiary is deconsolidated from the date when control ceases.

The separate financial statements of the subsidiaries are prepared for the same reporting year as that of the Parent Company using uniform accounting policies. Significant intercompany transactions and balances, including intercompany profits, dividends and unrealized profits and losses, are eliminated in full.

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

If the Parent Company loses control over a subsidiary, the Group: (a) derecognizes the assets and liabilities of the subsidiary; (b) derecognizes the carrying amounts of any non-controlling interest; (c) derecognizes the cumulative translation differences recorded in equity; (d) recognizes the fair value of consideration received; (e) recognizes the fair value of any investment retained;

(f) recognizes any surplus or deficit in profit or loss; and (g) reclassifies the Parent Company's share of components previously recognized in other comprehensive income in relation to that subsidiary on same basis as would be required if the Parent Company had directly disposed of the related assets and liabilities.

Non-controlling Interests

Non-controlling interests represent the equity interest of the subsidiaries not owned, directly or indirectly, by the Parent Company. The non-controlling interests share in the losses of a subsidiary even if that results in a deficit balance.

Business Combination

Business combination is accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. Acquisition-related costs incurred are expensed and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date, including the separation of embedded derivatives in host contracts by the acquiree, if any.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PFRS 9 either in the consolidated statement of comprehensive income or as a change to other comprehensive income. If the contingent consideration is not within the scope of PFRS 9, it is measured in accordance with appropriate PFRS. Contingent consideration that is classified as equity is not remeasured until it is finally settled and accounted for within equity.

If necessary information, such as the fair value of assets and liabilities acquired, is not available by the end of the reporting period in which the business combination occurs, provisional amounts are used for a period not exceeding one year from the date of acquisition or the measurement period. During this period, provisional amounts recognized for a business combination may be retrospectively adjusted if relevant information has been obtained or becomes available.

The Group also considers whether the acquisition represents an acquisition of a business or a group of assets. The Group accounts for an acquisition as a business if it acquires an integrated set of business processes in addition to the group of assets acquired.

A gain from bargain purchase is generated when the fair value of the net assets acquired by the Group exceeds the acquisition price, and is recognized in the consolidated statement of comprehensive income in the year of acquisition.

Business combination arising from transfers of interest involving entities under common control is accounted for using book values. Any difference between the purchase price and the net assets of acquired entity is presented separately within equity on consolidation. Any non-controlling interest is measured as a proportionate share of the book values of the related assets and liabilities. The acquiree's assets and liabilities are recognized at book values and results of operations are included in the consolidated financial statements as if the acquisition has occurred at the beginning of the latest comparative period.

Financial Assets and Liabilities

Recognition and Measurement

Date of Recognition. The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial Recognition and Measurement. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at FVPL, includes transaction cost.

“Day 1” Difference. Where the transaction in a non-active market is different from the fair value of other observable current market transactions in 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” difference) in profit or loss. In cases where there is no observable data on inception, the Group deems the transaction price as the best estimate of fair value and recognizes “Day 1” difference 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” difference.

Classification

The Group classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at fair value through other comprehensive income (FVOCI). Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Group’s business model and its contractual cash flow characteristics.

As at December 31, 2019 and 2018, the Group has no financial instruments classified as financial assets at FVPL and FVOCI and financial liabilities at FVPL.

Financial Assets at Amortized Cost. Financial assets shall be measured at amortized cost if both of the following conditions are met:

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

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

As at December 31, 2019 and 2018, the Group's cash and cash equivalents, trade and other receivables, due from related parties and construction bond (presented under "Other current assets") are classified under this category.

Cash equivalents are short-term, highly liquid investment that is readily convertible to known amounts of cash with original maturities of three months or less from dates of placement and which is subject to an insignificant risk of change in value.

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

As at December 31, 2019 and 2018, the Group's trade and other payables (except statutory payable), notes payable, mortgage payable, lease liabilities, due to related parties and dividends payable are classified under this category.

Reclassification

The Group reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in other comprehensive income.

Impairment

The Group records an allowance for ECL based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

Trade and Other Receivables. For trade and other receivables, the Group has applied the simplified approach in measuring ECL.

Simplified approach requires that ECL should always be based on the lifetime ECL. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Other Financial Assets at Amortized Cost. For these debt instruments, the Group has applied the general approach in measuring ECL.

Under the general approach, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

Derecognition

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 right to receive cash flows from the asset has expired;
- the Group retains the right to receive cash flows from the financial 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 right to receive cash flows from the financial 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 right to receive cash flows from a financial asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Group’s continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial 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, and the difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Group could raise debt with similar terms and conditions in the market. The difference between the carrying amount of the original liability and fair value of the new liability is recognized in the consolidated statement of comprehensive income.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

Offsetting

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 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.

Classification of Financial Instrument between Liability and Equity

A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Merchandise Inventories

Merchandise inventories are carried at the lower of cost and net realizable value (NRV). The NRV of merchandise inventories is the estimated selling price in the ordinary course of business, less the estimated costs of completion and costs necessary to make the sale. Cost is determined using first-in, first-out method.

At each reporting date, merchandise inventories are assessed for impairment. If merchandise inventories is impaired, the carrying amount is reduced to its NRV. Impairment loss is recognized immediately in profit or loss.

When merchandise inventories are sold, the carrying amount of those merchandise inventories is recognized to profit or loss in the year when the related revenue is recognized.

Deposits and Advance Rentals

Deposits and advance rentals represent payments for security, utilities and other deposits made in relation to the lease agreements entered into by the Group. These are carried at face amounts and will generally be applied as lease payments toward the end of the lease terms.

Other Current Assets

Prepayments. Prepayments are expenses paid in advance and recorded as assets before these are utilized. Prepayments are apportioned over the period covered by the payment and included in profit or loss when incurred. Prepayments that are expected to be realized for no more than 12 months after the financial reporting period are classified as current assets. Otherwise, these are classified as noncurrent assets.

Advances to Officers and Employees. Advances to officers and employees pertain to advances made by the Group to officers and employees to fund for working capital expenditures. These are subject to liquidation and are measured at transaction price less impairment in value, if any. These are charged to appropriate asset or expense account upon liquidation.

Creditable Input VAT. Revenue, expenses and assets are generally recognized net of the amount of VAT. This is measured at face amount less impairment in value, if any. The net amount of VAT recoverable from or payable to the taxation authority is presented as "Creditable input VAT" or "Output VAT" presented part of "Statutory payable" under "Trade and other payables" in the consolidated statement of financial position.

Deferred Input VAT. Deferred input VAT represents amount of input VAT on accruals and trade payables. Deferred input VAT that is expected to be realized within 12 months after the financial reporting period is classified as current. Otherwise, it is classified as noncurrent asset.

Unamortized Input VAT. In accordance with the Revenue Regulations (RR) No. 16-2005, input VAT on purchases or imports of the Group of capital goods (depreciable assets for income tax purposes) with an aggregate acquisition cost (exclusive of VAT) in each of the calendar month exceeding ₱1.0 million is claimed as credit against output VAT over 60 months or the estimated useful lives of capital goods, whichever is shorter.

Unamortized input VAT on capital goods is classified as current asset if it is expected to be claimed against output VAT no more than 12 months after the reporting date. Otherwise, it is classified as noncurrent asset.

Advances to Suppliers. Advances to suppliers are recognized whenever the Group pays in advance for its purchase of goods and supplies. The advances to suppliers are measured at transaction price less impairment in value, if any. These are charged to appropriate asset or expense account upon receipt from suppliers.

Creditable Withholding Taxes (CWTs). CWTs are deducted from income tax payable in the same year the revenue was recognized and are carried forward to the succeeding year when in excess of income tax payable. CWTs are stated at face amount less impairment in value, if any.

Property and Equipment

Property and equipment, except land and construction-in-progress (CIP), are stated at cost less accumulated depreciation and amortization and any impairment in value. Land is stated at cost less impairment in value, if any.

Cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to operations 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 property and equipment.

CIP represents warehouse under construction and is stated at cost. Cost includes costs of construction, labor and other direct costs. CIP is not depreciated until such time that the relevant assets are ready for use. This will be recognized as warehouse upon completion of the construction.

Depreciation and amortization are calculated on a straight-line basis over the following estimated useful lives of the property and equipment:

<u>Asset Type</u>	<u>Number of Years</u>
Leasehold improvements	3 years or term of lease, whichever is shorter
Transportation equipment	5-10
Office furniture, fixtures and equipment	2-5
Store furniture, fixtures and equipment	2-5

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits for the use of property and equipment.

Fully depreciated and amortized assets are retained in the accounts until these are no longer in use.

When property and equipment are sold or retired, their cost, accumulated depreciation and amortization and any allowance for impairment in value are eliminated and any resulting gain or loss is included in profit or loss.

Intangible Assets

Intangible assets are identifiable non-monetary assets of the Group without physical substance held for use in operations, the production of goods or services and for rental to others. This account includes the following:

Brand Names. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. Subsequently, intangible asset is carried at cost less any accumulated impairment losses.

The Group assessed the useful life of brand names to be indefinite. Based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate cash inflows for the Group.

Brand names with indefinite useful lives are tested for impairment annually, either individually or at the cash-generating unit level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

The Relief-from-Royalty method was used in the valuation of the brands. Under this method, the value of an intangible asset is determined by reference to the value of the hypothetical royalty payments that would be saved through owning the asset, as compared with licensing the intangible asset from a third party. The hypothetical royalty payments over the life of the intangible asset are adjusted for tax and discounted to present value at the valuation date. Conceptually, the method may also be viewed as a discounted cash flow method applied the cash flow that the owner of the intangible asset could receive through licensing the intangible asset to third parties.

Software License. Software license is measured initially at cost, which is the amount of the purchase consideration. Following initial recognition, software license is carried at cost less accumulated amortization and any accumulated impairment losses. The Group's software license has a term of five years and is amortized over such period using the straight-line method.

The useful life and amortization method for software license are reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the software is accounted for by changing the useful life and amortization method, as appropriate, and treated as a change in accounting estimates. The amortization expense on software is recognized in the profit or loss.

Gains or losses arising from the disposal of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Impairment of Nonfinancial Assets

The carrying amounts of nonfinancial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Brand names with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. When the carrying amounts exceed the estimated recoverable amounts, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of the fair value less cost to sell or value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an orderly transaction between market participants less the cost of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax 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 cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. In such instance, the carrying amount of the asset is increased to its recoverable amount. However, that 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 in profit or loss. After such reversal, the depreciation and amortization charges are adjusted in future years to allocate the asset's revised carrying amount, on a systematic basis over its remaining useful life.

Operating Segments

The Group operates using different brand names on which operating results are regularly monitored by the chief operating decision-maker (CODM) for the purpose of making decisions regarding resource allocation and performance assessment. The CODM has been identified as the Chief Executive Officer of the Group. However, as permitted by PFRS 8, *Operating Segments*, the Group has aggregated these segments into a single operating segment to which it derives its revenues and incurs expenses as these segments have the same economic characteristics and are similar in the following respects:

- the nature of products and services;
- the nature of production processes;
- the type or class of customer for the products and services; and
- the methods used to distribute their products and services.

Equity

Common Stock. Common stock represents the par value of issued common shares. Unpaid subscriptions are recognized as a reduction from subscribed capital.

Preferred Stock. Preferred shares are voting, cumulative, nonparticipating and nonconvertible and nonredeemable.

Additional Paid-in Capital. Additional paid-in capital represents the excess of proceeds or fair value of consideration received over par value.

Retained Earnings. Retained earnings represent the cumulative balance of net income, net of any dividend declaration.

Dividend Distribution. Dividends are recognized as a liability and deducted from equity when declared by the BOD and the shareholders of the Group. Dividends for the year that are declared after the reporting date are dealt with as an event after the reporting date.

Other Equity Reserves. Other equity reserves consist of the difference between the equity of the subsidiaries attributable to the Parent Company's interest and the purchase price.

Other Comprehensive Loss. This pertains to the accumulated remeasurement gain or loss on the Group's retirement benefits liability arising from experience adjustments and changes in financial assumptions. Remeasurements of retirement benefits liability, and the corresponding deferred tax component, are recognized immediately in other comprehensive loss and are included in equity. These are not reclassified to profit or loss in subsequent periods.

Shares Held by Subsidiaries. Shares of the Parent Company held by subsidiaries are treated as treasury shares. These are recognized at cost and deducted from equity. No gain or loss is recognized in the Parent Company's consolidated statement of comprehensive income on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments. When the shares are retired, the capital account is reduced by its par value and the excess of cost over par value upon retirement is debited to APIC, to the extent of the specific or average APIC when the shares were issued, and to retained earnings for the remaining balance. Voting rights related to treasury shares are nullified for the Parent Company and no dividends are allocated to them.

EPS Attributable to the Equity Holders of the Parent Company

Basic EPS is calculated by dividing the net income attributable to equity holders of the Parent Company by the weighted average number of common shares outstanding during the year, with retroactive adjustments for any stock dividends declared and stock split.

Diluted EPS is computed by adjusting the weighted average number of common shares outstanding to assume conversion of all the dilutive potential common shares into common shares.

The Parent Company has no dilutive potential common shares.

Revenue Recognition

Revenue

The Group generates revenue primarily from sale of goods and franchise fees.

Revenue from Contracts with Customers. Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Group performs its obligations; (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Group also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Group has assessed that it acts as a principal in all of its revenue sources.

The following specific recognition criteria must also be met before revenue is recognized.

Net Sales. Revenue is recognized, net of sales discounts, at a point in time when the control over the goods has transferred to the customers, which is normally upon delivery to and acceptance of the goods by the buyer.

Franchise Fees. Revenue from franchisees includes continuing royalty and initial franchise fees. Royalty fees are recognized in the period earned. Initial franchise fees are recognized upon opening of a store when the Group has performed substantially all of the performance obligations required under the franchise agreement.

Other Income

Rental Income. Rental income is recognized on a straight-line basis over the lease term.

Interest Income. Interest income is recognized as it accrues, net of final tax, using the effective interest method.

Other Income. Income from other sources is recognized when earned during the period.

Contract Balances

Receivables. A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract Assets. A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays a consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

As at December 31, 2019 and 2018, the Group does not have outstanding contract assets.

Contract Liabilities. A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays a consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made by the customer or when the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract. Contract liabilities also include payments received by the Group from the customers for which revenue recognition has not yet commenced and payments in excess of revenue recognized based on percentage of completion.

As at December 31, 2019 and 2018, the Group does not have outstanding contract liabilities.

Cost to Obtain a Contract. The incremental costs of obtaining a contract with a customer are recognized as an asset if the Group expects to recover them. Otherwise, these are treated as expense.

Contract Fulfillment Asset. Contract fulfillment costs are divided into: (i) costs that give rise to an asset; and (ii) costs that are expensed as incurred. When determining the appropriate accounting treatment for such costs, the Group first considers any other applicable standards. If those standards preclude capitalization of a particular cost, then an asset is not recognized under PFRS 15,

Revenue from Contracts with Customers. If other standards are not applicable to contract fulfillment costs, the Group applies the following criteria which, if met, result in capitalization: (i) the costs directly relate to a contract or to a specifically identifiable anticipated contract; (ii) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (iii) the costs are expected to be recovered. The assessment of these criteria requires the application of judgment, in particular when considering if costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recoverable.

As at December 31, 2019 and 2018, the Group does not have contract fulfillment assets.

Cost and Expense Recognition

Costs and expenses are recognized in profit or loss when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Direct Costs. Direct costs are costs directly related to the production and sale of goods and are recognized as expense when the related goods are sold or the related services are rendered.

Selling and Distribution Expenses. Selling and distribution expenses constitute costs of selling and distribution of the goods to customers that are not qualified as cost of sales. These are recognized in profit or loss in the period when these are incurred.

General and Administrative Expenses. General and administrative expenses constitute costs of administering the business. These are recognized in profit or loss in the period when these are incurred.

Interest Expense. Interest expense includes interest expense and other finance costs. This is recognized in profit or loss using the effective interest method.

Retirement Benefits

The Group has an unfunded, noncontributory defined benefit plan covering all qualified employees. The retirement benefits cost is determined using the projected unit credit method, which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The Group recognizes current service costs and interest expense on the retirement benefits liability in profit or loss.

The Group determines the interest expense on retirement benefits liability by applying the discount rate to the retirement benefits liability at the beginning of the year, taking into account any changes in the liability during the period as a result of benefit payments.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding interest cost on defined benefits liability) are recognized immediately in consolidated OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

The retirement benefits liability recognized by the Group is the present value of the defined benefits obligation. This is determined by discounting the estimated future cash outflows using risk-free interest rates of government bonds that have terms to maturity approximating the terms of the related retirement benefits liability.

Actuarial valuations are made with sufficient regularity that the amounts recognized in the consolidated financial statements do not differ materially from the amounts that would be determined at the reporting date.

Leases

a. Accounting policies prior to January 1, 2019

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Leases where the lessor transfers substantially all the risks and rewards of ownership of the asset are classified as finance leases, otherwise, operating leases.

At the commencement of the lease, finance leases should be recorded as an asset and a liability at the lower of the fair value of the asset and the present value of the minimum lease payments. Lease payments should be apportioned between the interest expense and the reduction of the outstanding liability.

The depreciation policy for assets held under finance leases should be consistent with that for owned assets. If there is no reasonable certainty that the lessee will obtain ownership at the end of the lease, the asset should be depreciated over the shorter of the lease term or the life of the asset.

The Group as a Lessee. Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

The Group as a Lessor. Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which these are earned.

b. Accounting policies beginning January 1, 2019

The Group assesses whether the contract is, or contains, a lease. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, it has both of the following:

- i. the right to obtain substantially all of the economic benefits from the use of the identified asset; and
- ii. the right to direct the use of the identified asset.

If the Group has the right to control the use of an identified asset for only a portion of the term of the contract, the contract contains a lease for that portion of the term.

The Group also assesses whether a contract contains a lease for each potential separate lease component.

The Group as a Lessee. At the commencement date, the Group recognizes ROU assets and lease liabilities for all leases, except for leases with lease terms of 12 months or less (short-term leases) and leases for which the underlying asset is of low value in which case the lease payments associated with those leases are recognized as an expense on a straight-line basis.

ROU Assets. At commencement date, the Group measures ROU assets at cost. The cost comprises:

- i. the amount of the initial measurement of lease liabilities;
- ii. any lease payments made at or before the commencement date less any lease incentives received;
- iii. any initial direct costs; and
- iv. an estimation of costs to be incurred by the Group in dismantling and removing the underlying asset, when applicable.

The ROU assets are recognized at the present value of the liability at the commencement date of the lease, adding any directly attributable costs. After the commencement date, the ROU assets are carried at cost less any accumulated amortization and accumulated impairment losses, and adjusted for any remeasurement of the related lease liabilities. The ROU assets are amortized over the shorter of the lease terms or the useful lives of the underlying assets ranging from three to ten years.

Lease Liabilities. At commencement date, the Group measures a lease liability at the present value of future lease payments using the interest rate implicit in the lease, if that rate can be readily determined. Otherwise, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of a lease liability comprise the following:

- i. fixed payments, including in-substance fixed payments;
- ii. variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- iii. amounts expected to be payable by the lessee under residual value guarantees; and
- iv. the exercise price under a purchase option that 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.

A lease liability is subsequently measured at amortized cost. Interest on the lease liability and any variable lease payments not included in the measurement of lease liability are recognized in profit or loss unless these are capitalized as costs of another asset. Variable lease payments not included in the measurement of the lease liability are recognized in profit or loss when the event or condition that triggers those payments occurs.

If there is a change in the lease term or if there is a change in the assessment of an option to purchase the underlying asset, the lease liability is remeasured using a revised discount rate considering the revised lease payments on the basis of the revised lease term or reflecting the change in amounts payable under the purchase option. The lease liability is also remeasured using the revised lease payments if there is a change in the amounts expected to be payable under a residual value guarantee or a change in future lease payments resulting from a change in an index or a rate used to determine those payments.

For income tax reporting purposes, payments under operating lease agreements are treated as deductible expense in accordance with the terms of the lease agreements.

The Group as a Lessor. Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which these are earned.

Income Taxes

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

Deferred Tax. Deferred tax is provided 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 tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of net operating loss carryover (NOLCO) and minimum corporate income tax (MCIT), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward benefits of NOLCO and MCIT can be utilized.

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

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

Deferred tax is recognized in profit or loss except to the extent that it relates to items directly recognized in OCI.

Offsetting. Current tax assets and current tax liabilities are offset, or deferred tax assets and deferred tax liabilities are offset if, and only if, an enforceable right exists to set off the amounts and it can be demonstrated without undue cost or effort that the Group plans either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Foreign Currency Translation

The functional currency of the entities of the Group is Peso except for GEIL and OLL, with functional currency in the United States (US) dollar (\$). Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded using the prevailing exchange rate at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are restated at the functional currency rate of exchange at the reporting date. All differences are taken to the consolidated statement of comprehensive income. For income tax reporting purposes, foreign exchange gains or losses are treated as taxable income or deductible expenses in the year such are realized.

The assets and liabilities of GEIL and OLL are translated into Peso at the rate of exchange ruling at the reporting date and income and expenses are translated to Peso at monthly average exchange rates. The exchange differences arising on the translation are taken directly to OCI. There are no exchange differences recognized as at December 31, 2019, 2018 and 2017.

Related Party Relationships and Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (a) individuals who, owning directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on legal form.

Related party transactions consist of transfers of resources, services or obligations between the Group and its related parties, regardless of whether a price is charged.

Related party transactions are considered material and/or significant if i) these transactions amount to 10% or higher of the Group's total assets or, ii) there are several transactions or a series of transactions over a 12-month period with the same related party amounting to 10% or higher of the Group's total assets. Details of transactions entered into by the Group with related parties are reviewed by independent directors in accordance with the Group's related party transactions policy.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable 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. 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. These are disclosed unless the possibility of an outflow of resources embodying economic benefit is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed when an inflow of economic benefit is probable.

Events after the Reporting Period

Events after the reporting date that provide additional information about the Group's consolidated financial position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

3. Significant Accounting Judgments and Estimates

The preparation of the Group's consolidated financial statements requires management to make judgments and estimates that affect the amounts reported in the consolidated financial statements. The judgments and estimates used in the consolidated financial statements are based on management's evaluation of relevant facts and circumstances as at the reporting date.

While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts. Actual results could differ from such estimates. In particular, the COVID-19 pandemic and the resulting adverse effects to the global economic conditions, as well as the Group's operations, may impact future estimates including, but not limited to, the allowance for ECL, fair

value measurements, impairment of nonfinancial assets, recognition of deferred tax assets, actuarial losses on retirement benefits liability and discount rate assumptions.

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

The following are the significant judgments and estimates made by the Group:

Determining Functional Currency. The functional currency of the companies in the Group has been determined to be Peso except for certain subsidiaries whose functional currency is the US dollar. Peso is the currency that mainly influences the sale of goods and the costs of sales.

Assessing Group Reorganization. Group reorganization involving entities under common control is outside the scope of PFRS 3 and there is no other specific PFRS guidance. Accordingly, management used its judgment to develop an accounting policy that is relevant and reliable, in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

The management assessed that the substance of the group reorganization does not constitute “purchase” of companies but pooling or merging of the assets and liabilities of the Group. Hence, the most relevant and reliable accounting policy adopted by the Group is the pooling of interests method of accounting.

The Group elected a policy to restate the financial information in the consolidated financial statements for periods prior to the reorganization of the entities under common control to reflect the reorganization as if it had occurred from the beginning of the earliest period presented in the consolidated financial statements, regardless of the actual date of the reorganization. The acquisition by the Parent Company of the subsidiaries was considered as a group reorganization of entities under common control is disclosed in Note 4.

Accounting for Business Acquisition. At the time of acquisition, the Group considers whether the acquisition represents an acquisition of a business or a group of assets. The Group accounts for an acquisition as a business combination if it acquires an integrated set of business processes in addition to the group of assets acquired.

The Group accounts for acquired businesses using the acquisition method of accounting, which requires that the assets acquired and the liabilities assumed are recognized at the date of acquisition based on their respective fair values.

The application of the acquisition method requires certain estimates and assumptions concerning the determination of the fair values of acquired intangible assets and property and equipment, as well as liabilities assumed at the acquisition date. Moreover, the useful lives of the acquired intangible assets and property and equipment have to be determined. Accordingly, for significant acquisitions, the Group obtains assistance from valuation specialists. The valuations are based on information available at the acquisition date. The Group’s acquisitions have resulted in the recognition of intangible assets with indefinite lives is disclosed in Note 4.

Classifying Operating Segments. The Group is organized into operating segments based on brand names but the Group has aggregated the brand names into a single operating segment as allowed under PFRS 8 due to their similar characteristics. This is evidenced by a consistent range of gross margin across all brand outlets as well as uniformity in sales increase and trending for all outlets, regardless of the brand name. Moreover, all brands have the following business characteristics:

- (a) Similar nature of products/services offered and methods to distribute products and provide services;
- (b) Similar class of target customers; and
- (c) Primary place of operations is in the Philippines.

Identifying the Performance Obligations and Timing of Satisfaction of Revenues. The Group enters into contracts with its customers to sell goods where revenue from company-owned outlets and sale of goods are recognized. The Group determined that all the goods prior to transfer to its respective customers are in its full ownership. The Group concluded that it transfers control over its goods and services, at a point in time, upon receipt of the goods and services by the customer.

For revenue from franchise fee, the performance obligation under the franchise agreement is the delivery of materials and store equipment necessary to operate the franchise store, as this is deemed to be the time that the franchisee obtains control of the promised goods and therefore the benefits of unimpeded access.

Classifying Lease Commitments - Group as a Lessor. Lessor accounting under PFRS 16 is substantially unchanged from accounting under PAS 17. The Group entered into a sublease agreement of food park spaces. The Group determined, based on the evaluation of terms and conditions of agreement, that the lessor retains all the significant risks and rewards of ownership of the food park spaces. Thus, the agreement is accounted for as an operating lease.

Rental income in 2019, 2018, and 2017 is disclosed in Note 22.

Classifying Lease Commitments prior to January 1, 2019 - Group as a Lessee. The Group has entered into lease agreements with various lessors for its outlets spaces and warehouse. The Group has determined that the arrangements are operating leases as the risks and rewards of ownership are retained by the lessor.

Rental expense in 2018 and 2017 is disclosed in Note 22.

Classifying Lease Commitments beginning January 1, 2019 - Group as a Lessee. The Group has entered into commercial property leases for its stores. For the Group's non-cancellable lease, the Group recognizes ROU assets and lease liabilities measured at the present value of lease payments to be made over the lease term using the Group's incremental borrowing rate. The Group availed exemption for leases with term of 12 months or less. Accordingly, lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

ROU assets and lease liabilities as at December 31, 2019 is disclosed in Note 22.

Assessing the ECL of Trade and Other Receivables. The Group estimates ECL using a provision matrix. Depending on the diversity of its debtor's base, the Group uses its historical credit loss experience adjusted for forward-looking factors, as appropriate. The information about the ECL assessment on the Group's trade and other receivables is disclosed in Note 26 to the consolidated financial statements.

The carrying amounts of the Group's trade and other receivables as at December 31, 2019 and 2018 is disclosed in Note 6.

Assessing ECL on Other Financial Assets at Amortized Cost. The Group determines the allowance for ECL using general approach based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL is provided for credit losses that result from possible default events within the next 12-months unless there has been a significant increase in credit risk since initial recognition in which case ECL are provided based on lifetime ECL.

When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- Actual or expected external and internal credit rating downgrade;
- Existing or forecasted adverse changes in business, financial or economic conditions; and
- Actual or expected significant adverse changes in the operating results of the borrower.

The Group also considers financial assets that are more than 30 days past due to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent a significant risk in credit risk such as when non-payment was an administrative oversight rather than resulting from financial difficulty of the borrower.

No provision for ECL on other financial assets at amortized cost was recognized in 2019, 2018 and 2017. The transactions with respect to these financial assets were entered into by the Group only with reputable banks and companies with good credit standing and relatively low risk of defaults.

The carrying amounts of other financial assets at amortized cost are as follows:

Asset Type	Note	2019	2018
Cash and cash equivalents	5	₱853,266,354	₱260,497,779
Due from related parties	14	114,745,318	40,571,161
Construction bond	8	2,485,841	1,342,288

Estimating ROU Assets and Lease Liabilities. The Group's ROU assets and lease liabilities are initially measured at the present value of lease payments. In determining the appropriate discount rate, the Group considered readily available interest rate implicit in the lease agreements, interest rate on its borrowings and the term of each lease commitment. The Group determined that the incremental borrowing rate is readily available and presents the appropriate financing cost in leasing the underlying assets. The incremental borrowing rate is the rate that would cause the present value of the lease payments and unguaranteed residual to equal the sum of the fair value of the underlying assets and initial direct costs incurred.

The carrying amounts of ROU assets and lease liabilities are disclosed in Note 22. Rental expense incurred on short-term leases in 2019 is disclosed in Note 22.

Assessing the Extension Options of Lease Commitments. The Group's lease commitments contain extension options exercisable by the Group prior the end of the non-cancelable contract period. Where practicable, the Group seeks to include the extension options to provide operational flexibility. The Group assessed at lease commencement that it is not reasonably certain that the Group will exercise the extension options. A reassessment is made whether it is reasonable certain to exercise the extension options if there is a significant event or significant change in circumstances within its control.

Evaluating the NRV of Merchandise Inventories. The Group assesses at the end of each reporting period whether its merchandise inventories are impaired. Whenever the NRV becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes, the Group recognizes an impairment loss. A new assessment is made of the NRV in each subsequent period. When the circumstances that previously caused the merchandise inventories to be impaired no longer exist or when there is clear evidence of an increase in the NRV because of changed economic circumstances, the amount of the impairment loss is reversed (i.e., the reversal is limited to the amount of the original write-down) so that the new carrying amount is the lower of the cost and the NRV.

The cost of merchandise inventories is lower than its NRV. No impairment loss was recognized in 2019, 2018, and 2017. The carrying amount of merchandise inventories as at December 31, 2019 and 2018 is disclosed in Note 7.

Estimating the Useful Lives of Property and Equipment (except Land and CIP), ROU Assets and Intangible Assets. The useful lives of these assets are estimated based on the period over which the assets are expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives of each asset are reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by the changes in the factors mentioned above. A reduction in the estimated useful lives would increase the recorded operating expenses and decrease noncurrent assets. In 2018, the useful life of certain item of intangible assets was shortened from four years to one year, which resulted in additional amortization of ₱1.2 million. In 2019, there were no changes in the estimated useful lives.

The carrying amounts of property and equipment, intangible assets and ROU assets as at December 31, 2019 and 2018 are disclosed in Notes 9, 10 and 22, respectively.

Assessing the Impairment of Brand Names with Indefinite Useful Life. The Group tests annually whether any impairment in brand names is to be recognized in accordance with the related accounting policy in Note 2. The recoverable amounts of cash-generating units (CGUs) have been determined based on the higher of fair value less costs to sell and value in use calculations, which require the use of estimates. Based on the impairment testing conducted, the recoverable amounts of the CGUs calculated based on value in use as at December 31, 2019 and 2018 are greater than the corresponding carrying amounts of the CGUs as at the same dates.

No impairment loss was recognized in 2019, 2018 and 2017. The carrying amount of brand names as at December 31, 2019 and 2018 is disclosed in Note 10.

Assessing Impairment of Other Nonfinancial Assets. The Group assesses impairment of its nonfinancial assets whenever events or changes in circumstances indicate that the carrying amounts of the assets or group of assets may not be recoverable. The relevant factors that the Group considers in deciding whether to perform an asset impairment review include, among others, the following:

- significant underperformance of a business in relation to expectations;
- significant negative industry or economic trends; and
- significant changes or planned changes in the use of the assets.

No impairment was recognized in 2019, 2018 and 2017. The carrying amounts of deposits and advance rentals, other current assets (except construction bond), property and equipment, software license, ROU assets and unamortized input VAT aggregated ₱455.7 million and ₱278.6 million as at December 31, 2019 and 2018, respectively.

Estimating Retirement Benefits Liability. The determination of the obligation and costs of retirement benefits is dependent on the assumptions used by the actuary in calculating such amounts. These assumptions are described in Note 15 to the consolidated financial statements and include, among others, discount rates and salary increase rates. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the retirement obligation.

The retirement benefits and cumulative remeasurement losses on retirement benefits liability (net of deferred tax) recognized in equity as at December 31, 2019 and 2018 is disclosed in Note 15.

Assessing the Recognition of Deferred Tax Assets. The Group reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized within the period allowed by the tax regulations. Recognition of deferred tax assets is determined based on forecasted taxable income of the Group. This forecast is based on the Group's past results and future expectations on revenue and expenses.

Deferred tax assets as at December 31, 2019 and 2018 are disclosed in Note 23.

4. Accounting for Group Reorganization and Business Acquisition

Business Acquisition

In December 2019, NTI acquired the assets including recipes and marketing collateral of *Heat Stroke Grill* (HSG) from a sole proprietor for a total consideration of ₱368,000. This has resulted to a business combination due to acquisition of the significant inputs, processes and outputs of HSG. The carrying amounts of the assets acquired approximate the fair values as at acquisition date. Hence, no goodwill nor gain from bargain purchase was recognized.

NTI acquired the assets of SLI and the brand name *Sabroso Lechon* for ₱28.3 million. Provisional fair values of the assets acquired were recognized in 2018. No goodwill or gain from bargain purchase was recognized as a result of the acquisition in 2018.

The valuation of the net assets of SLI was completed in 2019 resulting to additional fair valuation adjustments to the acquiree's brand name by ₱6.4 million. Consequently, the business combination resulted in a gain from bargain purchase, as the fair values of the assets acquired exceeded the total consideration by ₱6.4 million.

The following are the restated fair values of the identifiable assets acquired and the resulting gain as at acquisition date:

	Note	Amount
Leasehold improvements	9	₱21,835,900
Brand name	10	11,188,398
Transportation equipment	9	1,010,083
Security deposit		720,000
Fair values of identifiable assets		34,754,381
Total consideration		28,317,474
Gain from bargain purchase		₱6,436,907

The Group believes it was able to acquire the assets of SLI for less than the fair values because previous management had limited resources and capability to expand.

The consolidated statement of financial position as at December 31, 2017 was not presented as the transaction occurred only in 2018, and thus has no impact on the 2017 balances.

Group Reorganization

The acquisition by the Parent Company of the subsidiaries was considered as a group reorganization of entities under common control. Accordingly, the acquisition is accounted for based on the recorded values of assets and liabilities of the subsidiaries at historical cost. As a result, the assets and liabilities of the Group were reflected at their carrying amounts and no goodwill was recognized.

The effect of the pooling of interests amounting to ₱4.2 million recognized as part of "Other equity reserves" as at December 31, 2019, 2018 and 2017 pertains to excess of the combined net assets of the subsidiaries amounting to ₱70.0 million over the consideration amounting to ₱65.8 million as at January 1, 2015.

In October 2017, FHI acquired the following shares from the remaining individual stockholders to increase its ownership to 100% (see Note 1):

- 2,152 shares of NTI for ₱470,200
- 13,494 shares of BNFI for ₱4.0 million
- 124,992 shares of FGI for ₱12.7 million

The excess of the carrying amount of non-controlling interests at the date of acquisition (₱68.4 million) over the aggregate acquisition costs (₱17.4 million) amounting to ₱51.0 million was recognized as "Other equity reserves" in the consolidated statements of financial position as at December 31, 2019 and 2018.

Acquisition of non-controlling interests in 2017 aggregated ₱59.0 million. In 2016, the Parent Company subscribed to additional 170,250 shares in NTI and paid ₱4.3 million as partial payment of the total subscription. Accordingly, the equity interest of FHI in NTI increased by 4% and the corresponding noncontrolling interests decreased by ₱970,666.

5. Cash and Cash Equivalents

This account consists of:

	2019	2018
Cash on hand	₱2,394,334	₱1,460,954
Cash in banks	249,451,631	225,069,804
Short-term placements	601,420,389	33,967,021
	₱853,266,354	₱260,497,779

Cash in banks earn interest at the prevailing bank deposit rates.

Short-term placements are made for three months depending on the immediate cash requirement of the Group and earns interest at the prevailing short-term placement rates.

Interest income earned amounted to ₱1.9 million, ₱1.2 million and ₱1.4 million in 2019, 2018 and 2017, respectively (see Note 21).

6. Trade and Other Receivables

This account consists of:

	2019	2018
Trade	₱83,210,054	₱55,971,765
Others	689,828	-
	83,899,882	55,971,765
Less allowance for doubtful accounts	333,508	333,508
	₱83,566,374	₱55,638,257

Trade receivables represent mainly outstanding receivables from franchisees. These are unsecured, noninterest-bearing and are normally collected on a 30-day term.

7. Merchandise Inventories

This account consists of:

	2019	2018
Food and beverages	₱28,746,503	₱30,353,277
Store supplies and others	21,161,151	21,671,398
	₱49,907,654	₱52,024,675

The Group's merchandise inventories are carried at cost, which is lower than its NRV. No inventory losses were recognized in 2019, 2018 and 2017.

Cost of merchandise inventories charged to "Direct costs" amounted to ₱726.9 million, ₱590.1 million and ₱418.2 million in 2019, 2018 and 2017, respectively (see Note 18).

8. Other Current Assets

This account consists of:

	2019	2018
Prepayments	₱3,912,261	₱1,593,984
Advances to officers and employees	3,849,829	315,422
Construction bond	2,485,841	1,342,288
Input VAT:		
Current portion of unamortized	1,241,420	620,710
Creditable	767,437	291,930
Deferred	444,435	-
Advances to suppliers	713,556	727,253
CWTs	110,067	1,347,697
Others	160,703	105,203
	₱13,685,549	₱6,344,487

Prepayments mainly consist of insurance, taxes and licenses and advertising.

Advances to officers and employees pertain to cash advances and are settled through liquidation.

Construction bond is collectible once the improvement is completed and transferred by the Group to the lessor.

Advances to suppliers were payments for goods pending delivery as at year-end. In 2018, advances amounting to ₱3.9 million were reclassified to property and equipment upon receipt of the assets (see Note 9).

9. Property and Equipment

The composition of and movements in this account follows:

	2019						Total
	Land	CIP	Leasehold Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Store Furniture, Fixtures and Equipment	
Cost							
Balance at beginning of year	₱13,000,000	₱-	₱108,386,609	₱21,215,577	₱11,735,524	₱120,391,840	₱274,729,550
Additions	19,600,000	3,212,152	15,788,259	12,100,621	7,823,788	57,927,892	116,452,712
Balance at end of year	32,600,000	3,212,152	124,174,868	33,316,198	19,559,312	178,319,732	391,182,262

(Forward)

2019							
	Land	CIP	Leasehold Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Store Furniture, Fixtures and Equipment	Total
Accumulated Depreciation and Amortization							
Balance at beginning of year	₱-	₱-	₱38,904,290	₱5,276,016	₱3,751,520	₱44,056,032	₱91,987,858
Depreciation and amortization	-	-	25,285,608	3,953,757	4,088,583	43,079,567	76,407,515
Balance at end of year	-	-	64,189,898	9,229,773	7,840,103	87,135,599	168,395,373
Carrying Amount	₱32,600,000	₱3,212,152	₱59,984,970	₱24,086,425	₱11,719,209	₱91,184,133	₱222,786,889

2018						
	Land	Leasehold Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Store Furniture, Fixtures and Equipment	Total
Cost						
Balance at beginning of year	₱13,000,000	₱61,451,228	₱13,491,465	₱2,832,610	₱33,618,677	₱124,393,980
Additions	-	43,039,381	7,724,112	8,902,914	86,773,163	146,439,570
Reclassification	-	3,896,000	-	-	-	3,896,000
Balance at end of year	13,000,000	108,386,609	21,215,577	11,735,524	120,391,840	274,729,550
Accumulated Depreciation and Amortization						
Balance at beginning of year	-	16,884,135	3,374,483	1,941,042	17,734,683	39,934,343
Depreciation and amortization	-	22,020,155	1,901,533	1,810,478	26,321,349	52,053,515
Balance at end of year	-	38,904,290	5,276,016	3,751,520	44,056,032	91,987,858
Carrying Amount	₱13,000,000	₱69,482,319	₱15,939,561	₱7,984,004	₱76,335,808	₱182,741,692

In 2019, the Group purchased parcels of land amounting to ₱19.6 million to be used for the expansion of operations in Visayas and Mindanao.

CIP represents a warehouse under construction. The construction is estimated to be completed within one year and the estimated cost to complete the construction amounted to ₱10.7 million as at December 31, 2019.

Additions in 2018 to leasehold improvements and transportation equipment amounting to ₱21.8 million and ₱1.0 million, respectively, were related to the acquisition of the assets of SLI (see Note 4).

The cost of fully depreciated and amortized property and equipment that are still in use by the Group amounted to ₱37.4 million and ₱31.7 million as at December 31, 2019 and 2018, respectively.

Transportation equipment with carrying amount of ₱8.2 million and ₱9.7 million as at December 31, 2019 and 2018, respectively, are held as security for the Group's mortgage payable (see Note 13).

Depreciation and amortization are summarized as follows:

	Note	2019	2018	2017
Property and equipment		₱76,407,515	₱52,053,515	₱15,534,452
ROU assets	22	24,808,615	-	-
Intangible assets	10	677,080	1,372,577	106,833
		₱101,893,210	₱53,426,092	₱15,641,285

Depreciation and amortization are charged to the following:

	Note	2019	2018	2017
Selling and distribution expenses	19	₱64,878,345	₱49,830,421	₱15,641,285
General and administrative expenses	20	19,565,383	1,802,265	–
Direct costs		17,449,482	1,793,406	–
		₱101,893,210	₱53,426,092	₱15,641,285

10. Intangible Assets

This account consists of:

	Note	2019		
		Brand Names	Software License	Total
Cost				
Balance at beginning of year		₱211,348,448	₱4,439,813	₱215,788,261
Additions		–	754,017	754,017
Balance at end of year		211,348,448	5,193,830	216,542,278
Accumulated Amortization				
Balance at beginning of year		–	1,479,410	1,479,410
Amortization	9	–	677,080	677,080
Balance at end of year		–	2,156,490	2,156,490
Carrying Amount		₱211,348,448	₱3,037,340	₱214,385,788

	Note	2018		
		Brand Names (As restated - see Note 4)	Software License	Total
Cost				
Balance at beginning of year		₱200,160,050	₱1,282,000	₱201,442,050
Additions		11,188,398	3,157,813	14,346,211
Balance at end of year		211,348,448	4,439,813	215,788,261
Accumulated Amortization				
Balance at beginning of year		–	106,833	106,833
Amortization	9	–	1,372,577	1,372,577
Balance at end of year		–	1,479,410	1,479,410
Carrying Amount		₱211,348,448	₱2,960,403	₱214,308,851

Brand Names

In August 2017, FGI subscribed to 1 share of GEIL for US\$1. In December 2017, FGI subscribed to an additional 40,000 shares for US\$4.0 million (equivalent to ₱200.2 million) at US\$100 per share. GEIL then acquired 100% of OLL. OLL holds the intellectual property rights to certain brands including *Fruitas*, *The Mango Farm*, *Shou*, *Black Pearl*, *Friends Fries* and *Juice Avenue*. The fair value of the net assets of GEIL and OLL is approximately equal to the consideration amounting to ₱200.2 million.

In 2018, the Group also recognized brand name amounting to ₱11.2 million following the completion of the acquisition of *Sabroso Lechon* brand from SLI (see Note 4).

The Relief-from-Royalty method was used in the valuation of the brands. Under this method, the value of brands is determined by reference to the value of the hypothetical royalty payments that would be saved through owning the asset, as compared with licensing the brands from a third party. The hypothetical royalty payments over the life of the brands are adjusted for tax and discounted to present value at the valuation date.

The fair values of the brand names were determined based on a valuation using cash flow projections (value-in-use) covering a five-year period based on long-range plans approved by management. Cash flows beyond the five-year period are extrapolated using a determined constant growth rate to arrive at its terminal value. The growth rates are consistent with the long-term average growth rate for the industry which ranges from 4% to 13%.

The Group used the weighted average cost of capital as the discount rate, which reflected management's estimate of the risk. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. The discount rates applied to after-tax cash flow projections ranges from 15.6% to 17.6% in 2019 and 2018. The recoverable amount of each CGU, calculated using value in use, exceeded the carrying amount of the CGU as at December 31, 2019 and 2018.

Management believes that any reasonably possible change in the key assumptions on which the Group's recoverable amount is based would not cause the Group's carrying amount to exceed its recoverable amount.

Software License

In 2018, the useful life of certain intangible asset was shortened from the useful life of four years to one year based on management review of the operational efficiency of the intangible asset resulting to an additional amortization of ₱1.2 million.

11. Trade and Other Payables

This account consists of:

	Note	2019	2018
Trade		₱51,003,414	₱75,632,041
Accrued expenses:			
Professional fees	16	35,307,684	—
Rental		17,780,157	—
Salaries and wages		7,348,914	4,052,874
Others		3,497,523	—
Statutory payable		21,079,926	32,997,081
		₱136,017,618	₱112,681,996

Trade payables are unsecured, noninterest-bearing and generally settled on a 15 to 60-day term.

Accrued expenses consist mainly of professional fees, rentals and unpaid salaries which are noninterest-bearing and are normally settled in the next financial year.

Statutory payable pertains to obligations to government agencies such as SSS, HDMF, PHIC, output VAT and withholding taxes that are normally settled in the following month.

12. Notes Payable

In 2019, the Group issued promissory notes amounting to ₱187.3 million to local commercial banks at interest rates ranging from 4.25% to 9.50% per annum. The principal amount will mature in 2021 and payable in equal installments.

In 2018, the Group issued short-term promissory notes to local commercial banks to finance its working capital requirements aggregating ₱246.7 million. The notes bear interest at rates ranging from 3.13% to 5.50% per annum and interest is payable on a monthly basis. In 2019, the outstanding balances of the notes were rolled over under similar terms.

Movements in this account follow:

	2019	2018
Balance at beginning of year	₱311,314,104	₱311,750,000
Issuances	187,326,411	246,700,000
Payments	(307,536,378)	(247,135,896)
Balance at end of year	191,104,137	311,314,104
Less current portion	115,834,240	283,689,470
Noncurrent portion	₱75,269,897	₱27,624,634

Interest charged to operations is as follows:

	Note	2019	2018	2017
Notes payable		₱27,611,875	₱15,622,564	₱1,077,820
Lease liabilities	22	10,478,648	-	-
Mortgage payable	13	574,440	442,593	154,699
		₱38,664,963	₱16,065,157	₱1,232,519

The schedule of maturities of notes payable is as follows:

	Amount
2020	₱115,834,240
2021	75,269,897
	₱191,104,137

13. Mortgage Payable

The Group obtained loans from local commercial banks to finance its acquisition of transportation equipment.

Movements in this account follow:

	2019	2018
Balance at beginning of year	P5,961,408	P4,425,588
Availments	1,564,000	3,987,769
Payments	(2,854,748)	(2,451,949)
Balance at end of year	4,670,660	5,961,408
Less current portion	2,321,815	2,589,472
Noncurrent portion	P2,348,845	P3,371,936

The loans are payable in monthly installments up to May 2023 with effective interests ranging from 7.35% to 14.56% per annum. Interest expense amounted to P574,440, P442,593 and P154,699 in 2019, 2018 and 2017, respectively (see Note 12).

The loans are secured by a chattel mortgage on the transportation equipment with total carrying amount of P8.2 million and P9.7 million as at December 31, 2019 and 2018, respectively (see Note 9).

The schedule of maturities of mortgage payable is as follows:

	Amount
2020	P2,321,815
2021	1,646,820
2022	492,276
2023	209,749
	P4,670,660

14. Related Party Transactions

The Group, in the normal course of business, has transactions with its related parties as follows:

Related Parties	Nature of Transactions	Amount of Transactions		Outstanding Balance	
		2019	2018	2019	2018
Due from Related Parties					
<i>Entities Under Common Management</i>					
	Advances	P260,477,832	P40,571,161		
	Collections	(186,303,675)	(7,082,438)	P114,745,318	P40,571,161
Due to Related Parties					
<i>Stockholders</i>					
	Payments	(P18,659,472)	(P1,254,719)		
	Advances	-	12,355,772	P349,837	P19,009,309
<i>Entities Under Common Management</i>					
	Payments	(78,124,253)	-		
	Advances	75,331,166	3,107,071	313,984	3,107,071
				P663,821	P22,116,380

Terms and Conditions of Transactions with Related Parties

Outstanding balances are unsecured, noninterest-bearing and settled in cash upon demand. Management makes an annual assessment of the financial position of the related parties and the market in which the related parties operates. There were no impairment losses recognized in 2019, 2018 and 2017.

Intercompany transactions eliminated in consolidation pertain to due to/from related parties, intercompany revenue and dividend income. Total due to/from related parties eliminated amounted to ₱144.3 million and ₱51.4 million as at December 31, 2019 and 2018, respectively. Intercompany revenue eliminated amounted to ₱138.5 million, ₱103.4 million and ₱100.3 million in 2019, 2018 and 2017, respectively. Dividend income of the Parent Company amounted to ₱65.0 million, ₱20.0 million and ₱269.1 million in 2019, 2018 and 2017, respectively.

Compensation of Key Management Personnel

Compensation of key management personnel, consisting of management fees, salaries and short-term benefits, amounted to ₱25.1 million, ₱26.5 million and ₱3.7 million in 2019, 2018 and 2017, respectively.

15. Retirement Benefits Liability

The Group's retirement plan is unfunded, noncontributory defined benefit plan with a single lump-sum payment covering retirement based on Republic Act No. 7641. The latest actuarial report is dated December 31, 2019.

The table below summarizes the components of retirement benefits expense recognized in the consolidated statements of comprehensive income (see Note 20).

	2019	2018	2017
Current service cost	₱1,759,025	₱429,177	₱405,264
Interest cost	125,180	98,576	65,942
Increase in transitional liability	53,122	-	732,178
	₱1,937,327	₱527,753	₱1,203,384

Movements in the retirement benefits liability follow:

	2019	2018
Balance at beginning of year	₱2,229,865	₱1,702,112
Current service cost	1,759,025	429,177
Actuarial loss	1,240,238	-
Interest cost	125,180	98,576
Increase in transitional liability	53,122	-
Balance at end of year	₱5,407,430	₱2,229,865

The principal assumptions used in determining the Group's retirement benefits liability in 2019 and 2018 are as follows:

	2019	2018
Discount rate	5.1%	5.8%
Future salary increases	3.0%	4.0%

The projected unit credit method was applied to all the benefits without using one-year term cost.

This sensitivity analysis shows the impact of changes in key actuarial assumptions in 2019.

	Effect on Retirement Benefits Liability	
	Discount Rate	Salary Projected Rate
+1%	(₱921,979)	₱1,254,060
-1%	1,210,409	(920,853)

Each sensitivity analysis on the significant actuarial assumptions was prepared by remeasuring the retirement benefits liability at the reporting date after adjusting one of the current assumptions according to the applicable sensitivity increment or decrement (based on changes in the relevant assumption that were reasonably possible at the valuation date) while all other assumptions remain unchanged.

The Group does not maintain a fund for its retirement liability. While funding is not a requirement of the law, there is a risk that the Group may not have the cash if several employees retire within the same year.

The average duration of the retirement benefits liability as at December 31, 2019 and 2018 is 27 years and 28 years, respectively.

Cumulative remeasurement loss on retirement benefit liability recognized on OCI is as follows:

2019			
	Cumulative net loss	Deferred tax	Net
Balance at beginning of year	₱66,126	(₱19,838)	₱46,288
Remeasurement loss	1,240,238	(372,071)	868,167
Balance at end of year	₱1,306,364	(₱391,909)	₱914,455

2018			
	Cumulative net loss	Deferred tax	Net
Balance at beginning and end of year	₱66,126	(₱19,838)	₱46,288

The table below shows the maturity profile of the undiscounted benefit payments:

	2019	2018
Less than one year	₱661,230	₱165,596
One year to less than five years	1,470,520	537,286
Five years to less than ten years	1,235,976	871,516
Ten years to less than fifteen years	6,643,124	1,167,058
Fifteen years to less than twenty years	10,283,899	5,822,401
Twenty years and above	276,003,847	38,418,511

16. Equity

Capital Stock

This account consists of:

	Number of Shares			Amount		
	2019	2018	2017	2019	2018	2017
Authorized Capital Stock						
Common - ₱0.10 par value						
Balance at beginning of year	4,700,000,000	5,000,000,000	500,000,000	₱470,000,000	₱500,000,000	₱500,000,000
Reclassification to preferred stock	-	(300,000,000)	-	-	(30,000,000)	-
Effect of stock split	-	-	4,500,000,000	-	-	-
Balance at end of year	4,700,000,000	4,700,000,000	5,000,000,000	470,000,000	470,000,000	500,000,000
Preferred - ₱0.01 par value						
Balance at beginning of year	3,000,000,000	-	-	30,000,000	-	-
Reclassification from common stock	-	3,000,000,000	-	-	30,000,000	-
Balance at end of year	3,000,000,000	3,000,000,000	-	30,000,000	30,000,000	-
	7,700,000,000	7,700,000,000	5,000,000,000	₱500,000,000	₱500,000,000	₱500,000,000
Issued and Outstanding- Common						
Balance at beginning of year	1,600,000,000	1,600,000,000	115,000,000	₱160,000,000	₱160,000,000	₱115,000,000
Issuances	533,680,000	-	45,000,000	53,368,000	-	45,000,000
Effect of stock split	-	-	1,440,000,000	-	-	-
Balance at end of year	2,133,680,000	1,600,000,000	1,600,000,000	213,368,000	160,000,000	160,000,000
Subscribed - Common						
Balance at beginning of year	-	-	17,250,000	-	-	17,250,000
Subscription	-	-	27,750,000	-	-	27,750,000
Issuances	-	-	(45,000,000)	-	-	(45,000,000)
Balance at end of year	-	-	-	-	-	-
				₱213,368,000	₱160,000,000	₱160,000,000

Common Shares

On October 6, 2017, the SEC approved the application for 1:10 stock split resulting to a decrease in par value from ₱1.00 to ₱0.10 a share and increasing the authorized capital stock from 500,000,000 shares to 5,000,000,000 shares.

On February 26, 2018, the SEC approved the i) increase in the Parent Company's total authorized capital stock to ₱500.0 million divided into (a) 3,000,000,000 preferred shares at ₱0.01 par value a share, and (b) 4,700,000,000 common shares at ₱0.10 par value a share; and ii) reclassification of 3,000,000,000 common shares to preferred shares.

On August 24, 2019, the stockholders and the BOD authorized the Parent Company's Public Offering of its common shares with the PSE. This was approved by the SEC and the PSE on October 17, 2019 and October 23, 2019, respectively. On November 29, 2019, the Parent Company's 533,660,000 common shares were officially listed on the PSE with an Oversubscription Option of up to 68,340,000 common shares at an offer price of ₱1.68 a share.

The Offer Period was from November 18, 2019 to November 22, 2019. The trading of the shares commenced on November 29, 2019.

Preferred Shares

The features of the preferred shares follow:

- guaranteed dividend yield of 2.5% per annum;
- voting, cumulative and non-participating; and
- shall not be convertible into common share.

Additional Paid-in Capital

Additional paid-in capital represents the excess of the amounts received over the par value of the shares issued, net of directly attributable transaction costs on the Parent Company's IPO. Details are as follows:

Proceeds in excess of par value	₱843,182,800
IPO expenses	65,345,756
<u>Additional paid-in capital</u>	<u>₱777,837,044</u>

IPO expenses were charged as follows:

	Note	
Additional paid-in capital		₱65,345,756
General and administrative expenses	20	6,891,892
Input VAT		975,843
Deferred input VAT	8	444,435
		<u>₱73,657,926</u>

IPO expenses include professional, listing, underwriting and advertising fees. Of the total IPO expenses, ₱35.3 million was accrued as at December 31, 2019 (see Note 11).

Retained Earnings

The Parent Company's BOD and stockholders declared the following cash dividends:

Date of Declaration	Stockholders of Record	Amount Declared	
		Per Share	Total
June 27, 2019	June 30, 2019	₱0.0088	₱14,000,000
December 27, 2018	December 27, 2018	₱0.0284	₱45,500,320
November 2, 2017	November 2, 2017	₱0.0820	₱118,326,841

Cash dividends declared in 2018 were paid in March 2019.

Shares Held by Subsidiaries

In October 2017, LPI acquired the existing FHI shares held by subsidiaries for ₱52.0 million.

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit standing and stable capital ratios in order to support its business and maximize shareholder value. The Group maintains its current capital structure and will make adjustments, if necessary, in order to generate a reasonable level of returns to stockholders over the long term. No changes were made in the objectives, policies or processes during the year.

The Group considers the equity presented in the consolidated statements of financial position as its core capital.

The Group manages its capital structure and makes adjustments when there are changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using debt-to-equity ratio, which is total debt divided by total equity.

The debt-to-equity ratios are as follows:

	2019	2018
Total debt	₱484,818,811	₱530,669,295
Total equity	1,311,594,562	373,730,493
Debt-to-equity ratio	0.37:1	1.42:1

Pursuant to the PSE's rules on minimum public ownership, at least 10% of the issued and outstanding shares of a listed company must be owned and held by the public. The public ownership is about 20.00% as at December 31, 2019 and 2018, respectively.

The total number of shareholders of the Company as at December 31, 2019 and 2018 is 131 and 16, respectively.

17. Revenue

This account consists of:

	Note	2019	2018	2017
Net sales		₱1,904,664,106	₱1,533,709,139	₱1,138,995,249
Franchise fees	22	32,956,171	36,055,210	11,396,434
Rental income	22	7,564,286	9,441,387	2,175,377
		₱1,945,184,563	₱1,579,205,736	₱1,152,567,060

The Group recognizes revenue from sales of goods and services upon delivery to customers or at a point in time when the Group has no more obligations that could affect the acceptance of goods by the customers.

Details of the Group's revenue based on geographical markets are as follows:

	Note	2019	2018	2017
Sale of goods:				
Luzon		₱1,534,613,722	₱1,267,576,409	₱1,033,140,479
Visayas		273,436,992	189,588,562	87,619,865
Mindanao		96,613,392	76,544,168	18,234,905
		1,904,664,106	1,533,709,139	1,138,995,249
Franchise fees	22	32,956,171	36,055,210	11,396,434
		₱1,937,620,277	₱1,569,764,349	₱1,150,391,683

18. Direct Costs

This account consists of:

	Note	2019	2018	2017
Merchandise inventories at beginning of year		₱52,024,675	₱38,965,930	₱6,086,479
Purchases		724,784,284	603,177,866	451,052,939
Cost of goods available for sale		776,808,959	642,143,796	457,139,418
Merchandise inventories at end of year	7	(49,907,654)	(52,024,675)	(38,965,930)
Merchandise inventories used		726,901,305	590,119,121	418,173,488
Direct labor		62,214,295	54,426,242	34,026,924
Manufacturing overhead		22,057,206	16,623,996	6,132,040
Cost of goods sold		811,172,806	661,169,359	458,332,452
Amortization of ROU assets		3,224,071	—	—
Rental		—	4,198,071	—
		₱814,396,877	₱665,367,430	₱458,332,452

Direct labor pertains to outside services and salaries and wages of personnel performing tasks directly related to the production of merchandise inventories.

Manufacturing overhead pertains to utilities, depreciation and amortization, taxes and licenses and rental expense incurred in the commissary.

19. Selling and Distribution Expenses

This account consists of:

	Note	2019	2018	2017
Salaries, wages and other employees' benefits		₱258,421,846	₱216,572,517	₱103,350,931
Rental	22	256,316,266	211,686,714	161,713,927
Depreciation and amortization	9	64,878,345	49,830,421	15,641,285
Utilities		53,976,937	41,418,652	11,884,292
Outside services		49,105,262	48,357,966	28,783,157
Transportation and travel		23,742,565	15,421,832	13,370,152
Advertisement		22,698,253	7,248,047	9,336,745
Distribution supplies		15,162,433	14,750,705	9,943,815
Repairs and maintenance		11,888,628	15,404,542	7,044,152
Management fees		6,490,665	—	—
Training and development		3,277,597	2,081,264	—
Insurance		2,993,768	1,534,864	2,965,493
Others		3,098,694	11,087,789	5,023,491
		₱772,051,259	₱635,395,313	₱369,057,440

Salaries, wages and other employees' benefits include government contributions and other allowances.

Outside services pertain to salaries of service crews from agencies.

20. General and Administrative Expenses

This account consists of:

	Note	2019	2018	2017
Salaries, wages and other employees' benefits		₱58,264,834	₱65,597,885	₱31,818,831
Taxes and licenses		39,969,877	20,484,457	8,109,562
Professional fees		22,045,256	6,374,823	9,303,601
Depreciation and amortization	9	19,565,383	1,802,265	–
Office supplies		7,062,008	3,462,367	2,523,154
IPO	16	6,891,892	–	–
Representation		6,368,030	4,211,521	4,195,454
Utilities		5,969,141	–	–
Management fees		5,599,091	22,262,857	–
Rental	22	2,239,229	5,033,819	14,861,325
Retirement benefits	15	1,937,327	527,753	1,203,384
Reorganization costs:				
Third parties		–	221,599	380,357
Related parties		–	–	6,733,929
Others		6,308,020	1,472,393	76,293
		₱182,220,088	₱131,451,739	₱79,205,890

21. Other Income - Net

This account consists of:

	Note	2019	2018	2017
Interest income	5	₱1,877,693	₱1,195,358	₱1,431,571
Unrealized foreign exchange loss		(850,409)	–	–
Unrealized gain on changes in financial assets at FVPL		–	–	156,697
Others		6,863,710	1,361,007	1,073,564
		₱7,890,994	₱2,556,365	₱2,661,832

Others consist mainly of outlets' cash overages and fees charged to lessees for utilities incurred on leased spaces on food parks.

22. Significant Agreements

Group as Lessee - Short-term Lease

The Group entered into several lease agreements with third parties for its store spaces for varying periods of up to one year and renewable annually. The lease contracts for the stores provide for a monthly rental based on a certain percentage of gross sales and a monthly fixed rental or an agreed minimum rental, whichever is higher. Lease agreements are generally renewable through a notice of lease renewal and upon mutual agreement with the lessors.

Details of rental deposits and advance rentals on lease contracts are as follows:

	2019	2018
Rental deposits	P93,358,862	P77,474,958
Advance rentals	9,157,356	8,084,268
	P102,516,218	P85,559,226

The rental deposits will be applied against any unpaid rentals and other expenses related to the lease upon termination while the advance rentals will be utilized as rental payments for the last two to three months of the lease term.

Rental expense is charged to operations as follows:

	Note	2019	2018	2017
Selling and distribution expenses	19	P256,316,266	P211,686,714	P161,713,927
General and administrative expenses	20	2,239,229	5,033,819	14,861,325
Direct costs		-	11,770,660	3,383,730
		P258,555,495	P228,491,193	P179,958,982

Group as Lessee - Long-term Lease

The Group entered into noncancellable leases on outlets spaces, land and building with lease terms ranging from three to ten years subject to renewal. These leases have a fixed monthly rental subject to escalation clause.

The balance of and movements in ROU assets as at December 31, 2019 follow:

	Note	Outlets Spaces	Land and Building	Total
Cost				
Balance at beginning of year, as previously presented		P-	P-	P-
Adoption of PFRS 16, <i>Leases</i>	2	46,459,204	66,967,516	113,426,720
Balance at beginning of year, as restated		46,459,204	66,967,516	113,426,720
Additions		7,273,859	19,302,646	26,576,505
Balance at end of year		53,733,063	86,270,162	140,003,225
Accumulated Amortization				
Amortization	9	(10,427,361)	(14,381,254)	(24,808,615)
Carrying Amount		P43,305,702	P71,888,908	P115,194,610

The balance of and movements in lease liabilities as at December 31, 2019 follow:

	Note	Outlets Spaces	Land and Building	Total
Balance at beginning of year, as previously presented		₱–	₱–	₱–
Adoption of PFRS 16, <i>Leases</i>	2	46,459,204	66,967,516	113,426,720
Balance at beginning of year, as restated		46,459,204	66,967,516	113,426,720
Additions		7,273,859	18,492,646	25,766,505
Rental payments		(11,051,535)	(18,398,007)	(29,449,542)
Interest	12	3,748,639	6,730,009	10,478,648
Balance at end of year		46,430,167	73,792,164	120,222,331
Less current portion		11,245,073	16,735,768	27,980,841
Noncurrent portion		₱35,185,094	₱57,056,396	₱92,241,490

The incremental borrowing rates applied to the lease liabilities range from 10.87% to 11.00%, depending on the lease term. ROU assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments.

The amounts recognized in profit or loss follows:

	Note	2019	2018
Rental expense - short-term lease		₱258,555,495	₱228,491,193
Depreciation and amortization of ROU assets	9	24,808,615	–
Interest expense on lease liabilities	12	10,478,648	–
		₱293,842,758	₱228,491,193

Lease commitments for short-term leases amounted to ₱115.6 million as at December 31, 2019.

In 2017, the Group obtained the rights to the lease of 218 outlets from related parties. Rental deposits and advance rentals on leases were transferred to the Group through an assignment of lease agreements.

Lease with Variable Payments

The Group has lease contracts that contain variable lease payments based on generated revenue. These terms are negotiated by management for certain location with steady customer demand. Management's objective is to align the lease expense with revenue earned. The following provides information on the Group's variable lease payments, including the magnitude in relation to fixed payments in 2019:

	Fixed payments	Variable payments	Total
Fixed rent only	₱49,363,036	₱–	₱49,363,036
Variable rent with minimum payment	151,633,536	74,388,738	226,022,274
Variable rent only	–	6,350,697	6,350,697
	₱200,996,572	₱80,739,435	₱281,736,007

A 5% increase in revenue would increase total lease payments by 5%.

Lease with Extension Options

The Group has several lease contracts that include extension options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgment in determining whether these extension options are reasonably certain to be exercised (see Note 3).

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension options that are not included in the lease term:

Extension options expected not to be exercised	Amount
Not later than one year	₱204,439,859
More than one year but less than five years	254,456,801
	<u>₱458,896,660</u>

Group as Lessor

In 2017, the Group entered into several sublease agreements with third parties for the lease of spaces in food parks for varying periods up to one year. Rental income amounted to ₱7.6 million, ₱9.4 million and ₱2.2 million in 2019, 2018 and 2017, respectively (see Note 17).

Franchise Agreements

The Group has granted its franchisees the right to operate outlets under various brands for acquired periods and subject to the terms and conditions specified in the franchise agreements. The agreements are renewable at the option of the Group. The agreements provide for an initial franchise fee payable upon execution of the agreements. The non-refundable initial franchise fee payment covers the renovation of franchisee's unit, signage, promotional materials and equipment. Franchise fees recognized as part of "Revenue" in the consolidated statements of comprehensive income amounted to ₱33.0 million, ₱36.1 million and ₱11.4 million in 2019, 2018 and 2017, respectively (see Note 17).

23. Income Taxes

The Group's provision for current income tax pertains to regular corporate income tax and MCIT.

The details of the Group's net deferred tax assets as at December 31, 2019 and 2018 follow:

	2019	2018
Deferred tax assets		
NOLCO	₱22,745,283	₱3,565,262
Retirement benefits liability	1,622,229	668,960
Lease liabilities - net of ROU assets	1,508,317	-
MCIT	318,505	-
Unrealized foreign exchange loss	255,123	-
Allowance for doubtful accounts	100,052	100,052
	26,549,509	4,334,274
Deferred tax liability		
Prepayments	1,173,678	-
	₱25,375,831	₱4,334,274

The presentation of benefit from deferred income tax is as follows:

	2019	2018	2017
Through profit or loss	₱20,669,486	₱3,723,588	₱361,015
Through other comprehensive income	372,071		19,838
	₱21,041,557	₱3,723,588	₱380,853

The details of the NOLCO, which can be claimed as deduction from future taxable income, follow:

Year Incurred	Amount	Incurred	Expired	Balance	Expiry Date
2019	₱-	₱64,689,244	₱-	₱64,689,244	2022
2018	9,689,565	-	-	9,689,565	2021
2017	1,438,801	-	-	1,438,801	2020
2016	755,840	-	755,840	-	2019
	₱11,884,206	₱64,689,244	₱755,840	₱75,817,610	

The Parent Company's MCIT amounting to ₱318,505 as at December 31, 2019 can be claimed as a credit against income tax payable until 2022.

Deferred tax asset on the NOLCO of the Parent Company amounting to ₱669,012 as at December 31, 2017, was not recognized since management has assessed that it is not probable that sufficient taxable income may be available in the future against which the deferred tax asset can be utilized.

The reconciliation between the income tax at statutory tax rate and the Group's provision for income tax shown in the consolidated statements of comprehensive income follows:

	2019	2018 (As Restated - see Note 4)	2017
Provision for income tax at statutory tax rate	₱43,722,711	₱41,975,811	₱74,220,177
Tax effects of:			
IPO expenses charged against APIC	(19,603,727)	-	-
Interest income already subjected to final tax	(563,308)	(358,607)	(429,471)
Nondeductible expenses	432,750	818,529	176,852
Expired NOLCO	226,752	10,620	-
Nontaxable income	-	(1,931,072)	(119,009)
Change in unrecognized deferred tax asset	-	(669,012)	431,640
Effect of consolidation	-	(230,407)	230,407
Provision for income tax at effective tax rate	₱24,215,178	₱39,615,862	₱74,510,596

24. Earnings Per Share

Basic and diluted EPS are computed as follows:

	2019	2018 (As restated - see Note 4)	2017
Net income attributable to equity holders of the Parent Company	₱121,527,192	₱100,303,507	₱138,569,320
Divided by weighted average number of outstanding common shares	1,644,472,000	1,600,000,000	1,367,082,500
	₱0.0739	₱0.0627	₱0.1014

Diluted EPS equals the basic EPS as the Parent Company does not have any dilutive potential common shares at the end of each of the periods presented.

25. Reconciliation of Liabilities Arising from Financing Activities

The tables below detail changes in the Group's liabilities arising from financing activities, including cash and noncash changes:

	2018	Effect of PFRS 16	Financing Cash Flows			Dividends Declared	2019
			Proceeds	Payments	Interest		
Notes payable	₱311,314,104	₱-	₱187,326,411	(₱307,536,378)	₱-	₱-	₱191,104,137
Lease liabilities	-	139,193,225	-	(29,449,542)	10,478,648	-	120,222,331
Mortgage payable	5,961,408	-	1,564,000	(2,854,748)	-	-	4,670,660
Due to related parties	22,116,380	-	75,331,166	(96,783,725)	-	-	663,821
Dividends payable	45,500,320	-	-	(59,500,320)	-	14,000,000	-
	₱384,892,212	₱139,193,225	₱264,221,577	(₱496,124,713)	₱10,478,648	₱14,000,000	₱316,660,949

	2017	Financing Cash Flows			Dividends Declared	2018
		Proceeds	Payments			
Notes payable	₱311,750,000	₱246,700,000	(₱247,135,896)	₱-	₱-	₱311,314,104
Mortgage payable	4,425,588	3,987,769	(2,451,949)	-	-	5,961,408
Due to related parties	7,908,256	15,462,843	(1,254,719)	-	-	22,116,380
Dividends payable	-	-	-	45,500,320	-	45,500,320
	₱324,083,844	266,150,612	(₱250,842,564)	₱45,500,320	₱-	₱384,892,212

26. Financial Instruments Risk Management Objectives and Policies

The Group's financial instruments comprise cash and cash equivalents, trade and other receivables, due from related parties, construction bond, trade and other payables (excluding statutory payable), notes payable, mortgage payable, lease liabilities, due to related parties and dividends payable. The main purpose of these financial liabilities is to finance the Group's operations.

The Group is exposed to credit risk, interest rate risk and liquidity risk. The Group's management oversees the management of these risks. The Group's BOD reviews and approves policies for managing each of these risks as summarized below.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities and from its deposits with banks and financial institutions.

The table below shows the gross maximum exposure of the Group to credit risk before taking into consideration collateral and other credit enhancements:

	2019	2018
Cash and cash equivalents	₱853,266,354	₱260,497,779
Trade and other receivables	83,899,882	55,971,765
Due from related parties	114,745,318	40,571,161
Construction bond	2,485,841	1,342,288
	₱1,054,397,395	₱358,382,993

The Group deals only with reputable banks and customer to limit this risk. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, the Group assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the management. The compliance with credit limits by customers is regularly monitored by management.

The tables below show the credit quality of financial assets:

	2019				Total
	Neither Past Due nor Impaired		Past Due but Not Impaired	Impaired	
	High Grade	Standard Grade			
Cash and cash equivalents	₱853,266,354	₱-	₱-	₱-	₱853,266,354
Trade and other receivables	-	83,566,374	-	333,508	83,899,882
Due from related parties	-	114,745,318	-	-	114,745,318
Construction bond	-	2,485,841	-	-	2,485,841
	₱853,266,354	₱200,797,533	₱-	₱333,508	₱1,054,397,395

	2018				Total
	Neither Past Due nor Impaired		Past Due but Not Impaired	Impaired	
	High Grade	Standard Grade			
Cash and cash equivalents	₱260,497,779	₱-	₱-	₱-	₱260,497,779
Trade and other receivables	-	47,912,069	7,726,188	333,508	55,971,765
Due from related parties	-	40,571,161	-	-	40,571,161
Construction bond	-	1,342,288	-	-	1,342,288
	₱260,497,779	₱89,825,518	₱7,726,188	₱333,508	₱358,382,993

The credit quality of such financial assets at amortized cost is managed by the Group using the internal credit quality ratings as follows:

- *High Grade.* Pertains to counterparty who is not expected by the Group to default in settling its obligations, thus credit risk exposure is minimal. This normally includes large prime financial institutions and companies. Credit quality was determined based on the credit standing of the counterparty.
- *Standard Grade.* Other financial assets not belonging to high grade financial assets are included in this category.

Impairment. An impairment analysis is performed at each reporting date using a provision matrix to measure ECL. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and other forms of credit insurance). The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade and other receivables are written-off if past due for more than one year and are not subject to enforcement activity.

Trade and other receivables arise mainly from transactions with its approved franchisees. Franchisees are subject to stringent financial, credit, and legal verification process. In addition, trade receivable balances are monitored on an on-going basis to ensure timely collections. The Group has assessed that the ECL on trade and other receivables is not material because substantial amount of receivables is normally collected within the Group's credit terms.

The Group's franchise agreement provides that in case of breach of agreement which includes significant delay or non-payment of obligations, the franchise will be terminated and the Group will be given the rights to take-over the franchised outlets. Accordingly, this will allow the Group to have the earning rights over the outlets' assets and this credit enhancement allows the Group to reduce its exposure to credit risk.

For other financial assets at amortized cost which is mainly comprised of cash and cash equivalents and due from related parties, the PFRS 9 impairment requirements do not result in significant ECL. The following are considered in the assessment:

- Cash and cash equivalents are deposited with reputable counterparty banks that possess good credit ratings.
- For construction bond and due from related parties, the Group considered the available liquid assets of the related parties.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to its notes payable and mortgage payable. The Group obtains additional financing through bank borrowings. The Group's policy is to obtain the most favorable interest rates available.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on the Group's income before income tax.

	Change in Basis Points	Effect on Income Before Income Tax
2019	+4.35%	(P450,822)
	-4.35%	450,822
2018	+3.34%	(688,805)
	-3.34%	688,805

Liquidity Risk

Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet commitments from financial instruments. It may result from either the inability to sell assets quickly at fair values or failure to collect from counterparty.

The Group's objective is to maintain a balance between continuity of funding and flexibility through bank borrowings and related party advances and aims to manage liquidity as follows:

- To ensure that adequate funding is available at all times;
- To meet commitments as they arise without incurring unnecessary costs; and
- To be able to assess funding when needed at the least possible cost.

The tables below summarize the maturity profile of the Group's financial liabilities based on undiscounted cash flows:

	2019					Total
	Payable on Demand	1 to 120 Days	121 to 240 Days	241 to 360 Days	Over 360 Days	
Trade and other payables*	P-	P114,937,692	P-	P-	P-	P114,937,692
Notes payable	-	24,137,404	73,582,321	18,114,515	75,269,897	191,104,137
Mortgage payable	-	956,006	752,095	613,714	2,348,845	4,670,660
Lease liabilities	-	11,341,629	11,655,486	11,562,845	107,024,299	141,584,259
Future interests	-	1,099,088	505,078	482,420	1,457,607	3,544,193
Due to related parties	663,281	-	-	-	-	663,281
	P663,281	P152,471,819	P86,494,980	P30,773,494	P186,100,648	P456,504,222

* Except statutory payable.

	2018					Total
	Payable on Demand	1 to 120 Days	121 to 240 Days	241 to 360 Days	Over 360 Days	
Trade and other payables*	P-	P79,684,915	P-	P-	P-	P79,684,915
Notes payable	-	136,411,855	141,138,807	6,138,808	27,624,634	311,314,104
Mortgage payable	-	855,170	853,697	880,605	3,371,936	5,961,408
Future interests	-	1,930,211	683,983	229,417	277,196	3,120,807
Due to related parties	22,116,380	-	-	-	-	22,116,380
Dividends payable	-	45,500,320	-	-	-	45,500,320
	P22,116,380	P264,382,471	P142,676,487	P7,248,830	P31,273,766	P467,697,934

* Except statutory payable.

27. Fair Value Measurement

The table below presents the carrying amounts and fair values of the Group's financial instruments as follows:

	2019		2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets at Amortized Cost				
Cash and cash equivalents	₱853,266,354	₱853,266,354	₱260,497,779	₱260,497,779
Trade and other receivables	83,566,374	83,566,374	55,638,257	55,638,257
Due from related parties	114,745,318	114,745,318	40,571,161	40,571,161
Construction bond	2,485,841	2,485,841	1,342,288	1,342,288
	₱1,054,063,887	₱1,054,063,887	₱358,049,485	₱358,049,485
Financial Liabilities at Amortized Cost				
Trade and other payables*	₱114,937,692	₱114,937,692	₱79,684,915	₱79,684,915
Notes payable	191,104,137	151,707,484	311,314,104	319,133,518
Lease liabilities	120,222,331	127,027,608	–	–
Mortgage payable	4,670,660	4,893,118	5,961,408	6,312,896
Due to related parties	663,821	663,821	22,116,380	22,116,380
Dividends payable	–	–	45,500,320	45,500,320
	₱431,598,641	₱399,229,723	₱464,577,127	₱472,748,029

* Except statutory payable.

The following methods and assumptions were used to estimate the fair values of each class of financial instruments.

Cash and Cash Equivalents, Trade and Other Receivables, Due from Related Parties, Construction Bond, Trade and Other Payables (Except Statutory Payable), Due to Related Parties and Dividends Payable. The carrying amounts of these financial instruments approximate their fair values due to the relatively short-term maturity of these financial instruments.

Notes Payable, Lease Liabilities and Mortgage Payable. Fair value is determined based on the discounted cash flow analysis using effective interest rates for similar types of instruments. These financial instruments are classified under Level 2 of the fair value hierarchy groups of the financial statements (significant observable inputs). The rate applied to notes and mortgage payable range from 2.42% to 3.76%, while rates applied to lease liabilities range from 7.30% to 8.35%.

28. Operating Segment Information

For management purposes, the Group is organized into operating segments based on brand names. However, due to the similarity in the economic characteristics, such segments have been aggregated into a single operating segment for external reporting purposes.

Outlet stores sales reflected in the consolidated statements of comprehensive income are all from external customers and within the Philippines, which is the Group's domicile and primary place of operations. Additionally, the Group's noncurrent assets are also primarily acquired, located and used within the Philippines.

Outlet stores sales are attributable to revenue from the general public, which are generated through the Group's store outlets. Consequently, the Group has no concentrations of revenue from a single customer in 2019, 2018 and 2017.

29. Events After the Reporting Period

Impact of COVID-19. In March 2020, the COVID-19 outbreak was declared to be a global pandemic by the World Health Organization and the Group temporarily closed its Group-operated stores across the country beginning March 16, 2020, and expects these stores to remain closed until further notice. The Group plans to follow the guidance of local governments and health organization to determine when it can reopen these stores. As the situation continues to evolve rapidly, the Group is not currently able to predict the timing of store reopening, which may occur on a location-by-location basis.

The Group has seen and expects to continue to see material decline in sales as a result of the COVID-19 pandemic. Although the Group anticipates that COVID-19 will have a material impact on its business operations, including the duration and impact on overall customer demand, the impact cannot be reasonably estimated at this time.

As a precautionary measure, in March 2020, the Group took additional steps to reduce discretionary spending and other expenditures, rolled out procedures to ensure continuous delivery of their products using their newly acquired subsidiary, CocoDelivery Inc. (CDI) and repurpose or upgrade some stores into delivery hubs. The Group continues to monitor the situation closely and may implement further measures to provide additional flexibility and improve the Group's cash position and liquidity.

Notwithstanding the situation, management believes that with the Group's strong financial condition and ability to obtain short-term or long-term borrowings, the Group can continue as a going concern.

Acquisition of Business. In February and March 2020, FHI acquired 100% of the outstanding shares of SoyKingdom Inc. (SKI) and CDI. SKI is engaged in retail of soy-bean related products while CDI is engaged in the distribution of fresh coconut water. SKI and CDI are companies incorporated and domiciled in the Philippines.

In February 2020, NTI acquired the rights, title and interest to the assets of two owned-stores of Kxn Kuxina Food Corporation ("Kuxina"), operating under the names and styles of Kuxina Ihaw Na! and Kuxina Filipino Fusion. Kuxina serves Filipino food dishes complementing the current brands of the Group. The assets acquired aggregated ₱1.0 million.

**REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors
FRUITAS HOLDINGS, INC. AND SUBSIDIARIES
No. 60 Cordillera St., Brgy. Dona Josefa
Quezon City, 1113

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of FRUITAS HOLDINGS, INC. (a subsidiary of LUSH PROPERTIES, INC.) and Subsidiaries (the "Group") as at December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017, and have issued our report thereon dated May 30, 2020.

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying Supplementary Schedules are the responsibility of the Group's management. These supplementary schedules include the following:

- Supplementary Schedules as Required by Part II of the Revised Securities Regulation Code Rule 68 as at December 31, 2019
- Reconciliation of Retained Earnings Available for Dividend Declaration as at December 31, 2019
- Schedule for Listed Companies with a Recent Offering of Securities to the Public as at December 31, 2019
- Conglomerate Map as at December 31, 2019

These schedules are presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 and are not part of the basic consolidated financial statements. The information in these supplementary schedules have been subjected to the auditing procedures applied in our 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.

REYES TACANDONG & Co.


WILSON P. TEO
Partner

CPA Certificate No. 92765
Tax Identification No. 191-520-944-000
BOA Accreditation No. 4782; Valid until August 15, 2021
SEC Accreditation No. 92765-SEC Group A
Valid until January 22, 2025
BIR Accreditation No. 08-005144-014-2020
Valid until January 1, 2023
PTR No. 8116482
Issued January 6, 2020, Makati City

May 30, 2020
Makati City, Metro Manila

FRUITAS HOLDINGS, INC.
(A Subsidiary of LUSH PROPERTIES, INC.)
AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULES AS REQUIRED BY PART II of THE REVIDED SRC RULE 68
DECEMBER 31, 2019

<u>Schedule</u>	<u>Description</u>	<u>Page</u>
A	Financial Assets	<u>1</u>
B	Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)	<u>2</u>
C	Amounts Receivable from Related Parties which are Eliminated During the Consolidation of the Financial Statements	<u>3</u>
D	Long-Term Debt	<u>4</u>
E	Indebtedness to Related Parties (Long-term Loans from Related Companies)	<u>N/A</u>
F	Guarantees of Securities of Other Issuers	<u>N/A</u>
G	Capital Stock	<u>5</u>

N/A - Not applicable

FRUITAS HOLDINGS, INC.
(A Subsidiary of LUSH PROPERTIES, INC.)
AND SUBSIDIARIES

SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2019

Description	Number of Shares or Principal Amount of bonds and notes	Amount Shown in the Statement of Financial Position	Income received and accrued
Cash in banks	–	₱249,451,631	₱457,304
Short-term placements	–	601,420,389	1,420,389
Trade and other receivables	–	83,566,374	–
Due from related parties	–	114,745,318	–
Construction bond		2,485,841	
		₱1,051,669,553	₱1,877,693

FRUITAS HOLDINGS, INC.
(A Subsidiary of LUSH PROPERTIES, INC.)
AND SUBSIDIARIES

**SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES,
RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)**
DECEMBER 31, 2019

	Balance at beginning of year	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of year
Due from related parties	P40,571,161	P260,477,832	(P166,303,675)	P-	P134,745,318	P-	P134,745,318

FRUITAS HOLDINGS, INC.
(A Subsidiary of LUSH PROPERTIES, INC.)
AND SUBSIDIARIES

**SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE
ELIMINATED DURING THE CONSOLIDATION OF THE FINANCIAL STATEMENTS**
DECEMBER 31, 2019

Name and designation of debtor	Balance at beginning of year	Additions	Ending Balance		Current	Not current	Balance at end of year
			Amounts collected	Amounts written off			
Due from related parties	P51,377,649	P572,196,115	P479,315,772	P-	P144,257,992	P-	P144,257,992

FRUITAS HOLDINGS, INC.
(A Subsidiary of LUSH PROPERTIES, INC.)
AND SUBSIDIARIES

SCHEDULE D - LONG-TERM DEBT
DECEMBER 31, 2019

Title of Issue and Type of Obligation	Amount Shown as Current	Amount Shown as Long- Term	Total
Notes payable	₱115,834,240	₱75,269,897	₱191,104,137
Mortgage payable	2,321,815	2,348,845	4,670,660
	₱118,156,055	₱77,618,742	₱195,774,797

Note: The terms, interest rates, collaterals and other relevant information are shown in the Notes 12 and 13 to the Consolidated Financial Statements.

FRUITAS HOLDINGS, INC.
(A Subsidiary of LUSH PROPERTIES, INC.)
AND SUBSIDIARIES

SCHEDULE E - CAPITAL STOCK
DECEMBER 31, 2019

Title of issue	Number of shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Number of shares held by related parties	Directors, officers and employees	Others
Common stock - ₱0.10 par value	7,700,000,000	2,133,680,000	–	1,328,500,000	112,523,000	692,657,000

FRUITAS HOLDINGS, INC.
(A Subsidiary of LUSH PROPERTIES, INC.)

**SUPPLEMENTARY SCHEDULE OF RECONCILIATION OF
RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2019**

Parent Company's unappropriated retained earnings, as adjusted to available for dividend declaration, at beginning of year	₱115,086,890
<hr/>	
Add net income actually earned/realized during the year:	
Net income during the year closed to retained earnings	85,626,945
Provision for income tax - deferred	(19,519,550)
	<hr/> 66,107,395
Total unappropriated retained earnings	181,194,285
Less dividends declared during the year	(14,000,000)
	<hr/>
Parent Company's unappropriated retained earnings at end of year available for dividend declaration	₱167,194,285
<hr/> <hr/>	

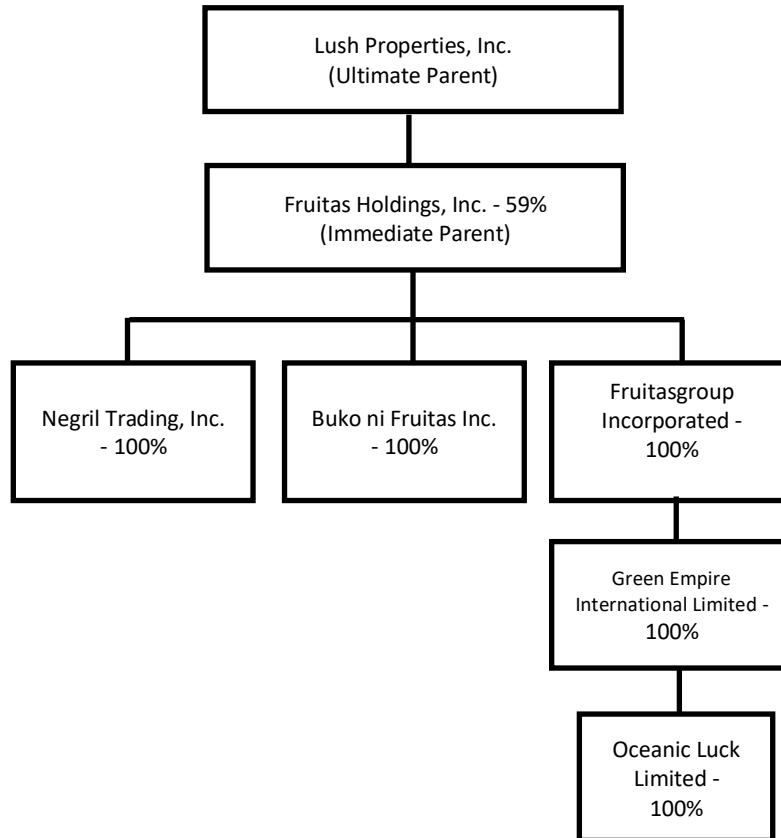
FRUITAS HOLDINGS, INC.
(A Subsidiary of LUSH PROPERTIES, INC.)

SCHEDULE FOR LISTED COMPANIES WITH
A RECENT OFFERING OF SECURITIES TO THE PUBLIC
DECEMBER 31, 2019

	Estimated	Actual
Gross Proceeds	₱896,548,800	₱896,548,800
Offer Expenses	(76,500,000)	(37,833,642)
Net Proceeds	820,048,800	858,715,158
Use of Proceeds		
Store network expansion and store improvement	(470,048,800)	–
Debt repayment	(150,000,000)	(150,000,000)
Acquisition opportunities and introduction of new concepts	(135,000,000)	–
Commissary expansion	(40,000,000)	(3,212,152)
Expansion of food park business	(25,000,000)	–
Balance of amounts infused in subsidiaries	–	(55,037,848)
	(820,048,800)	(208,250,000)
Unapplied Proceeds	₱–	₱650,465,158

FRUITAS HOLDINGS, INC.
(A Subsidiary of LUSH PROPERTIES, INC.)
AND SUBSIDIARIES

CONGLOMERATE MAP
DECEMBER 31, 2019



**INDEPENDENT AUDITORS REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

The Stockholders and the Board of Directors
FRUITAS HOLDINGS, INC. AND SUBSIDIARIES
No. 60 Cordillera St., Brgy. Dona Josefa
Quezon City, 1113

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of FRUITAS HOLDINGS, INC. (a subsidiary of LUSH PROPERTIES, INC.) and Subsidiaries (the "Group") as at December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017, and have issued our report thereon dated May 30, 2020. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, 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 purposes 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 basic 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, 2019 and 2018 and for the years ended December 31, 2019 and 2018 and no material exceptions were noted.

REYES TACANDONG & Co.


WILSON P. TEO

Partner

CPA Certificate No. 92765

Tax Identification No. 191-520-944-000

BOA Accreditation No. 4782; Valid until August 15, 2021

SEC Accreditation No. 92765-SEC Group A

Valid until January 22, 2025

BIR Accreditation No. 08-005144-014-2020

Valid until January 1, 2023

PTR No. 8116482

Issued January 6, 2020, Makati City

May 30, 2020
Makati City, Metro Manila

FRUITAS HOLDINGS, INC.
(A Subsidiary of LUSH PROPERTIES, INC.)
AND SUBSIDIARIES

FINANCIAL SOUNDNESS INDICATORS
DECEMBER 31, 2019

Below is a schedule showing financial soundness indicators of the Group as at and for the years ended December 31, 2019, 2018 and 2017.

	December 31		
	2019	2018	2017
CURRENT/LIQUIDITY RATIO			
Current assets	₱1,217,687,467	₱500,635,585	₱442,752,574
Current liabilities	309,551,149	497,442,860	405,234,369
Current Ratio	3.93	1.01	1.09
ACID TEST RATIO			
Quick assets	₱1,051,578,046	₱448,610,910	₱403,786,644
Current liabilities	309,551,149	497,442,860	405,234,369
Acid Test Ratio	3.40	0.90	1.00
SOLVENCY RATIO			
Net income before depreciation and amortization	₱223,420,402	₱153,729,599	₱188,531,280
Total liabilities	484,818,811	530,669,295	410,230,808
Solvency Ratio	0.46	0.29	0.46
DEBT-TO-EQUITY RATIO			
Total liabilities	₱484,818,811	₱530,669,295	₱410,231,808
Total equity	1,311,594,562	373,730,493	318,927,306
Debt-to-Equity Ratio	0.37	1.42	1.29
ASSET-TO-EQUITY RATIO			
Total assets	₱1,796,413,373	₱904,399,788	₱729,158,114
Total equity	1,311,594,562	373,730,493	318,927,306
Asset-to-Equity Ratio	1.37	2.42	2.29
INTEREST-COVERAGE RATIO			
Earnings before interest and taxes	₱184,407,333	₱154,789,168	₱247,201,539
Interest expense	38,664,963	16,065,157	1,232,519
Interest-Coverage Ratio	4.77	9.64	200.57
PROFITABILITY RATIO			
Net income attributable to equity holders of the Parent Company	₱121,527,192	₱100,303,507	₱138,523,032
Average equity	842,634,922	346,328,900	255,825,173
Return on Equity	0.14	0.29	0.54

(Forward)

	December 31		
	2019	2018	2017
RETURN ON ASSETS			
Net income	₱121,527,192	₱100,303,507	₱172,889,995
Average assets	1,350,406,581	816,778,951	491,094,945
Return on Assets	0.09	0.12	0.35
NET PROFIT MARGIN			
Net income	₱121,527,192	₱100,303,507	₱172,889,995
Revenue	1,945,184,563	1,579,205,736	1,152,567,060
Net Profit Margin	0.06	0.06	0.15

FRUITAS HOLDINGS INC.

60 Cordillera St. Brgy Dona Josefa Quezon City, Philippines
Tel: (63.2) 243-1741, (63.2) 330.2889 Mobile: +6396.7888.88
Email: info@fruitasholdings.com / www.fruitasholdings.com

"STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN"

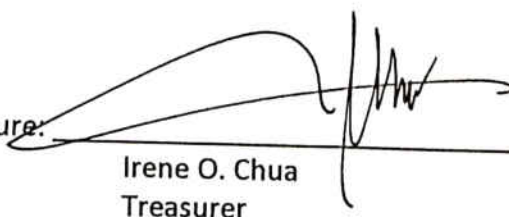
The Management of **Fruitash Holdings Inc.** is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2019. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended December 31, 2019 and the accompanying Annual Income Tax Return are in accordance with the books and records of, complete and correct in all material respects. Management likewise affirms that:

- (a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
- (b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards (i.e. Philippine Financial Reporting Standards, or those applicable to Non-Publicly Accountable Entities) and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the Company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;
- (c) the Company has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.



Signature: _____
Lester C. Yu
CEO and President



Signature: _____
Irene O. Chua
Treasurer

Signed this 30th day of May 2020

Annex B: List of Stockholders

COMPANY NAME : FRUITAS HOLDINGS, INC.

Page 1

LIST OF TOP 100 STOCKHOLDERS
As Of December 31, 2019

STOCKHOLDER'S NAME	OUTSTANDING & ISSUED SHARES (FULLY PAID)	OUTSTANDING & ISSUED SHARES (PARTIALLY PAID)	TOTAL HOLDINGS (SUBSCRIBED)	PERCENTAGE TO TOTAL
LUSH PROPERTIES INCORPORATED	1,258,500,000	0	1,258,500,000	58.983
PCD NOMINEE CORP. (FILIPINO)	684,420,700	0	684,420,700	32.077
LESTER C. YU	112,500,000	0	112,500,000	5.273
RALPROPERTIES, INC.	70,000,000	0	70,000,000	3.281
PCD NOMINEE CORP. (NON-FILIPINO)	8,236,300	0	8,236,300	0.386
IRENE CHUA	10,000	0	10,000	0.000
DENNIS BENG HUI	10,000	0	10,000	0.000
CALVIN FENIX CHUA	1,000	0	1,000	0.000
BAMBI MAUREEN ENRIQUEZ DONATO	1,000	0	1,000	0.000
SHIRLEY O YEK TAN	1,000	0	1,000	0.000
GRAND TOTAL (10)	<u>2,133,680,000</u>	<u>0</u>	<u>2,133,680,000</u>	

THIS IS A COMPUTER GENERATED REPORT AND IF ISSUED WITHOUT ALTERATION, DOES NOT REQUIRE ANY SIGNATURE.

OUTSTANDING BALANCES FOR A SPECIFIC COMPANY

Company Code - FRUIT0000000

FRUITAS HOLDINGS INC

Business Date: December 27, 2019

BPNAME	HOLDINGS
FIRST METRO SECURITIES BROKERAGE CORP.	193,023,330
COL Financial Group, Inc.	103,568,586
ABACUS SECURITIES CORPORATION	61,550,050
BDO SECURITIES CORPORATION	35,769,000
PHILSTOCKS FINANCIAL INC	33,206,790
BPI SECURITIES CORPORATION	22,395,485
SOCIAL SECURITY SYSTEM	20,580,900
BDO NOMURA SECURITIES INC	20,321,511
AB CAPITAL SECURITIES, INC.	16,726,000
RCBC SECURITIES, INC.	15,418,000
UNICAPITAL SECURITIES INC.	10,165,748
GOLDSTAR SECURITIES, INC.	9,759,000
SB EQUITIES, INC.	7,271,000
MAYBANK ATR KIM ENG SECURITIES, INC.	6,216,000
QUALITY INVESTMENTS & SECURITIES CORPORATION	5,702,000
AP SECURITIES INCORPORATED	5,213,100
ANSALDO, GODINEZ & CO., INC.	4,455,000
AB CAPITAL & INVESTMENT CORP. - TRUST & INVESTMENT DIV.	4,424,000
R. NUBLA SECURITIES, INC.	4,267,700
GLOBALINKS SECURITIES & STOCKS, INC.	4,242,000
STANDARD SECURITIES CORPORATION	4,058,000
EQUITIWORLD SECURITIES, INC.	3,547,000
BELSON SECURITIES, INC.	3,482,000
HDI SECURITIES, INC.	3,390,000
SALISBURY BKT SECURITIES CORPORATION	3,377,000
EASTERN SECURITIES DEVELOPMENT CORPORATION	3,299,000
AAA SOUTHEAST EQUITIES, INCORPORATED	3,224,000
YU & COMPANY, INC.	3,000,000
EVERGREEN STOCK BROKERAGE & SEC., INC.	2,763,000
STRATEGIC EQUITIES CORP.	2,657,000
PNB SECURITIES, INC.	2,365,000
SOLAR SECURITIES, INC.	2,208,000
WESTLINK GLOBAL EQUITIES, INC.	2,181,000
SECURITIES SPECIALISTS, INC.	2,135,000
TIMSON SECURITIES, INC.	2,033,000
E. CHUA CHIACO SECURITIES, INC.	1,893,000
TOWER SECURITIES, INC.	1,866,010
BERNAD SECURITIES, INC.	1,840,000
JSG SECURITIES, INC.	1,817,000
VALUE QUEST SECURITIES CORPORATION	1,788,000
UPCC SECURITIES CORP.	1,688,000
REGINA CAPITAL DEVELOPMENT CORPORATION	1,640,000
PAPA SECURITIES CORPORATION	1,625,000
WEALTH SECURITIES, INC.	1,613,000
R. COYIUTO SECURITIES, INC.	1,609,000
ASTRA SECURITIES CORPORATION	1,542,000
CTS GLOBAL EQUITY GROUP, INC.	1,530,000
NEW WORLD SECURITIES CO., INC.	1,434,000
A & A SECURITIES, INC.	1,420,000
YAO & ZIALCITA, INC.	1,345,000
VC SECURITIES CORPORATION	1,309,000

BPNAME	HOLDINGS
R. S. LIM & CO., INC.	1,303,000
MERIDIAN SECURITIES, INC.	1,231,000
TANSENGCO & CO., INC.	1,143,000
MERCANTILE SECURITIES CORP.	1,139,000
UCPB SECURITIES, INC.	1,118,000
MDR SECURITIES, INC.	1,110,000
SUMMIT SECURITIES, INC.	1,089,000
RTG & COMPANY, INC.	1,057,000
FIRST INTEGRATED CAPITAL SECURITIES, INC.	1,042,000
INTRA-INVEST SECURITIES, INC.	1,037,000
I. B. GIMENEZ SECURITIES, INC.	1,008,000
G.D. TAN & COMPANY, INC.	970,000
ASIASEC EQUITIES, INC.	963,000
IGC SECURITIES INC.	930,000
IMPERIAL,DE GUZMAN,ABALOS & CO.,INC.	891,000
OPTIMUM SECURITIES CORPORATION	854,300
TRITON SECURITIES CORP.	853,000
LITONJUA SECURITIES, INC.	833,000
MARIAN SECURITIES, INC.	833,000
CLSA PHILIPPINES, INC.	833,000
F. YAP SECURITIES, INC.	825,490
BENJAMIN CO CA & CO., INC.	803,000
PNB TRUST BANKING GROUP	800,000
DA MARKET SECURITIES, INC.	785,000
KING'S POWER SECURITIES, INC.	690,000
MANDARIN SECURITIES CORPORATION	679,000
CUALOPING SECURITIES CORPORATION	658,000
JAKA SECURITIES CORP.	650,000
SunSecurities, Inc.	626,000
PHILIPPINE EQUITY PARTNERS, INC.	581,000
PREMIUM SECURITIES, INC.	548,000
VENTURE SECURITIES, INC.	545,000
CITIBANK N.A.	522,000
WONG SECURITIES CORPORATION	500,000
FIDELITY SECURITIES, INC.	492,000
LUYS SECURITIES COMPANY, INC.	478,000
DIVERSIFIED SECURITIES, INC.	468,000
PAN ASIA SECURITIES CORP.	465,000
LUCKY SECURITIES, INC.	464,000
DAVID GO SECURITIES CORP.	438,000
S.J. ROXAS & CO., INC.	414,000
CHINA BANK SECURITIES CORPORATION	397,000
BA SECURITIES, INC.	380,000
PLATINUM SECURITIES, INC.	380,000
J.M. BARCELON & CO., INC.	335,000
A. T. DE CASTRO SECURITIES CORP.	312,000
MBTC - TRUST BANKING GROUP	300,000
INVESTORS SECURITIES, INC,	296,000
THE FIRST RESOURCES MANAGEMENT & SECURITIES CORP.	282,000
GUILD SECURITIES, INC.	277,000
EAGLE EQUITIES, INC.	260,000
RCBC TRUST & INVESTMENT DIVISION - VARIOUS TAXABLE ACCTS	238,000
LOPEZ, LOCSIN, LEDESMA & CO., INC.	231,000
H. E. BENNETT SECURITIES, INC.	205,000
APEX PHILIPPINES EQUITIES CORPORATION	203,000
ASIA PACIFIC CAPITAL EQUITIES & SECURITIES CORP.	199,000
LARRGO SECURITIES CO., INC.	178,000
TRI-STATE SECURITIES, INC.	173,000

BPNAME	HOLDINGS
ALAKOR SECURITIES CORPORATION	169,000
ALPHA SECURITIES CORP.	156,000
AURORA SECURITIES, INC.	145,000
FIRST ORIENT SECURITIES, INC.	140,000
GOLDEN TOWER SECURITIES & HOLDINGS, INC.	120,000
SARANGANI SECURITIES, INC.	100,000
TRANS-ASIA SECURITIES, INC.	100,000
STAR ALLIANCE SECURITIES CORP.	100,000
CAMPOS, LANUZA & COMPANY, INC.	95,000
MOUNT PEAK SECURITIES, INC.	80,000
SINCERE SECURITIES CORPORATION	70,000
DBP-DAIWA CAPITAL MARKETS PHILIPPINES, INC.	68,000
UCPB GENERAL INSURANCE CO., INC.	40,000
EAST WEST CAPITAL CORPORATION	6,000

If no written notice of any error or correction is received by PDTC within five (5) calendar days from receipt hereof, you shall be deemed to have accepted the accuracy and completeness of the details indicated in this report.

Annex C to the SEC Form 17-A: FHI Sustainability Report

Contextual Information

Company Details	
Name of Organization	Fruitas Holdings, Inc. (FHI or FRUIT)
Location of Headquarters	60 Cordillera St. corner E. Rodriguez Sr. Ave., Brgy. Doña Josefa, Quezon City
Location of Operations	Philippines
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	This report mainly covers FHI's business as a Holding Company and its investment to its three 100% owned subsidiaries namely Fruitasgroup, Inc. (FGI), Negril Trading, Inc. (NTI), and Buko Ni Fruitas, Inc. (BNFI)
Business Model, including Primary Activities, Brands, Products, and Services	FHI, as a holding company, own investments in shares of stocks of FGI, NTI, BNFI, and in various shares of stocks of companies listed in the Philippine Stock Exchange. The Company also serves as a consultant to its subsidiaries to further improve the businesses.
Reporting Period	January 1 to December 31, 2019
Highest Ranking Person responsible for this report	Lester C. Yu – President and Chief Executive Officer

Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.

Fruitas Holdings, Inc., as a holding Company, has minimal operations which focus on investments to its subsidiaries, other listed companies through the Philippine Stock Exchange, and different investment instruments through financial institutions. The sustainability of the company is emphasized on the strength of investments in the subsidiaries and the capital market which are expected to produce maximum levels for its shareholders. The report focuses on material topics relating to macroeconomic impact and the actions performed by the Company to manage risk and capitalize on possible opportunities.

In succeeding Sustainability Reports, the 3P's principles will be employed to identify other material topics:

- a.) People – this involves the employees, stakeholders, external customers, and other related groups and individuals directly involved in the Company and subsidiaries.
- b.) Planet – this involves the environment and how the Company directly and indirectly impacts through its operations
- c.) Profit – this involves the financial health of the Company to ensure sustainability of operations

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	Amount	Units
Direct economic value generated (revenue)	87,867,658	PhP
Direct economic value distributed:		
a. Operating costs	5,503,311	PhP
b. Taxes given to government	23,989,573*	PhP
c. Interest payments to loan providers	8,442,327	PhP
d. Dividends given to stockholders	14,000,000	PhP

* Includes LGU taxes, documentary stamps tax for issuance of new shares and IPO tax

Direct Economic Value

Discussion on Impact, Risks, and Management Approach

FHI traces its roots from Lush Enterprises Corporation (“LEC”), which was incorporated by Mr. Lester Yu in 2000. LEC opened its first “*Fruitas Fresh from Babot’s Farm*” store in 2002 at SM Manila. Fast forward to 2019, FHI has more than 1,000 stores across the Philippines generally located in prime commercial establishments and institutions. Since its establishment, FHI and its subsidiaries has expanded its brand portfolio to include *Buko Loco*, *Buko ni Fruitas*, *Juice Avenue*, *Johnn Lemon*, *Black Pearl*, *Tea Rex*, *De Original Jamaican Pattie Shop and Juice Bar*, *The Mango Farm*, and *Sabroso Lechon* to name a few. The Group continues to make its mark in the industry through the growth of its store network, expansion through acquisitions, and development of new business concepts and formats. In addition, FHI through one of its subsidiaries, Fruitasgroup Incorporated (“FGI”), operates 2 foodparks which are both situated in Quezon City, Philippines. FHI recognizes the following risks and implements several management approaches to mitigate the identified risks.

1. Macro-environmental Risks in the Philippines

The Philippines, as a developing economy, is vulnerable to various macro-environmental risks such as politics, economy, social, and technology which can affect the operations of the Company. Several issues have plagued the country over the years which significantly affected the health of the economy as represented in the decline in Peso value, increased unemployment, higher interest rates, greater volatility, high interest days, and low levels in the stock exchange. The health of the economy may affect the financial performance of the Company.

2. Risk on Investments in Subsidiaries

The Company owns 100% of three subsidiaries namely Fruitasgroup, Inc., Negril Trading, Inc., and Buko Ni Fruitas, Inc. Since the company’s main revenue stream comes from dividends paid by the subsidiaries, any negative effect in the business of these subsidiaries will also affect the financial performance of the company. The optimum efficiency in operations and financial performance in the subsidiary level will yield greater positive revenue to FHI.

3. Financial Risk

The main financial risks arising from the Company’s financial investments are liquidity risk, market risk, and interest rate risk.

Liquidity risk involves the capability of the Company to meet its short-term financial obligations. The Company has substantial investments in its subsidiaries which may not be readily convertible to liquid assets necessary to meet urgent financial requirements.

Market risk focuses on the volatility in the market as reflected in price adjustments which affects possible earnings on future earnings and fair market values. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchange rates, commodity prices, equity prices, and other market changes. The Company's market risk emanates from its investments in different financial instruments.

The Company's exposure to market risk for changes in fixed interest rates relates primarily to the Company's money market placements and debt securities.

To mitigate these risks, FHI closely monitors macro-environmental issues which include politics, legal, environmental, that may have impact to the Company. In addition, the Company also serves as a consultant to its subsidiaries to ensure the optimum level of operational and financial performance to yield maximum values.

FHI monitors and manages its cash position and overall liquidity position to mitigate financial risks. The Company maintains a sufficient level of cash and cash equivalents ensure continuity of operations and to reduce impacts of fluctuations in cash flows.

FHI constantly monitors the values of its securities and all other factors which could directly or indirectly affect the prices of these instruments. In the event of a projected drop in the equity and securities portfolio, the Company is equipped to take action and grab better opportunities to sustain optimal values.

Discussion of Opportunities

FHI continues to explore possible opportunities in the capital market by building up on its reputation as a prominent holding company through its profitable subsidiaries and successful acquisitions.

Climate-related risks and opportunities¹

As a holding Company, FHI is not directly at risk of climate-related threats. However, FHI Board of Directors continues to examine and consider high-level risks and opportunities of the Company. At present, the Company alone does not have formal climate-related risk strategies and metrics aside from the ones imposed and followed in the subsidiary level. Nonetheless, the Company will consider adopting a formal enterprise risk management program.

¹ Adopted from the Recommendations of the Task Force on Climate-Related Financial Disclosures. The TCFD Recommendations apply to non-financial companies and financial-sector organizations, including banks, insurance companies, asset managers and asset owners.

Procurement Practices

Proportion of spending on local suppliers

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	N/A	%

The current direct operations of FHI do not involve spending significantly on local suppliers.

Anti-corruption

Training on Anti-corruption Policies and Procedures

Disclosure	Quantity	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	N/A	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	N/A	%
Percentage of directors and management that have received anti-corruption training	N/A	%
Percentage of employees that have received anti-corruption training	N/A	%

Incidents of Corruption

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption	0	#
Number of incidents in which employees were dismissed or disciplined for corruption	0	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0	#

Currently, the Company does not have a specific program on Anti-corruption aside from the procedures stipulated in the Corporate Governance. Over the years until the end of 2019, the Company did not have any instances of corruption within the organization. Despite the clean record on corruption, the Company will consider to craft a specific program on Anti-corruption within the organization and with business partners to prevent this bad practice from happening.

ENVIRONMENT

Resource Management

FHI's subsidiaries follow best practices in environmental management to manage and mitigate impacts in the environment. They implement waste reduction and proper disposal protocols to minimize adverse effects in their respective territories. Subsidiaries also encourage and welcome ideas and collaborations to further decrease the impact of operations in the environment.

FHI is set to consolidate the data on resource and environmental management of the subsidiaries and will report on these in the succeeding Sustainability Reports.

Energy consumption within the organization:

Disclosure	Quantity	Units
Energy consumption (renewable sources)	N/A	GJ
Energy consumption (gasoline)	N/A	GJ
Energy consumption (LPG)	N/A	GJ
Energy consumption (diesel)	N/A	GJ
Energy consumption (electricity)	N/A	kWh

Reduction of energy consumption

Disclosure	Quantity	Units
Energy reduction (gasoline)	N/A	GJ
Energy reduction (LPG)	N/A	GJ
Energy reduction (diesel)	N/A	GJ
Energy reduction (electricity)	N/A	kWh
Energy reduction (gasoline)	N/A	GJ

Water consumption within the organization

Disclosure	Quantity	Units
Water withdrawal	N/A	Cubic meters
Water consumption	N/A	Cubic meters
Water recycled and reused	N/A	Cubic meters

Materials used by the organization

Disclosure	Quantity	Units
Materials used by weight or volume	N/A	
<ul style="list-style-type: none"> • renewable 	N/A	kg/liters
<ul style="list-style-type: none"> • non-renewable 	N/A	kg/liters
Percentage of recycled input materials used to manufacture the organization's primary products and services	N/A	%

Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	N/A	
Habitats protected or restored	N/A	ha
IUCN ² Red List species and national conservation list species with habitats in areas affected by operations	N/A	

Environmental impact management

Air Emissions

GHG

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	N/A	Tonnes CO ₂ e
Energy indirect (Scope 2) GHG Emissions	N/A	Tonnes CO ₂ e
Emissions of ozone-depleting substances (ODS)	N/A	Tonnes

Air pollutants

Disclosure	Quantity	Units
NO _x	N/A	kg
SO _x	N/A	kg
Persistent organic pollutants (POPs)	N/A	kg
Volatile organic compounds (VOCs)	N/A	kg
Hazardous air pollutants (HAPs)	N/A	kg
Particulate matter (PM)	N/A	kg

Solid and Hazardous Wastes

Solid Waste

Disclosure	Quantity	Units
Total solid waste generated	N/A	kg
Reusable	N/A	kg
Recyclable	N/A	kg
Composted	N/A	kg
Incinerated	N/A	kg
Residuals/Landfilled	N/A	kg

Hazardous Waste

Disclosure	Quantity	Units
Total weight of hazardous waste generated	N/A	kg

² International Union for Conservation of Nature

Total weight of hazardous waste transported	N/A	kg
---	-----	----

Effluents

Disclosure	Quantity	Units
Total volume of water discharges	N/A	Cubic meters
Percent of wastewater recycled	N/A	%

Environmental compliance

Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	N/A	PhP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	N/A	#
No. of cases resolved through dispute resolution mechanism	N/A	#

SOCIAL

Employee Management

Employee Hiring and Benefits

Employee data

Disclosure	Quantity	Units
Total number of employees ³	7	
a. Number of female employees	4	#
b. Number of male employees	3	#
Attrition rate ⁴	0%	rate
Ratio of lowest paid employee against minimum wage	2.5	ratio

Employee benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	100%	100%
PhilHealth	Y	100%	100%
Pag-ibig	Y	100%	100%
Parental leaves	N		
Vacation leaves	Y	100%	100%
Sick leaves	Y	100%	100%
Medical benefits (aside from PhilHealth))	N		
Housing assistance (aside from Pag-ibig)	N		
Retirement fund (aside from SSS)	N		
Further education support	N		
Company stock options	N		
Telecommuting	N		
Flexible-working Hours	N		
(Others)			

Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees		
a. Female employees	100	hours
b. Male employees	200	hours
Average training hours provided to employees		
a. Female employees	25	hours/employee
b. Male employees	67	hours/employee

³ Employees are individuals who are in an employment relationship with the organization, according to national law or its application ([GRI Standards 2016 Glossary](#))

⁴ Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

Labor-Management Relations

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	0	%
Number of consultations conducted with employees concerning employee-related policies	1	#

Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	57.14%	%
% of male workers in the workforce	42.86%	%
Number of employees from indigenous communities and/or vulnerable sector*	14.28%	#

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

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours		Man-hours
No. of work-related injuries	0	#
No. of work-related fatalities	0	#
No. of work related ill-health	0	#
No. of safety drills	3	#

Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	0	#

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	N	
Child labor	N	
Human Rights	N	

There are no specific company policies which disallow violation of labor laws and human rights but the Company practices professionalism in all business endeavours. The Company values the importance of a secure and safe working environment which is reflected in the Company policies. The policies imposed and followed by the Company are bounded by the Philippine law which includes protection of workers and human rights.

Supply Chain Management

The Company does not have direct suppliers due to the nature of the business however; FHI encourages its subsidiaries to consider sustainability factors when dealing with their suppliers. The Company acknowledges the relevance of good business practices to ensure the continuity of its supply chain.

FHI is set to consolidate the data on supply chain management of the subsidiaries and will report on these in the succeeding Sustainability Reports.

Topic	Y/N	If Yes, cite reference in the supplier policy
Environmental performance	N/A	
Forced labor	N/A	
Child labor	N/A	
Human rights	N/A	
Bribery and corruption	N/A	

Relationship with Community

Significant Impacts on Local Communities

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (if applicable)*	Does the particular operation have impacts on indigenous people (Y/N)?	Collective or individual rights that have been identified that or particular concern for the community	Mitigating measures (if negative) or enhancement measures (if positive)

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

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available: _____

Certificates	Quantity	Units
FPIC process is still undergoing	N/A	#
CP secured	N/A	#

Customer Management

Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction	N/A	

Health and Safety

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety*	N/A	#
No. of complaints addressed	N/A	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

Marketing and labelling

Disclosure	Quantity	Units
No. of substantiated complaints on marketing and labelling*	N/A	#
No. of complaints addressed	N/A	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

Customer privacy

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy*	N/A	#
No. of complaints addressed	N/A	#
No. of customers, users and account holders whose information is used for secondary purposes	N/A	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

Data Security

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data	N/A	#

UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Investment in stocks and capital market	FHI's investment in stocks contributes to SDG 9 by helping companies finance projects that will boost their operations.	The lack of proper risk management may consequently result in negative impact to financed businesses and investments	FHI closely monitors the various economic, political, and financial risks that may affect the Company.
Fresh and healthy food and beverage	FHI's subsidiaries manufacture and serve fresh and healthy products which contribute to SDG 2 and 3 by promoting good health and well-being.	Mismanagement of fresh and healthy products may result in negative impacts in health upon consumption	Subsidiaries make sure to serve products at its optimum state always. The companies also provide specific nutritional facts and proper product maintenance to ensure the quality of the products.

** None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.*

COVER SHEET

SEC Registration Number

F R U I T A S H O L D I N G S , I N C .

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[Empty grid]

[Empty grid]

(Company's Full Name)

N O . 6 0 C O R D I L L E R A S T .

B R G Y . D O N A J O S E F A Q U E Z O N C I T Y

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

RUSHELL A. SALVADOR
Contact Person

+(632) 8731-8886
Company Telephone Number

SEC FORM 17-Q

Month Day Fiscal Year

FORM TYPE

Month Day Annual Meeting

Secondary License Type, If Applicable

Dept Requiring this Doc Section

Amended Articles Number /

Total No. of Stockholders

Total Amount of Borrowings Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended- 30 June 2020
 2. SEC Identification Number- CS201503014
 3. BIR Tax Identification No.- 008-961-476-000
 4. **FRUITASHOLDINGS INC**
Exact name of issuer as specified in its charter
 5. PHILIPPINES
Province, country or other jurisdiction
of incorporation
 6. (SEC Use Only)
Industry Classification Code
 7. 60 CORDILLERA ST. COR. E. RODRIGUEZ SR. AVE. QUEZON CITY 1113
Address of principal office Postal Code:
 8. (02)8243-1741
Issuer's telephone number, including area code
 9. N/A
Former name or former address, if changed since last report
 10. Securities registered pursuant to Sections 4 and 8 of the RSA
Title of Each Class Number of Shares of Common Stock
Outstanding and Amount of Debt
Outstanding

<u>Common</u>	<u>2,133,680,000</u>
---------------	----------------------
 11. Are any or all of the securities listed on a Stock Exchange?
Yes [] No []

If yes, state the name of such Stock Exchange and the class/es of securities
listed therein:
PHILIPPINE STOCK EXCHANGE/COMMON SECURITIES
 12. Indicate by check mark whether the registrant:
 - (a) has filed all reports required to be filed by Section 17 of the Code and SRC
Rule 17 thereunder or Sections 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 the registrant was required to file such reports)
Yes [] No []
 - (b) has been subject to such filing requirements for the past ninety (90) days.
Yes [] No []
-

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the accompanying consolidated financial statements and notes thereto, which form part of this SEC Form 17-Q as "Annex A". The consolidated financial statements and notes thereto have been prepared in accordance with the Philippine Financial Reporting Standards (PFRS).

Results of Operations for First half ended 2020 vs First half ended 2019

Key Highlights

Revenues

The Group generated revenues of ₱462.1 million for the six months ended June 30, 2020, a 50.9% or ₱479.1 million decline from the same period in 2019, which closed at ₱914.2 million. The decline was driven by the temporary suspension of operation of certain stores due to the imposed quarantine in the second half of March which continued until the end of May.

Cost of Sales

Cost of sales for the six months ended June 30, 2020 closed at ₱185.7 million, 52.6% or ₱206.4 million decline from the same period in 2019 which closed at ₱392.2 million. The decline is attributable mainly to the reduction in revenues, although the Group was able to improve its gross profit margin which registered at 59.8% for the first half of 2020 versus the 58.3% of the same period in 2019.

Operating Expenses

The Group's operating expenses settled at ₱313.1 million at the close of the first half of 2020, a 34.8% or a ₱166.8 million decline from the same period in 2019 which settled at ₱479.9. The decline was attributed to the reduced business volume in 2020 and cost containment measures undertaken by the Group.

Income Tax Expense/ Benefits

From ₱22.2 million current income tax in the first half of 2019 to ₱ 10.5 million income tax benefit for the same period in 2020. Benefits from income tax for the first half ended June 30, 2020 was primarily due to higher deferred tax for attributable from taxable losses caused by the COVID-19 pandemic.

Net income

Net loss for the first half ended June 30, 2020 closed at ₱12.3 million compared to the same period of the prior year of ₱52.0 million net income driven by the decrease in revenue despite the improvement in gross profit margin and operating expenses

Financial Condition as of JUNE 30, 2020 versus DECEMBER 2019

FRUIT had consolidated total assets of ₱1.65 billion as of June 30, 2020 a slight decrease from the total assets of ₱1.80 billion last December 2019.

Cash and cash equivalents

As of end June 2020, cash and cash equivalents totalled ₱679.7 million, down from ₱853.3 million as of end-2019 primarily as a result of temporary suspension of operations during the quarantine period. Cash includes cash on hand and in banks while cash equivalents are short-term, highly liquid investments that are easily convertible to cash.

Trade and other receivables

Trade and other receivables were at ₱100.5 million as of June 30, 2020 compared to ₱83.6 million as of end-2019, an increase of 20.2% due to higher third party trade receivables.

Inventories

As of June 30, 2020, inventories decreased to ₱39.2 million from ₱50.0 million as of end-2019. The decrease was attributed to the Group's initiative to use up existing inventories during the lockdown period.

Property, plant, and equipment

Consolidated net property, plant, and equipment stood at ₱203.5 million as of June 30, 2020. Acquisition of property and equipment for the first half of the year reached ₱19.9 million, which was invested in the building of new stores and improvements in the corporate office and commissary.

Intangible assets

Intangible assets stood at ₱222.3 million for the period; the slight increase was brought about by the recognition of goodwill from the purchase of Soykingdom Inc.

Trade and other payables

Trade and other payables decreased by 47.5% for the six months ending June 2020 to ₱71.4 million driven by the payment of trade payables for the purchase of inventories towards the end of 2019.

Notes payable

As of June 30, 2020, the Group's notes payable stood at ₱159.5 million, as deleveraging continued into the second quarter of 2020.

Equity

As of June 30, 2020, the Company's consolidated equity slightly decreased to ₱1.30 billion from ₱1.31 billion as of end-2019.

Cash Flow Summary

Net cash used in operating activities amounted to ₱103.2 million for the six months of 2020.

Net cash used in investing activities was ₱25.5 million for the first six months of 2020, driven by CAPEX and acquisitions.

Net cash used in financing activities was ₱44.8 million for the first six months of 2020, as the Group paid down some notes payable and due to the roll forward of lease liabilities.

	Interim Six Months Ended June 30, 2019	Interim Six Months Ended June 30, 2020
Revenue Growth	n/a	(50.9%)
Gross Profit Margin	58.3%	59.8%
Net Income/ Loss (₱ million)	51.9	(12.3)
	As of December 31, 2019	As of June 30, 2020
Current Ratio	3.9	5.3
Debt to Equity Ratio	37.0%	27.2%

SIGNATURES

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

FRUITAS HOLDINGS, INC.



LESTER C. YU

President and Chief Executive Officer

Date: August 13, 2020



LERMA C. FAJARDO

Deputy Chief Finance Officer and Comptroller

Date: August 13, 2020

COVER SHEET

for AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C S 2 0 1 5 0 3 0 1 4

COMPANY NAMEF R U I T A S H O L D I N G S , I N C . (A S u b s i d i a r y o f
L U S H P R O P E R T I E 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 . 6 0 C o r d i l l e r a S t . , B r g y . D o n a J o s e f
a , Q u e z o n C i t y , 1 1 1 3

Form Type

A C F S

Department requiring the report

C R M D

Secondary License Type, If Applicable

N / A

COMPANY INFORMATION

Company's Email Address

-

Company's Telephone Number/s

(02) 8243-1741

Mobile Number

-

No. of Stockholders

131

Annual Meeting (Month / Day)

Every Second Monday of June

Fiscal Year (Month / Day)

December 31

CONTACT PERSON INFORMATIONThe designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

Ms. Madelene Timbas-Sayson

Email Address

madelene.sayson@fruitasholdings.com

Telephone Number/s

(02) 8243-1741

Mobile Number

-

CONTACT PERSON'S ADDRESS

No. 60 Cordillera St., Brgy. Dona Josefa, Quezon City, 1113

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

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

FRUITAS HOLDINGS, INC. AND SUBSIDIARIES

(A Subsidiary of LUSH PROPERTIES, INC.)

Consolidated Financial Statements As at
June 30, 2020 and 2019 and for the Years Ended
June 30, 2020 and December 31, 2019

FRUITAS HOLDINGS, INC.
(A Subsidiary of LUSH PROPERTIES, INC.)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As of June 30, 2020 (Unaudited)	As of December 31, 2019 (Audited)
ASSETS			
Current Assets			
Cash and cash equivalents	5	₱ 679,735,744	₱ 853,266,354
Trade and other receivables	6	100,459,175	83,566,374
Merchandise inventories	7	39,227,167	49,907,654
Due from related parties	14	116,198,479	114,745,318
Deposits and advance rentals		129,246,869	102,516,218
Other current assets	8	12,716,265	13,685,549
Total Current Assets		1,077,583,699	1,217,687,467
Noncurrent Assets			
Property and equipment	9	203,475,783	222,786,889
Intangible assets	10	222,287,311	214,385,788
Right-of-use (ROU) assets	22	100,126,286	115,194,610
Unamortized input value-added tax (VAT)		982,788	982,788
Net deferred tax assets		43,486,916	25,375,831
Total Noncurrent Assets		570,359,085	578,725,906
		₱ 1,647,942,784	₱ 1,796,413,373
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	11	₱ 71,437,645	₱ 136,017,618
Current portion of:			
Notes payable	12	101,176,349	115,834,240
Mortgage payable	13	2,169,651	2,321,815
Lease liabilities	22	26,292,145	27,980,841
Due to related parties	14	-	663,821
Income tax payable		3,251,977	26,732,814
Total Current Liabilities		204,327,767	309,551,149

(Forward)

Noncurrent Liabilities

Noncurrent portion of:

Notes payable	12	58,359,013	75,269,897
Mortgage payable	13	1,453,406	2,348,845
Lease liabilities	22	82,425,438	92,241,490
Retirement benefits liability	15	5,407,430	5,407,430
Total Noncurrent Liabilities		147,645,288	175,267,662
Total Liabilities		351,973,054	484,818,811

Equity

Capital stock	16	213,368,000	213,368,000
Additional paid-in capital	16	777,837,044	777,837,044
Retained earnings		251,236,559	266,111,391
Other equity reserves		54,442,582	55,192,582
Other comprehensive loss	-	914,455	914,455.00
Total Equity		1,295,969,730	1,311,594,562
		₱ 1,647,942,784	₱ 1,796,413,373

(See accompanying Notes to Consolidated Financial Statements)

FRUITAS HOLDINGS, INC.
(A Subsidiary of LUSH PROPERTIES, INC.)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	For the Quarter Ended June 2020 (Unaudited)	For the Quarter Ended June 2019 (Unaudited)	For the six months ended June 2020 (Unaudited)	For the six months ended June 2019 (Audited)
REVENUE	17	₱ 87,910,095	₱ 518,257,648	₱ 462,054,113	₱ 941,188,340
DIRECT COST	18	(35,911,796)	(214,420,136)	(185,742,518)	(392,154,040)
GROSS PROFIT		51,998,299	303,837,512	276,311,595	549,034,300
SELLING AND DISTRIBUTION EXPENSES	19	(69,559,413)	(216,426,455)	(226,067,879)	(390,820,929)
GENERAL AND ADMINISTRATIVE EXPENSES	20	(32,849,225)	(19,563,804)	(77,715,841)	(69,182,505)
INTEREST EXPENSE	22	(4,468,279)	(11,295,703)	(9,301,053)	(19,899,678)
OTHER INCOME-net	21	11,214,124	1,493,646	13,905,704	5,078,918
INCOME/ (LOSS) BEFORE INCOME TAX		(43,664,494)	58,045,196	(22,867,475)	74,210,106
PROVISION FOR INCOME TAX					
Current		136,157	8,334,572	3,744,020	14,186,694
Deferred		(16,362,667)	8,049,294	(14,266,267)	8,049,294
NET INCOME/ (LOSS)		(27,437,984)	41,661,330	(12,345,227)	51,974,118
OTHER COMPREHENSIVE LOSS					
Item not to be reclassified to profit or loss		-	-	-	-
Actuarial loss on retirement benefits liability (net of deferred income tax)		-	-	-	-
TOTAL COMPREHENSIVE INCOME/ (LOSS)		₱ (27,437,984)	₱ 41,661,330	₱ (12,345,227)	₱ 51,974,118
NET INCOME ATTRIBUTABLE:					
Equity holders of the Parent Company		-	-	-	-
Non-controlling interests		-	-	-	-
		₱ (27,437,984)	₱ 41,661,330	₱ (12,345,227)	₱ 51,974,118
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Equity holders of the Parent Company		-	-	-	-
Non-controlling interests		-	-	-	-
		(27,437,984)	41,661,330	(12,345,227)	51,974,118

(See accompanying Notes to Consolidated Financial Statements)

FRUITAS HOLDINGS, INC.
(A Subsidiary of LUSH PROPERTIES, INC.)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Notes	As of June 2020 (Unaudited)	As of June 2019 (Audited)
EQUITY ATTRIBUTABLE TO EQUITY			
HOLDERS OF THE PARENT COMPANY			
Capital Stock			
Issued			
Balance at beginning of year	16	₱ 213,368,000	₱ 160,000,000
Issuances		-	
Effect of stock split			
Balance at end of year		213,368,000	160,000,000
Additional Paid-in Capital	16	₱ 777,837,044	₱
Retained Earnings			
Balance at beginning of year, as previously reported		266,111,391	152,147,292
Gain from bargain purchase			6,436,907
Balance at beginning of year		266,111,391	158,584,199
Net Income/ (Loss)		(12,345,227)	51,974,118
balance of R/E of acquired entity		(2,529,606)	-
Cash dividends		-	(14,000,000)
Balance at end of year		251,236,558	196,558,317
Other Equity Reserves			
Balance at beginning of year		55,192,582	55,192,582
Excess value over cost of investments		(750,000)	-
Balance at end of year		54,442,582	55,192,582
Other Comprehensive Loss			
<i>Not to be reclassified to profit or loss when realized</i>			
		(914,455)	(46,288)
Balance at beginning of year			
Remeasurement adjustments on net retirement benefits liability, net of deferred tax			
		(914,455)	(46,288)
		₱ 1,295,969,729	₱ 411,704,611

(See accompanying Notes to Consolidated Financial Statements)

FRUITAS HOLDINGS, INC.
(A Subsidiary of LUSH PROPERTIES, INC.)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	As of June 30, 2020 (Unaudited)	As of June 2019 (Audited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		₱ (22,867,475)	₱ 74,210,106
Adjustments for:			
Depreciation and amortization	9	59,172,011	47,474,170
Interest expense		9,301,053	19,899,678
Retirement benefits expense		-	482,773
Interest income	21	(3,604,737)	(241,251)
Unrealized foreign exchange loss		-	907,752
Gain from bargain purchase			-
Income on market investments		(8,600,000)	-
Operating income before working capital changes		33,400,852	142,733,228
Decrease (increase) in:			
Trade and other receivables	6	(16,892,801)	(17,051,434)
Merchandise inventories	7	10,680,487	8,398,559
Deposits and advance rentals		(26,730,651)	(3,359,120)
Other current assets	8	969,284	(31,965,996)
Unamortized input VAT		-	155,178
Financial assets carried at FVPL		-	-
Increase in trade and other payables	11	(64,579,973)	(8,421,950)
Net cash generated from operations		(63,152,803)	90,488,465
Income taxes paid		(34,349,278)	(34,021,100)
Interest paid		(9,301,053)	(19,899,678)
Interest received		3,604,737	241,251
Net cash flows from operating activities		₱ (103,198,397)	₱ 36,808,938
CASH FLOWS FROM INVESTING ACTIVITIES			
Advances to related parties	14	(1,550,000)	(316,836,700)
Collections of due from related parties		96,839	250,085,000
Acquisitions of:			
Property and equipment	9	(24,401,398)	(43,165,500)
Intangible assets	10	(8,292,707)	-
Income on market investments	21	8,600,000	-
Net cash flows from investing activities		₱ (25,547,266)	₱ (109,917,200)

(Forward)

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from:

Issuance of shares, net of share issue costs		-	
Issuance of promissory notes		-	198,916,000
Availment of mortgage loan		-	500,000
Stock subscription		-	

Payments of:

Notes payable	12	(31,568,775)	(100,949,000)
Due to related parties		4,233,374	32,122,936
Cash dividends		-	(59,500,000)
Lease liabilities	22	(11,504,748)	(9,735,400)
Mortgage payable	13	(1,047,603)	(1,252,000)
Advances from related parties	14	(4,897,195)	(42,332,900)
Proceeds from sale of shares held by subsidiaries		-	
Collections of subscriptions receivable		-	-
Net cash flows from financing activities		₱ (44,784,947)	₱ 17,769,636

EFFECT OF EXCHANGE RATE CHANGES ON CASH
AND CASH EQUIVALENTS

- (907,752)

NET INCREASE (DECREASE) IN CASH AND CASH
EQUIVALENTS

(173,530,610) (56,246,378)

CASH AND CASH EQUIVALENTS AT BEGINNING
OF YEAR

853,266,354 260,497,779

CASH AND CASH EQUIVALENTS AT END OF
YEAR

₱ 679,735,744 ₱ 204,251,401

(See accompanying Notes to Consolidated Financial Statements)

FRUITAS HOLDINGS, INC.
(A Subsidiary of LUSH PROPERTIES, INC.)
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

FRUITAS HOLDINGS, INC. (herein referred to as FHI or the “Parent Company”) and its subsidiaries, collectively referred to as the “Group”, were incorporated in the Philippines [except for Green Empire International Limited (GEIL) and Oceanic Luck Limited (OLL)] and registered with the Securities and Exchange Commission (SEC) on the following dates:

<u>Name of Companies</u>	<u>Date of Incorporation</u>
Parent Company	February 18, 2015
Subsidiaries with direct ownership:	
Negril Trading, Inc. (<i>doing business under the name and style of De Original Jamaican Pattie Shop & Juice Bar</i>) (NTI)	June 20, 1990
Buko ni Fruitas Inc. (BNFI)	May 17, 2005
Fruitasgroup Incorporated (<i>doing business under the name and style of Buko Loco, Fruitas Ice Candy and 7,107 Halo Halo Islands</i>) (FGI)	July 13, 2010
Soykingdom Inc.	August 28, 2006
Cocodelivery Incorporated	
Subsidiaries with indirect ownership:	
Green Empire International Limited (GEIL)*	May 10, 2017
Oceanic Luck Limited (OLL)**	April 25, 2016
*ownership through FGI	
**ownership through GEIL	

The Parent Company is engaged in investment activities.

The principal activities and percentage of ownership of the Parent Company’s subsidiaries as at June 30, 2020 are presented below.

<u>Subsidiaries</u>	<u>Principal Activities</u>	<u>Principal Place of Business</u>	<u>Percentage of Ownership</u>
Direct:			
NTI	Production, processing and distribution of goods	Quezon City	100%
BNFI	Trading of goods	Quezon City	100%
FGI	Trading of goods	Quezon City	100%
SKI	Trading of soy products	Manila City	100%
CDI	Trading and delivery of goods	Quezon City	100%
Indirect:			
GEIL	Holding company	British Virgin Islands	100%
OLL	Holding company	Samoa Islands	100%

Amendments to the Articles of Incorporation (AOI)

In February 2018, the SEC approved the following amendments to the AOI:

- of the seven (7) directors, at least three (3) should be independent; and
- that the authorized capital stock amounting to ₱500.0 million of FHI shall be divided into (a) 3,000,000,000 preferred shares at one centavo (₱0.01) par value a share; and (b) 4,700,000,000 common shares at ten centavos (₱0.10) par value a share. Accordingly, total authorized number of shares is 7,700,000,000 common and preferred shares (see Note 16)

In November 2017, the Parent Company received cash subscriptions aggregating ₱15.0 million from individual and corporate stockholders.

In October 2017, the SEC approved the following amendments to the Parent Company's AOI, among others:

- change in the Parent Company's name from "THE LUSH COMPANY, INC." to "FRUITAS HOLDINGS, INC.";
- 1:10 stock split resulting to a decrease in par value from ₱1.00 to ₱0.10 a share and increasing the authorized capital stock from 500.0 million to 5.0 billion shares (see Note 16).

Changes in Ownership Structure

FHI. The Parent Company is 58.98% owned by LUSH PROPERTIES, INC. (LPI), a company incorporated and domiciled in the Philippines and engaged in leasing/real estate activities.

NTI. In December 2019, NTI acquired the assets of *Heat Stroke Grill* from a sole proprietor for a total consideration of ₱368,000 (see Note 4).

In July 2018, NTI acquired the assets and the brand name *Sabroso Lechon* from Sabroso Lechon Inc. (SLI). The acquisition was completed following the fulfillment of the closing conditions of the Contract to Sell and the Deed of Assignment of the registered trademark and the payment of the related consideration amounting to ₱28.3 million (see Note 4).

In October 2017, FHI acquired 2,152 shares of NTI from the remaining individual stockholders for ₱470,200 to increase FHI's ownership interest to 100% (see Note 4). On the same date, FHI also subscribed to additional 436,625 shares of NTI at ₱255.00 per share equivalent to ₱111.3 million.

BNFI. In December 2019, the Parent Company subscribed to additional 60,000 shares at ₱300.00 for a total consideration of ₱18.0 million.

In October 2017, FHI acquired 13,494 shares of BNFI from the remaining individual stockholders for ₱4.0 million to increase FHI's ownership interest to 100% (see Note 4). On the same date, FHI also subscribed to additional 331,500 shares of BNFI at ₱355.00 a share equivalent to ₱117.7 million.

FGI. In November 2019, the Parent Company subscribed to additional 200,000 common shares and 80,000 preferred shares of FGI at ₱400.00 and ₱1,000.00 per share, respectively, for a total consideration of ₱160.0 million.

In October 2017, FHI acquired 124,992 shares of FGI from the remaining individual stockholders for ₱12.7 million to increase FHI's equity interest in FGI to 100% (see Note 4). Subsequently, FHI also subscribed to additional 400,000 shares of FGI at par and paid ₱82.0 million. The increase in authorized capital stock of FGI was approved by the SEC on December 13, 2019.

In August 2017, FGI subscribed to 1 share of GEIL for US\$1. In December 2017, FGI subscribed to additional 40,000 shares for US\$4.0 million (equivalent to ₱200.2 million) at US\$100 a share equivalent to 100% equity interest. GEIL then acquired 100% of OLL. OLL holds the intellectual property rights to certain brands including *Fruitas, The Mango Farm, Shou, Black Pearl, Friends Fries* and *Juice Avenue*. GEIL was incorporated and domiciled in the British Virgin Islands. OLL was incorporated and domiciled in the Samoan Islands.

SKI and CDI- During 1st quarter of 2020 FHI acquired the outstanding shares of CDI from its former stockholder the following month CDI shares was also purchased.

On November 29, 2019, the common shares of the Parent Company were listed and traded in the PSE through an IPO under the trading name "FRUIT".

2. Summary of Significant Accounting and Reporting Policies

The significant accounting policies used in the presentation of the consolidated financial statements have been consistently applied to all the years presented, unless otherwise stated.

Basis of Preparation and Statement of Compliance

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial Reporting Standards Council and adopted by the SEC, including SEC pronouncements. This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations on International Financial Reporting Interpretations Committee (IFRIC).

Bases of Measurement

The consolidated financial statements of the Group have been prepared on a historical cost basis; and are presented in Philippine Peso (Peso), the Group's functional currency. All amounts are rounded to the nearest Peso, unless otherwise indicated.

Historical cost is generally based on the fair value of the consideration given in exchange for an asset and the fair value of the consideration received in exchange for incurring a liability.

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 Group uses observable market data to the extent possible when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

- 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.

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Adoption of New and Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new and amended standards and Interpretations which the Group adopted effective January 1, 2019:

PFRS 16, *Leases* – PFRS 16 replaced PAS 17, *Leases*, IFRIC 4, *Determining whether an Arrangement contains a Lease*, SIC-15, *Operating Leases-Incentives*, and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases (i.e., leases with a lease term of 12 months or less).

At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term [i.e., ROU asset]. Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the ROU asset.

Lessees will also be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the ROU asset.

Lessor accounting under PFRS 16 is substantially unchanged from accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

The Group generally leases spaces for the retail establishments for a term ranging from six months to 24 months from various entities. These are renewable upon mutual agreement of the parties and do not contain any purchase options. These retail establishments include kiosks, carts and inline food stalls. The Group has assessed that at commencement date, it is not reasonably certain to exercise the extension option on the lease of the kiosks and carts because these are movable improvements and can be relocated any time without undue costs, and the renewal option will be exercised after a complete evaluation of the financial performance of an outlet or a store. Accordingly, the Group availed of the recognition exemption for short-term leases and the related lease expenses are recognized in the profit or loss on a straight-line basis.

For the Group's outlets with permanent and significant improvement and other non-cancellable operating lease commitments, the Group recognized ROU assets and lease liabilities. These liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at January 1, 2019. The incremental borrowing rate applied to the lease liabilities ranges from 10.87% to 11.00%, depending on the lease term. ROU assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments.

Based on the Group's lease agreements, lease payments include fixed payments which are subject to yearly escalation and variable lease payments based on a certain percentage of revenue. The Group assessed that variable lease payments that are linked to the Group's future performance are excluded from the definition of lease payments. Consequently, no lease liability is recognized for those variable lease payments. These are recognized in profit or loss when the event or condition that triggers the payments occurs or when the Group generates revenue.

The Group has adopted PFRS 16 using the modified retrospective method, which requires that the cumulative effect of applying the new standard is recognized at the beginning of the year of initial application. Accordingly, the comparative information presented for 2018 and 2017 have not been restated.

As at December 31, 2018, the Group's operating lease commitments are reconciled to the recognized lease liabilities as at January 1, 2019 as follows:

Operating lease commitments as at December 31, 2018	₱146,626,693
<u>Discount using incremental borrowing rate</u>	<u>(33,199,973)</u>
Lease liabilities as at January 1, 2019	<u>₱113,426,720</u>

The following table summarizes the ROU assets and lease liabilities recognized as at January 1, 2019:

Outlets spaces	₱46,459,204
<u>Land and building</u>	<u>66,967,516</u>
Total ROU assets	<u>₱113,426,720</u>
Current portion of lease liabilities	₱46,459,204
<u>Noncurrent portion of lease liabilities</u>	<u>66,967,516</u>
Total lease liabilities	<u>₱113,426,720</u>

Philippine Interpretation on IFRIC 23, *Uncertainty Over Income Tax Treatments* – The interpretation provides guidance on how to reflect the effects of uncertainty in accounting for income taxes under PAS 12, *Income Taxes*, in particular (i) matters to be considered in accounting for uncertain tax treatments separately, (ii) assumptions for taxation authorities' examinations, (iii) determinants of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and (iv) effect of changes in facts and circumstances.

Amendments to PFRS 9, *Financial Instruments - Prepayment Features with Negative Compensation* – The amendments clarify that a financial asset passes the “solely payments of principal and interest” criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. Consequently, financial assets with termination provisions can now be measured at amortized cost (or, depending on the business model, at fair value through other comprehensive income).

- Amendments to PAS 19, *Employee Benefits - Plan Amendment, Curtailment or Settlement* – The amendments specify how companies remeasure a defined benefit plan when a change - an amendment, curtailment or settlement - to a plan takes place during a reporting period. It requires entities to use the updated assumptions from this remeasurement to determine current service cost and net interest cost for the remainder of the reporting period after the change to the plan.
- Annual Improvements to PFRS 2015 to 2017 Cycle:
 - Amendments to PFRS 3, *Business Combinations* and PFRS 11, *Joint Arrangements - Previously Held Interest in a Joint Operation* – The amendments to PFRS 3, *Business Combinations*, clarify that when an entity obtains control of a business that is a joint operation, the acquirer applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the joint operation at its acquisition-date fair value. The amendment to PFRS 11, *Joint Arrangements*, clarifies that when an entity obtains joint control of a business that is a joint operation, the previously held interests in that business are not remeasured.
 - Amendments to PAS 12 - *Income Tax Consequences of Payments on Financial Instruments Classified as Equity* – The amendments require entities to recognize the income tax consequences of dividends as defined in PFRS 9 when the liability to pay dividends are recognized. The income tax consequences of dividends are recognized either in profit or loss, other comprehensive income or equity, consistently with the transactions that generated the distributable profits. This requirement applies to all income tax consequences of dividends, such as withholding taxes.

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS did not have any material effect on the consolidated financial statements of the Group except for PFRS 16. Additional disclosures were included in the consolidated financial statements, as applicable.

Amended PFRS Issued But Not Yet Effective

Relevant amended PFRS, which are not yet effective as at December 31, 2019 and have not been applied in preparing the consolidated financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2020:

- Amendments to References to the Conceptual Framework in PFRS – The amendments include a new chapter on measurement, guidance on reporting financial performance, improved definitions and guidance-in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurements uncertainty in financial reporting. The amendments should be applied retrospectively unless retrospective application would be impracticable or involve undue cost or effort.
- Amendments to PFRS 3 - *Definition of a Business* – This amendment provides a new definition of a “business” which emphasizes that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. To be considered a business, ‘an integrated set of activities and assets’ must now include ‘an input and a substantive process that together significantly contribute to the ability to create an output’.

The distinction is important because an acquirer may recognize goodwill (or a bargain purchase) when acquiring a business but not a group of assets. An optional simplified assessment (the concentration test) has been introduced to help companies determine whether an acquisition is of a business or group of assets.

Amendments to PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material* – The amendments clarify the definition of “material” and how it should be applied by companies in making materiality judgments. The amendments ensure that the new definition is consistent across all PFRS. Based on the new definition, information is “material” if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

Deferred effectivity -

Amendment to PFRS 10, *Consolidated Financial Statements* and PAS 28 - *Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* – The amendments address a conflicting provision under the two standards. It clarifies that a gain or loss shall be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

Under prevailing circumstances, the adoption of the foregoing amended PFRS is not expected to have any material effect on the consolidated financial statements of the Group. Additional disclosures will be included in the consolidated financial statements as necessary.

Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and its subsidiaries.

Subsidiaries

A subsidiary is an entity that is controlled by the Parent Company. A subsidiary is consolidated from the date when control is transferred to the Parent Company directly or through a holding company. Control is achieved when the Parent Company is exposed or has rights to variable returns from its investment with the investee and has the ability to affect those returns through its power over the investee. A subsidiary is deconsolidated from the date when control ceases.

The separate financial statements of the subsidiaries are prepared for the same reporting year as that of the Parent Company using uniform accounting policies. Significant intercompany transactions and balances, including intercompany profits, dividends and unrealized profits and losses, are eliminated in full.

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

If the Parent Company loses control over a subsidiary, the Group: (a) derecognizes the assets and liabilities of the subsidiary; (b) derecognizes the carrying amounts of any non-controlling interest; (c) derecognizes the cumulative translation differences recorded in equity; (d) recognizes the fair value of consideration received; (e) recognizes the fair value of any investment retained;

(f) recognizes any surplus or deficit in profit or loss; and (g) reclassifies the Parent Company's share of components previously recognized in other comprehensive income in relation to that subsidiary on same basis as would be required if the Parent Company had directly disposed of the related assets and liabilities.

Non-controlling Interests

Non-controlling interests represent the equity interest of the subsidiaries not owned, directly or indirectly, by the Parent Company. The non-controlling interests share in the losses of a subsidiary even if that results in a deficit balance.

Business Combination

Business combination is accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. Acquisition-related costs incurred are expensed and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date, including the separation of embedded derivatives in host contracts by the acquiree, if any.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PFRS 9 either in the consolidated statement of comprehensive income or as a change to other comprehensive income. If the contingent consideration is not within the scope of PFRS 9, it is measured in accordance with appropriate PFRS. Contingent consideration that is classified as equity is not remeasured until it is finally settled and accounted for within equity.

If necessary information, such as the fair value of assets and liabilities acquired, is not available by the end of the reporting period in which the business combination occurs, provisional amounts are used for a period not exceeding one year from the date of acquisition or the measurement period. During this period, provisional amounts recognized for a business combination may be retrospectively adjusted if relevant information has been obtained or becomes available.

The Group also considers whether the acquisition represents an acquisition of a business or a group of assets. The Group accounts for an acquisition as a business if it acquires an integrated set of business processes in addition to the group of assets acquired.

A gain from bargain purchase is generated when the fair value of the net assets acquired by the Group exceeds the acquisition price, and is recognized in the consolidated statement of comprehensive income in the year of acquisition.

Business combination arising from transfers of interest involving entities under common control is accounted for using book values. Any difference between the purchase price and the net assets of acquired entity is presented separately within equity on consolidation. Any non-controlling interest is measured as a proportionate share of the book values of the related assets and liabilities. The acquiree's assets and liabilities are recognized at book values and results of operations are included in the consolidated financial statements as if the acquisition has occurred at the beginning of the latest comparative period.

Financial Assets and Liabilities

Recognition and Measurement

Date of Recognition. The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial Recognition and Measurement. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at FVPL, includes transaction cost.

“Day 1” Difference. Where the transaction in a non-active market is different from the fair value of other observable current market transactions in 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” difference) in profit or loss. In cases where there is no observable data on inception, the Group deems the transaction price as the best estimate of fair value and recognizes “Day 1” difference 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” difference.

Classification

The Group classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at fair value through other comprehensive income (FVOCI). Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Group’s business model and its contractual cash flow characteristics.

As at June 30, 2020 and December 31, 2019, the Group has no financial instruments classified as financial assets at FVPL and FVOCI and financial liabilities at FVPL.

Financial Assets at Amortized Cost. Financial assets shall be measured at amortized cost if both of the following conditions are met:

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

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

As at June 30, 2020 and December 31, 2019, the Group's cash and cash equivalents, trade and other receivables, due from related parties and construction bond (presented under "Other current assets") are classified under this category.

Cash equivalents are short-term, highly liquid investment that is readily convertible to known amounts of cash with original maturities of three months or less from dates of placement and which is subject to an insignificant risk of change in value.

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

As at June 30, 2020 and December 31, 2019, the Group's trade and other payables (except statutory payable), notes payable, mortgage payable, lease liabilities, due to related parties and dividends payable are classified under this category.

Reclassification

The Group reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in other comprehensive income.

Impairment

The Group records an allowance for ECL based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

Trade and Other Receivables. For trade and other receivables, the Group has applied the simplified approach in measuring ECL.

Simplified approach requires that ECL should always be based on the lifetime ECL. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Other Financial Assets at Amortized Cost. For these debt instruments, the Group has applied the general approach in measuring ECL.

Under the general approach, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

Derecognition

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 right to receive cash flows from the asset has expired;
- the Group retains the right to receive cash flows from the financial 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 right to receive cash flows from the financial 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 right to receive cash flows from a financial asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Group’s continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial 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, and the difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Group could raise debt with similar terms and conditions in the market. The difference between the carrying amount of the original liability and fair value of the new liability is recognized in the consolidated statement of comprehensive income.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

Offsetting

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 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.

Classification of Financial Instrument between Liability and Equity

A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Merchandise Inventories

Merchandise inventories are carried at the lower of cost and net realizable value (NRV). The NRV of merchandise inventories is the estimated selling price in the ordinary course of business, less the estimated costs of completion and costs necessary to make the sale. Cost is determined using first-in, first-out method.

At each reporting date, merchandise inventories are assessed for impairment. If merchandise inventories is impaired, the carrying amount is reduced to its NRV. Impairment loss is recognized immediately in profit or loss.

When merchandise inventories are sold, the carrying amount of those merchandise inventories is recognized to profit or loss in the year when the related revenue is recognized.

Deposits and Advance Rentals

Deposits and advance rentals represent payments for security, utilities and other deposits made in relation to the lease agreements entered into by the Group. These are carried at face amounts and will generally be applied as lease payments toward the end of the lease terms.

Other Current Assets

Prepayments. Prepayments are expenses paid in advance and recorded as assets before these are utilized. Prepayments are apportioned over the period covered by the payment and included in profit or loss when incurred. Prepayments that are expected to be realized for no more than 12 months after the financial reporting period are classified as current assets. Otherwise, these are classified as noncurrent assets.

Advances to Officers and Employees. Advances to officers and employees pertain to advances made by the Group to officers and employees to fund for working capital expenditures. These are subject to liquidation and are measured at transaction price less impairment in value, if any. These are charged to appropriate asset or expense account upon liquidation.

Creditable Input VAT. Revenue, expenses and assets are generally recognized net of the amount of VAT. This is measured at face amount less impairment in value, if any. The net amount of VAT recoverable from or payable to the taxation authority is presented as "Creditable input VAT" or "Output VAT" presented part of "Statutory payable" under "Trade and other payables" in the consolidated statement of financial position.

Deferred Input VAT. Deferred input VAT represents amount of input VAT on accruals and trade payables. Deferred input VAT that is expected to be realized within 12 months after the financial reporting period is classified as current. Otherwise, it is classified as noncurrent asset.

Unamortized Input VAT. In accordance with the Revenue Regulations (RR) No. 16-2005, input VAT on purchases or imports of the Group of capital goods (depreciable assets for income tax purposes) with an aggregate acquisition cost (exclusive of VAT) in each of the calendar month exceeding ₱1.0 million is claimed as credit against output VAT over 60 months or the estimated useful lives of capital goods, whichever is shorter.

Unamortized input VAT on capital goods is classified as current asset if it is expected to be claimed against output VAT no more than 12 months after the reporting date. Otherwise, it is classified as noncurrent asset.

Advances to Suppliers. Advances to suppliers are recognized whenever the Group pays in advance for its purchase of goods and supplies. The advances to suppliers are measured at transaction price less impairment in value, if any. These are charged to appropriate asset or expense account upon receipt from suppliers.

Creditable Withholding Taxes (CWTs). CWTs are deducted from income tax payable in the same year the revenue was recognized and are carried forward to the succeeding year when in excess of income tax payable. CWTs are stated at face amount less impairment in value, if any.

Property and Equipment

Property and equipment, except land and construction-in-progress (CIP), are stated at cost less accumulated depreciation and amortization and any impairment in value. Land is stated at cost less impairment in value, if any.

Cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to operations 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 property and equipment.

CIP represents warehouse under construction and is stated at cost. Cost includes costs of construction, labor and other direct costs. CIP is not depreciated until such time that the relevant assets are ready for use. This will be recognized as warehouse upon completion of the construction.

Depreciation and amortization are calculated on a straight-line basis over the following estimated useful lives of the property and equipment:

<u>Asset Type</u>	<u>Number of Years</u>
Leasehold improvements	3 years or term of lease, whichever is shorter
Transportation equipment	5-10
Office furniture, fixtures and equipment	2-5
Store furniture, fixtures and equipment	2-5

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits for the use of property and equipment.

Fully depreciated and amortized assets are retained in the accounts until these are no longer in use.

When property and equipment are sold or retired, their cost, accumulated depreciation and amortization and any allowance for impairment in value are eliminated and any resulting gain or loss is included in profit or loss.

Intangible Assets

Intangible assets are identifiable non-monetary assets of the Group without physical substance held for use in operations, the production of goods or services and for rental to others. This account includes the following:

Brand Names. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. Subsequently, intangible asset is carried at cost less any accumulated impairment losses.

The Group assessed the useful life of brand names to be indefinite. Based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate cash inflows for the Group.

Brand names with indefinite useful lives are tested for impairment annually, either individually or at the cash-generating unit level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

The Relief-from-Royalty method was used in the valuation of the brands. Under this method, the value of an intangible asset is determined by reference to the value of the hypothetical royalty payments that would be saved through owning the asset, as compared with licensing the intangible asset from a third party. The hypothetical royalty payments over the life of the intangible asset are adjusted for tax and discounted to present value at the valuation date. Conceptually, the method may also be viewed as a discounted cash flow method applied the cash flow that the owner of the intangible asset could receive through licensing the intangible asset to third parties.

Software License. Software license is measured initially at cost, which is the amount of the purchase consideration. Following initial recognition, software license is carried at cost less accumulated amortization and any accumulated impairment losses. The Group's software license has a term of five years and is amortized over such period using the straight-line method.

The useful life and amortization method for software license are reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the software is accounted for by changing the useful life and amortization method, as appropriate, and treated as a change in accounting estimates. The amortization expense on software is recognized in the profit or loss.

Gains or losses arising from the disposal of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Impairment of Nonfinancial Assets

The carrying amounts of nonfinancial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Brand names with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. When the carrying amounts exceed the estimated recoverable amounts, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of the fair value less cost to sell or value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an orderly transaction between market participants less the cost of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax 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 cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. In such instance, the carrying amount of the asset is increased to its recoverable amount. However, that 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 in profit or loss. After such reversal, the depreciation and amortization charges are adjusted in future years to allocate the asset's revised carrying amount, on a systematic basis over its remaining useful life.

Operating Segments

The Group operates using different brand names on which operating results are regularly monitored by the chief operating decision-maker (CODM) for the purpose of making decisions regarding resource allocation and performance assessment. The CODM has been identified as the Chief Executive Officer of the Group. However, as permitted by PFRS 8, *Operating Segments*, the Group has aggregated these segments into a single operating segment to which it derives its revenues and incurs expenses as these segments have the same economic characteristics and are similar in the following respects:

- the nature of products and services;
- the nature of production processes;
- the type or class of customer for the products and services; and
- the methods used to distribute their products and services.

Equity

Common Stock. Common stock represents the par value of issued common shares. Unpaid subscriptions are recognized as a reduction from subscribed capital.

Preferred Stock. Preferred shares are voting, cumulative, nonparticipating and nonconvertible and nonredeemable.

Additional Paid-in Capital. Additional paid-in capital represents the excess of proceeds or fair value of consideration received over par value.

Retained Earnings. Retained earnings represent the cumulative balance of net income, net of any dividend declaration.

Dividend Distribution. Dividends are recognized as a liability and deducted from equity when declared by the BOD and the shareholders of the Group. Dividends for the year that are declared after the reporting date are dealt with as an event after the reporting date.

Other Equity Reserves. Other equity reserves consist of the difference between the equity of the subsidiaries attributable to the Parent Company's interest and the purchase price.

Other Comprehensive Loss. This pertains to the accumulated remeasurement gain or loss on the Group's retirement benefits liability arising from experience adjustments and changes in financial assumptions. Remeasurements of retirement benefits liability, and the corresponding deferred tax component, are recognized immediately in other comprehensive loss and are included in equity. These are not reclassified to profit or loss in subsequent periods.

Shares Held by Subsidiaries. Shares of the Parent Company held by subsidiaries are treated as treasury shares. These are recognized at cost and deducted from equity. No gain or loss is recognized in the Parent Company's consolidated statement of comprehensive income on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments. When the shares are retired, the capital account is reduced by its par value and the excess of cost over par value upon retirement is debited to APIC, to the extent of the specific or average APIC when the shares were issued, and to retained earnings for the remaining balance. Voting rights related to treasury shares are nullified for the Parent Company and no dividends are allocated to them.

EPS Attributable to the Equity Holders of the Parent Company

Basic EPS is calculated by dividing the net income attributable to equity holders of the Parent Company by the weighted average number of common shares outstanding during the year, with retroactive adjustments for any stock dividends declared and stock split.

Diluted EPS is computed by adjusting the weighted average number of common shares outstanding to assume conversion of all the dilutive potential common shares into common shares.

The Parent Company has no dilutive potential common shares.

Revenue Recognition

Revenue

The Group generates revenue primarily from sale of goods and franchise fees.

Revenue from Contracts with Customers. Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Group performs its obligations; (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Group also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Group has assessed that it acts as a principal in all of its revenue sources.

The following specific recognition criteria must also be met before revenue is recognized.

Net Sales. Revenue is recognized, net of sales discounts, at a point in time when the control over the goods has transferred to the customers, which is normally upon delivery to and acceptance of the goods by the buyer.

Franchise Fees. Revenue from franchisees includes continuing royalty and initial franchise fees. Royalty fees are recognized in the period earned. Initial franchise fees are recognized upon opening of a store when the Group has performed substantially all of the performance obligations required under the franchise agreement.

Other Income

Rental Income. Rental income is recognized on a straight-line basis over the lease term.

Interest Income. Interest income is recognized as it accrues, net of final tax, using the effective interest method.

Other Income. Income from other sources is recognized when earned during the period.

Contract Balances

Receivables. A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract Assets. A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays a consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

As at June 30, 2020 and December 31, 2019, the Group does not have outstanding contract assets.

Contract Liabilities. A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays a consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made by the customer or when the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract. Contract liabilities also include payments received by the Group from the customers for which revenue recognition has not yet commenced and payments in excess of revenue recognized based on percentage of completion.

As at June 30, 2020 and December 31, 2019, the Group does not have outstanding contract liabilities.

Cost to Obtain a Contract. The incremental costs of obtaining a contract with a customer are recognized as an asset if the Group expects to recover them. Otherwise, these are treated as expense.

Contract Fulfillment Asset. Contract fulfillment costs are divided into: (i) costs that give rise to an asset; and (ii) costs that are expensed as incurred. When determining the appropriate accounting treatment for such costs, the Group first considers any other applicable standards. If those standards preclude capitalization of a particular cost, then an asset is not recognized under PFRS 15,

Revenue from Contracts with Customers. If other standards are not applicable to contract fulfillment costs, the Group applies the following criteria which, if met, result in capitalization: (i) the costs directly relate to a contract or to a specifically identifiable anticipated contract; (ii) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (iii) the costs are expected to be recovered. The assessment of these criteria requires the application of judgment, in particular when considering if costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recoverable.

As at June 30, 2020 and December 31, 2019, the Group does not have contract fulfillment assets.

Cost and Expense Recognition

Costs and expenses are recognized in profit or loss when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Direct Costs. Direct costs are costs directly related to the production and sale of goods and are recognized as expense when the related goods are sold or the related services are rendered.

Selling and Distribution Expenses. Selling and distribution expenses constitute costs of selling and distribution of the goods to customers that are not qualified as cost of sales. These are recognized in profit or loss in the period when these are incurred.

General and Administrative Expenses General and administrative expenses constitute costs of administering the business. These are recognized in profit or loss in the period when these are incurred.

Interest Expense. Interest expense includes interest expense and other finance costs. This is recognized in profit or loss using the effective interest method.

Retirement Benefits

The Group has an unfunded, noncontributory defined benefit plan covering all qualified employees. The retirement benefits cost is determined using the projected unit credit method, which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The Group recognizes current service costs and interest expense on the retirement benefits liability in profit or loss.

The Group determines the interest expense on retirement benefits liability by applying the discount rate to the retirement benefits liability at the beginning of the year, taking into account any changes in the liability during the period as a result of benefit payments.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding interest cost on defined benefits liability) are recognized immediately in consolidated OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

The retirement benefits liability recognized by the Group is the present value of the defined benefits obligation. This is determined by discounting the estimated future cash outflows using risk-free interest rates of government bonds that have terms to maturity approximating the terms of the related retirement benefits liability.

Actuarial valuations are made with sufficient regularity that the amounts recognized in the consolidated financial statements do not differ materially from the amounts that would be determined at the reporting date.

Leases

a. Accounting policies prior to January 1, 2019

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Leases where the lessor transfers substantially all the risks and rewards of ownership of the asset are classified as finance leases, otherwise, operating leases.

At the commencement of the lease, finance leases should be recorded as an asset and a liability at the lower of the fair value of the asset and the present value of the minimum lease payments. Lease payments should be apportioned between the interest expense and the reduction of the outstanding liability.

The depreciation policy for assets held under finance leases should be consistent with that for owned assets. If there is no reasonable certainty that the lessee will obtain ownership at the end of the lease, the asset should be depreciated over the shorter of the lease term or the life of the asset.

The Group as a Lessee. Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

The Group as a Lessor. Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which these are earned.

b. Accounting policies beginning January 1, 2019

The Group assesses whether the contracts is, or contains, a lease. To assess whether a contract conveys the right to control the use of an identified assets for a period of time, the Group assesses whether, throughout the period of use, it has both of the following:

- i. the right to obtain substantially all of the economic benefits from the use of the identified asset; and
- ii. the right to direct the use of the identified asset.

If the Group has the right to control the use of an identified asset for only a portion of the term of the contract, the contract contains a lease for that portion of the term.

The Group also assesses whether a contract contains a lease for each potential separate lease component.

The Group as a Lessee. At the commencement date, the Group recognizes ROU assets and lease liabilities for all leases, except for leases with lease terms of 12 months or less (short-term leases) and leases for which the underlying asset is of low value in which case the lease payments associated with those leases are recognized as an expense on a straight-line basis.

ROU Assets. At commencement date, the Group measures ROU assets at cost. The cost comprises:

- i. the amount of the initial measurement of lease liabilities;
- ii. any lease payments made at or before the commencement date less any lease incentives received;
- iii. any initial direct costs; and
- iv. an estimation of costs to be incurred by the Group in dismantling and removing the underlying asset, when applicable.

The ROU assets are recognized at the present value of the liability at the commencement date of the lease, adding any directly attributable costs. After the commencement date, the ROU assets are carried at cost less any accumulated amortization and accumulated impairment losses, and adjusted for any remeasurement of the related lease liabilities. The ROU assets are amortized over the shorter of the lease terms or the useful lives of the underlying assets ranging from three to ten years.

Lease Liabilities. At commencement date, the Group measures a lease liability at the present value of future lease payments using the interest rate implicit in the lease, if that rate can be readily determined. Otherwise, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of a lease liability comprise the following:

- i. fixed payments, including in-substance fixed payments;
- ii. variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- iii. amounts expected to be payable by the lessee under residual value guarantees; and
- iv. the exercise price under a purchase option that 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.

A lease liability is subsequently measured at amortized cost. Interest on the lease liability and any variable lease payments not included in the measurement of lease liability are recognized in profit or loss unless these are capitalized as costs of another asset. Variable lease payments not included in the measurement of the lease liability are recognized in profit or loss when the event or condition that triggers those payments occurs.

If there is a change in the lease term or if there is a change in the assessment of an option to purchase the underlying asset, the lease liability is remeasured using a revised discount rate considering the revised lease payments on the basis of the revised lease term or reflecting the change in amounts payable under the purchase option. The lease liability is also remeasured using the revised lease payments if there is a change in the amounts expected to be payable under a residual value guarantee or a change in future lease payments resulting from a change in an index or a rate used to determine those payments.

For income tax reporting purposes, payments under operating lease agreements are treated as deductible expense in accordance with the terms of the lease agreements.

The Group as a Lessor. Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which these are earned.

Income Taxes

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

Deferred Tax. Deferred tax is provided 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 tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of net operating loss carryover (NOLCO) and minimum corporate income tax (MCIT), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward benefits of NOLCO and MCIT can be utilized.

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

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

Deferred tax is recognized in profit or loss except to the extent that it relates to items directly recognized in OCI.

Offsetting. Current tax assets and current tax liabilities are offset, or deferred tax assets and deferred tax liabilities are offset if, and only if, an enforceable right exists to set off the amounts and it can be demonstrated without undue cost or effort that the Group plans either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Foreign Currency Translation

The functional currency of the entities of the Group is Peso except for GEIL and OLL, with functional currency in the United States (US) dollar (\$). Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded using the prevailing exchange rate at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are restated at the functional currency rate of exchange at the reporting date. All differences are taken to the consolidated statement of comprehensive income. For income tax reporting purposes, foreign exchange gains or losses are treated as taxable income or deductible expenses in the year such are realized.

The assets and liabilities of GEIL and OLL are translated into Peso at the rate of exchange ruling at the reporting date and income and expenses are translated to Peso at monthly average exchange rates. The exchange differences arising on the translation are taken directly to OCI. There are no exchange differences recognized as at June 30, 2020 and December 31, 2019.

Related Party Relationships and Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (a) individuals who, owning directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on legal form.

Related party transactions consist of transfers of resources, services or obligations between the Group and its related parties, regardless of whether a price is charged.

Related party transactions are considered material and/or significant if i) these transactions amount to 10% or higher of the Group's total assets or, ii) there are several transactions or a series of transactions over a 12-month period with the same related party amounting to 10% or higher of the Group's total assets. Details of transactions entered into by the Group with related parties are reviewed by independent directors in accordance with the Group's related party transactions policy.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable 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. 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. These are disclosed unless the possibility of an outflow of resources embodying economic benefit is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed when an inflow of economic benefit is probable.

Events after the Reporting Period

Events after the reporting date that provide additional information about the Group's consolidated financial position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

3. Significant Accounting Judgments and Estimates

The preparation of the Group's consolidated financial statements requires management to make judgments and estimates that affect the amounts reported in the consolidated financial statements. The judgments and estimates used in the consolidated financial statements are based on management's evaluation of relevant facts and circumstances as at the reporting date.

While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts. Actual results could differ from such estimates. In particular, the COVID-19 pandemic and the resulting adverse effects to the global economic conditions, as well as the Group's operations, may impact future estimates including, but not limited to, the allowance for ECL, fair

value measurements, impairment of nonfinancial assets, recognition of deferred tax assets, actuarial losses on retirement benefits liability and discount rate assumptions.

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

The following are the significant judgments and estimates made by the Group:

Determining Functional Currency. The functional currency of the companies in the Group has been determined to be Peso except for certain subsidiaries whose functional currency is the US dollar. Peso is the currency that mainly influences the sale of goods and the costs of sales.

Assessing Group Reorganization. Group reorganization involving entities under common control is outside the scope of PFRS 3 and there is no other specific PFRS guidance. Accordingly, management used its judgment to develop an accounting policy that is relevant and reliable, in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

The management assessed that the substance of the group reorganization does not constitute “purchase” of companies but pooling or merging of the assets and liabilities of the Group. Hence, the most relevant and reliable accounting policy adopted by the Group is the pooling of interests method of accounting.

The Group elected a policy to restate the financial information in the consolidated financial statements for periods prior to the reorganization of the entities under common control to reflect the reorganization as if it had occurred from the beginning of the earliest period presented in the consolidated financial statements, regardless of the actual date of the reorganization. The acquisition by the Parent Company of the subsidiaries was considered as a group reorganization of entities under common control is disclosed in Note 4.

Accounting for Business Acquisition. At the time of acquisition, the Group considers whether the acquisition represents an acquisition of a business or a group of assets. The Group accounts for an acquisition as a business combination if it acquires an integrated set of business processes in addition to the group of assets acquired.

The Group accounts for acquired businesses using the acquisition method of accounting, which requires that the assets acquired and the liabilities assumed are recognized at the date of acquisition based on their respective fair values.

The application of the acquisition method requires certain estimates and assumptions concerning the determination of the fair values of acquired intangible assets and property and equipment, as well as liabilities assumed at the acquisition date. Moreover, the useful lives of the acquired intangible assets and property and equipment have to be determined. Accordingly, for significant acquisitions, the Group obtains assistance from valuation specialists. The valuations are based on information available at the acquisition date. The Group’s acquisitions have resulted in the recognition of intangible assets with indefinite lives is disclosed in Note 4.

Classifying Operating Segments. The Group is organized into operating segments based on brand names but the Group has aggregated the brand names into a single operating segment as allowed under PFRS 8 due to their similar characteristics. This is evidenced by a consistent range of gross margin across all brand outlets as well as uniformity in sales increase and trending for all outlets, regardless of the brand name. Moreover, all brands have the following business characteristics:

- (a) Similar nature of products/services offered and methods to distribute products and provide services;
- (b) Similar class of target customers; and
- (c) Primary place of operations is in the Philippines.

Identifying the Performance Obligations and Timing of Satisfaction of Revenues. The Group enters into contracts with its customers to sell goods where revenue from company-owned outlets and sale of goods are recognized. The Group determined that all the goods prior to transfer to its respective customers are in its full ownership. The Group concluded that it transfers control over its goods and services, at a point in time, upon receipt of the goods and services by the customer.

For revenue from franchise fee, the performance obligation under the franchise agreement is the delivery of materials and store equipment necessary to operate the franchise store, as this is deemed to be the time that the franchisee obtains control of the promised goods and therefore the benefits of unimpeded access.

Classifying Lease Commitments - Group as a Lessor. Lessor accounting under PFRS 16 is substantially unchanged from accounting under PAS 17. The Group entered into a sublease agreement of food park spaces. The Group determined, based on the evaluation of terms and conditions of agreement, that the lessor retains all the significant risks and rewards of ownership of the food park spaces. Thus, the agreement is accounted for as an operating lease.

Classifying Lease Commitments prior to January 1, 2019 - Group as a Lessee. The Group has entered into lease agreements with various lessors for its outlets spaces and warehouse. The Group has determined that the arrangements are operating leases as the risks and rewards of ownership are retained by the lessor.

Classifying Lease Commitments beginning January 1, 2019 - Group as a Lessee. The Group has entered into commercial property leases for its stores. For the Group's non-cancellable lease, the Group recognizes ROU assets and lease liabilities measured at the present value of lease payments to be made over the lease term using the Group's incremental borrowing rate. The Group availed exemption for leases with term of 12 months or less. Accordingly, lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

ROU assets and lease liabilities as at June 30, 2020 is disclosed in Note 22.

Assessing the ECL of Trade and Other Receivables. The Group estimates ECL using a provision matrix. Depending on the diversity of its debtor's base, the Group uses its historical credit loss experience adjusted for forward-looking factors, as appropriate.

The carrying amounts of the Group's trade and other receivables as at June 30, 2020 and December 31, 2019 are disclosed in Note 6.

Assessing ECL on Other Financial Assets at Amortized Cost. The Group determines the allowance for ECL using general approach based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL is provided for credit losses that result from possible default events within the next 12-months unless there has been a significant increase in credit risk since initial recognition in which case ECL are provided based on lifetime ECL.

When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- Actual or expected external and internal credit rating downgrade;
- Existing or forecasted adverse changes in business, financial or economic conditions; and
- Actual or expected significant adverse changes in the operating results of the borrower.

The Group also considers financial assets that are more than 30 days past due to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent a significant risk in credit risk such as when non-payment was an administrative oversight rather than resulting from financial difficulty of the borrower.

No provision for ECL on other financial assets at amortized cost was recognized in June 2020 and 2019. The transactions with respect to these financial assets were entered into by the Group only with reputable banks and companies with good credit standing and relatively low risk of defaults.

The carrying amounts of other financial assets at amortized cost are as follows:

<u>Asset Type</u>	<u>Note</u>	<u>June- 2020</u>	<u>Dec-2019</u>
Cash and cash equivalents	5	₱679,735,744	₱853,266,354
Due from related parties	14	116,198,479	114,745,31
Construction bond		2,525,251	2,485,841

Estimating ROU Assets and Lease Liabilities. The Group's ROU assets and lease liabilities are initially measured at the present value of lease payments. In determining the appropriate discount rate, the Group considered readily available interest rate implicit in the lease agreements, interest rate on its borrowings and the term of each lease commitment. The Group determined that the incremental borrowing rate is readily available and presents the appropriate financing cost in leasing the underlying assets. The incremental borrowing rate is the rate that would cause the present value of the lease payments and unguaranteed residual to equal the sum of the fair value of the underlying assets and initial direct costs incurred.

The carrying amounts of ROU assets and lease liabilities are disclosed in Note 22. Rental expense incurred on short-term leases in 2020 and 2019 is disclosed in Note 22.

Assessing the Extension Options of Lease Commitments. The Group's lease commitments contain extension options exercisable by the Group prior the end of the non-cancelable contract period. Where practicable, the Group seeks to include the extension options to provide operational flexibility. The Group assessed at lease commencement that it is not reasonably certain that the Group will exercise the extension options. A reassessment is made whether it is reasonable certain to exercise the extension options if there is a significant event or significant change in circumstances within its control.

Evaluating the NRV of Merchandise Inventories. The Group assesses at the end of each reporting period whether its merchandise inventories are impaired. Whenever the NRV becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes, the Group recognizes an impairment loss. A new assessment is made of the NRV in each subsequent period. When the circumstances that previously caused the merchandise inventories to be impaired no longer exist or when there is clear evidence of an increase in the NRV because of changed economic circumstances, the amount of the impairment loss is reversed (i.e., the reversal is limited to the amount of the original write-down) so that the new carrying amount is the lower of the cost and the NRV.

The cost of merchandise inventories is lower than its NRV. No impairment loss was recognized in June 30, 2020 and 2019. The carrying amount of merchandise inventories as at June 30, 2020 and December 31, 2019 is disclosed in Note 7.

Estimating the Useful Lives of Property and Equipment (except Land and CIP), ROU Assets and Intangible Assets. The useful lives of these assets are estimated based on the period over which the assets are expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives of each asset are reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by the changes in the factors mentioned above. A reduction in the estimated useful lives would increase the recorded operating expenses and decrease noncurrent assets. In 2018, the useful life of certain item of intangible assets was shortened from four years to one year, which resulted in additional amortization of ₱1.2 million. In June 30, 2020, there were no changes in the estimated useful lives.

The carrying amounts of property and equipment, intangible assets and ROU assets as at June 30, 2020 and December 31, 2019 are disclosed in Notes 9, 10 and 22, respectively.

Assessing the Impairment of Brand Names with Indefinite Useful Life. The Group tests annually whether any impairment in brand names is to be recognized in accordance with the related accounting policy in Note 2. The recoverable amounts of cash-generating units (CGUs) have been determined based on the higher of fair value less costs to sell and value in use calculations, which require the use of estimates. Based on the impairment testing conducted, the recoverable amounts of the CGUs calculated based on value in use as at June 30, 2020 and December 31, 2019 are greater than the corresponding carrying amounts of the CGUs as at the same dates.

No impairment loss was recognized in June 30, 2020 and 2019. The carrying amount of brand names as at June 30, 2020 and December 31, 2019 is disclosed in Note 10.

Assessing Impairment of Other Nonfinancial Assets. The Group assesses impairment of its nonfinancial assets whenever events or changes in circumstances indicate that the carrying amounts of the assets or group of assets may not be recoverable. The relevant factors that the Group considers in deciding whether to perform an asset impairment review include, among others, the following:

- significant underperformance of a business in relation to expectations;
- significant negative industry or economic trends; and
- significant changes or planned changes in the use of the assets.

No impairment was recognized in June 30, 2020 and 2019.

Estimating Retirement Benefits Liability The determination of the obligation and costs of retirement benefits is dependent on the assumptions used by the actuary in calculating such amounts. These assumptions are described in Note 15 to the consolidated financial statements and include, among others, discount rates and salary increase rates. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the retirement obligation.

The retirement benefits and cumulative remeasurement losses on retirement benefits liability (net of deferred tax) recognized in equity as at June 30, 2020 and December 31, 2019 is disclosed in Note 15.

Assessing the Recognition of Deferred Tax Assets. The Group reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized within the period allowed by the tax regulations. Recognition of deferred tax assets is determined based on forecasted taxable income of the Group. This forecast is based on the Group's past results and future expectations on revenue and expenses.

4. Accounting for Group Reorganization and Business Acquisition

Business Acquisition

In February 2020 NTI acquired the assets including recipes and marketing collateral of KXN Kuxina Food Corporation from a sole proprietor for a total consideration of ₱500,000. In December 2019, NTI acquired the assets including recipes and marketing collateral of *Heat Stroke Grill* (HSG) from a sole proprietor for a total consideration of ₱368,000. Both has resulted to a business combination due to acquisition of the significant inputs, processes and outputs of KXN and HSG. The carrying amounts of the assets acquired approximate the fair values as at acquisition date. Hence, no goodwill nor gain from bargain purchase was recognized.

NTI acquired the assets of SLI and the brand name *Sabroso Lechon* for ₱28.3 million. Provisional fair values of the assets acquired were recognized in 2018. No goodwill or gain from bargain purchase was recognized as a result of the acquisition in 2018.

The valuation of the net assets of SLI was completed in 2019 resulting to additional fair valuation adjustments to the acquiree’s brand name by ₱6.4 million. Consequently, the business combination resulted in a gain from bargain purchase, as the fair values of the assets acquired exceeded the total consideration by ₱6.4 million.

The following are the restated fair values of the identifiable assets acquired and the resulting gain as at acquisition date:

	Note	Amount
Leasehold improvements	9	₱21,835,900
Brand name	10	11,188,398
Transportation equipment	9	1,010,083
Security deposit		720,000
Fair values of identifiable assets		34,754,381
Total consideration		28,317,474
Gain from bargain purchase		₱6,436,907

The Group believes it was able to acquire the assets of SLI for less than the fair values because previous management had limited resources and capability to expand.

The consolidated statement of financial position as at December 31, 2017 was not presented as the transaction occurred only in 2018, and thus has no impact on the 2017 balances.

Group Reorganization

The acquisition by the Parent Company of the subsidiaries was considered as a group reorganization of entities under common control. Accordingly, the acquisition is accounted for based on the recorded values of assets and liabilities of the subsidiaries at historical cost. As a result, the assets and liabilities of the Group were reflected at their carrying amounts and no goodwill was recognized.

The effect of the pooling of interests amounting to ₱4.2 million recognized as part of “Other equity reserves” as at June, 2020 and December 31, 2019, 2018 and 2017 pertains to excess of the combined net assets of the subsidiaries amounting to ₱70.0 million over the consideration amounting to ₱65.8 million as at January 1, 2015.

In October 2017, FHI acquired the following shares from the remaining individual stockholders to increase its ownership to 100% (see Note 1):

- 2,152 shares of NTI for ₱470,200
- 13,494 shares of BNFI for ₱4.0 million
- 124,992 shares of FGI for ₱12.7 million

The excess of the carrying amount of non-controlling interests at the date of acquisition (₱68.4 million) over the aggregate acquisition costs (₱17.4 million) amounting to ₱51.0 million was recognized as “Other equity reserves” in the consolidated statements of financial position as at June 30, 2020 and December 31, 2019.

Acquisition of non-controlling interests in 2017 aggregated ₱59.0 million. In 2016, the Parent Company subscribed to additional 170,250 shares in NTI and paid ₱4.3 million as partial payment of the total subscription. Accordingly, the equity interest of FHI in NTI increased by 4% and the corresponding noncontrolling interests decreased by ₱970,666.

5. Cash and Cash Equivalents

This account consists of:

	June 30, 2020	Dec. 31, 2019
	(Unaudited)	(Audited)
Cash on hand	₱ 619,859.00	₱ 2,394,334.00
Cash in bankd and short term placements	<u>679,115,885.00</u>	<u>850,872,020.00</u>
	<u>₱ 679,735,744.00</u>	<u>₱ 853,266,354.00</u>

Cash in banks earn interest at the prevailing bank deposit rates.

Short-term placements are made for three months depending on the immediate cash requirement of the Group and earns interest at the prevailing short-term placement rates.

Interest income earned amounted to ₱3.6 million, and ₱ .241 as of June 30, 2020 and 2019 respectively (see Note 21).

6. Trade and Other Receivables

This account consists of:

	2020	2019
Trade	₱95,280,393	₱83,210,054
Others	10,170,159	689,828
	100,125,667	83,899,882
<u>Less allowance for doubtful accounts</u>	<u>333,508</u>	<u>333,508</u>
	<u>₱100,459,175</u>	<u>₱83,566,374</u>

Trade receivables represent mainly outstanding receivables from franchisees. These are unsecured, noninterest-bearing and are normally collected on a 30-day term.

Please see below aging of receivables:

As at June 30, 2020					
	Total	Neither past Due of impaired	Less than one year	One year and over	Past Due and Impaired
Trade:					
Third Party	57,275,772	10,078,917	26,660,430	20,536,425	-
Related party	30,592,918	16,253,750	3,056,441	11,282,728	-
Tenants	2,086,458	1,706,572	-	-	-
	89,955,148	28,039,239	29,716,871	31,819,152	-
Advances to suppliers	6,926,607	6,927,791	-	-	-
Funds held in trust	-	689,828	-	-	-
Others	3,243,912	1,862,863	-	-	-
	100,125,667	37,519,721	29,716,871	31,819,152	-
Allowance for doubtful accounts	(333,508)	-	-	(333,508)	-
	100,459,175	48,002,697	13,249,038	27,962,727	-
As at December 31, 2019					
	Total	Neither past Due of impaired	Less than one year	One year and over	Past Due and Impaired
Trade:					
Third Party	56,922,976	26,660,430	10,192,598	20,069,948	-
Related party	15,789,852	4,507,125	3,056,441	8,226,287	-
Tenants	1,706,572	1,706,572	-	-	-
	74,419,400	32,874,127	13,249,038	28,296,235	-
Advances to suppliers	6,927,791	6,927,791	-	-	-
Funds held in trust	689,828	689,828	-	-	-
Others	1,862,863	1,862,863	-	-	-
	83,899,882	42,354,609	13,249,038	28,296,235	-
Allowance for doubtful accounts	(333,508)	-	-	(333,508)	-
	83,566,374	42,354,609	13,249,038	27,962,727	-

7. Merchandise Inventories

This account consists of:

	2020	2019
Food and beverages	₱16,779,651	₱28,746,503
Store supplies and others	22,447,516	21,161,151
	₱39,227,167	₱49,907,654

The Group's merchandise inventories are carried at cost, which is lower than its NRV. No inventory losses were recognized in June 2020 and 2019.

Cost of merchandise inventories charged to "Direct costs" amounted to ₱181.6 million and ₱388.5 million in 2020 and 2019, respectively (see Note 18).

8. Other Current Assets

This account consists of:

	June 30, 2020 (Unaudited)	Dec. 31, 2019 (Audited)
Input vat	₱ 2,261,294.90	₱ 2,453,292.00
Creditable withholding tax	22,825.04	110,067.00
Advances to suppliers	713,556.00	713,556.00
Advances to officers and employees	4,430,631.66	3,849,829.00
Others	1,535,533.05	6,558,805.00
	<u>₱ 8,963,840.65</u>	<u>₱ 13,685,549.00</u>

Advances to officers and employees pertain to cash advances and are settled through liquidation.

Advances to suppliers were payments for goods pending delivery as at year-end.

9. Property and Equipment

The composition of and movements in this account follows:

	June 2020							Total
	Land	CIP	Leasehold and Land Improvements	Transportation Equipment	Office Furnitures, Fixtures and Equipment	Store Furnitures, Fixtures and Equipment		
Cost								
Balance at the beginning of year	₱ 32,600,000.00	₱ 3,212,152.00	₱ 124,174,868.00	₱ 33,316,198.00	₱ 19,559,312.00	₱ 178,319,732.00		₱ 391,182,262.00
Additions	-	3,212,002.60	6,539,655.59	2,011,891.96	11,917,791.09	3,026,477.04		26,707,818.28
Balance at end of year	32,600,000.00	6,424,154.60	130,714,523.59	35,328,089.96	31,477,103.09	181,346,209.04		417,890,080.28
Accumulated Depreciation								
Balance at the beginning of year	₱ -	₱ -	₱ 64,189,898.00	₱ 9,229,773.00	₱ 7,840,103.00	₱ 87,135,599.00		₱ 168,395,373.00
Additions	-	-	14,146,981.65	2,503,874.55	1,165,160.41	28,202,907.48		46,018,924.09
Balance at end of year	-	-	78,336,879.65	11,733,647.55	9,005,263.41	115,338,506.48		214,414,297.09
Carrying amount	<u>₱ 32,600,000.00</u>	<u>₱ 6,424,154.60</u>	<u>₱ 52,377,643.94</u>	<u>₱ 23,594,442.41</u>	<u>₱ 22,471,839.68</u>	<u>₱ 66,007,702.56</u>		<u>₱ 203,475,783.19</u>

December 2019								
	Land	CIP	Leasehold and Land Improvements	Transportation Equipment	Office Furnitures, Fixtures and Equipment	Store Furnitures, Fixtures and Equipment	Total	
Cost								
Balance at the beginning of year	₱ 13,000,000.00	₱ -	₱ 108,386,609.00	₱ 21,215,577.00	₱ 11,735,524.00	₱ 120,391,840.00	₱ 274,729,550.00	
Additions	19,600,000.00	3,212,152.00	15,788,259.00	12,100,621.00	7,823,788.00	57,927,892.00	116,452,712.00	
Balance at end of year	32,600,000.00	3,212,152.00	124,174,868.00	33,316,198.00	19,559,312.00	178,319,732.00	391,182,262.00	
Accumulated Depreciation								
Balance at the beginning of year	₱ -	₱ -	₱ 38,904,290.00	₱ 5,276,016.00	₱ 3,751,520.00	₱ 44,056,032.00	₱ 91,987,858.00	
Additions	-	-	25,285,608.00	3,953,757.00	4,088,583.00	43,079,567.00	76,407,515.00	
Balance at end of year	-	-	64,189,898.00	9,229,773.00	7,840,103.00	87,135,599.00	168,395,373.00	
Carrying amount	₱ 32,600,000.00	₱ 3,212,152.00	₱ 59,984,970.00	₱ 24,086,425.00	₱ 11,719,209.00	₱ 91,184,133.00	₱ 222,786,889.00	

Additions in 2020 to leasehold improvements, transportation equipment and store equipment, furniture and fixtures amounting to ₱ 3.9 million, ₱ .113 million and 2.6 million, respectively, were related to the acquisition of the shares of Soykingdom Inc. and Cocodelivery Incorporated.

In 2019, the Group purchased parcels of land amounting to ₱19.6 million to be used for the expansion of operations in Visayas and Mindanao.

CIP represents a warehouse under construction. The construction is estimated to be completed within one year and the estimated cost to complete the construction amounted to ₱10.7 million as at December 31, 2019.

Depreciation and amortization are summarized as follows:

	June 30, 2020 (Unaudited)	June 30, 2019 (Audited)
Property and equipment	₱ 43,712,503.88	₱ 34,596,836.00
ROU Assets	15,068,323.57	12,591,437.00
Intangible assets	391,183.20	285,897.00
	₱ 59,172,010.64	₱ 47,474,170.00

Depreciation and amortization are charged to the following:

	June 30, 2020 (Unaudited)	June 30, 2019 (Audited)
Selling and distribution expenses	₱ 34,594,039.00	₱ 38,455,985.00
General and administrative expenses	20,498,507.00	5,392,185.00
Direct cost	4,079,464.64	3,626,000.00
	₱ 59,172,010.64	₱ 47,474,170.00

10. Intangible Assets

This account consists of:

	2020			
	Brand Names	Software License	Goodwill	Total
Cost				
Balance at the beginning of year	₱ 211,348,448.00	₱ 5,193,830.00	₱ -	₱ 216,542,278.00
Additions		118,928.57	8,173,778.00	8,292,706.57
Balance at end of year	211,348,448.00	5,312,758.57	8,173,778.00	224,834,984.57
Accumulated Depreciation				
Balance at the beginning of year	₱ -	₱ 2,156,490.00	₱ -	₱ 2,156,490.00
Additions		391,183.04	-	391,183.04
Balance at end of year	-	2,547,673.04	-	2,547,673.04
Carrying amount	₱ 211,348,448.00	₱ 2,765,085.53	₱ 8,173,778.00	₱ 222,287,311.53

	2019			
	Brand Names	Software License	Goodwill	Total
Cost				
Balance at the beginning of year	₱ 211,348,448.00	₱ 4,439,813.00	₱ -	₱ 215,788,261.00
Additions		754,017.00	-	754,017.00
Balance at end of year	211,348,448.00	5,193,830.00	-	216,542,278.00
Accumulated Depreciation				
Balance at the beginning of year	₱ -	₱ 1,479,410.00	₱ -	₱ 1,479,410.00
Additions		677,080.00	-	677,080.00
Balance at end of year	-	2,156,490.00	-	2,156,490.00
Carrying amount	₱ 211,348,448.00	₱ 3,037,340.00	₱ -	₱ 214,385,788.00

Brand Names

In August 2017, FGI subscribed to 1 share of GEIL for US\$1. In December 2017, FGI subscribed to an additional 40,000 shares for US\$4.0 million (equivalent to ₱200.2 million) at US\$100 per share. GEIL then acquired 100% of OLL. OLL holds the intellectual property rights to certain brands including *Fruitas*, *The Mango Farm*, *Shou*, *Black Pearl*, *Friends Fries* and *Juice Avenue*. The fair value of the net assets of GEIL and OLL is approximately equal to the consideration amounting to ₱200.2 million.

In 2018, the Group also recognized brand name amounting to ₱11.2 million following the completion of the acquisition of *Sabroso Lechon* brand from SLI (see Note 4).

The Relief-from-Royalty method was used in the valuation of the brands. Under this method, the value of brands is determined by reference to the value of the hypothetical royalty payments that would be saved through owning the asset, as compared with licensing the brands from a third party. The hypothetical royalty payments over the life of the brands are adjusted for tax and discounted to present value at the valuation date.

The fair values of the brand names were determined based on a valuation using cash flow projections (value-in-use) covering a five-year period based on long-range plans approved by management. Cash flows beyond the five-year period are extrapolated using a determined constant growth rate to arrive at its terminal value. The growth rates are consistent with the long-term average growth rate for the industry which ranges from 4% to 13%.

The Group used the weighted average cost of capital as the discount rate, which reflected management's estimate of the risk. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. The discount rates applied to after-tax cash flow projections ranges from 15.6% to 17.6% in 2019 and 2018. The recoverable amount of each CGU, calculated using value in use, exceeded the carrying amount of the CGU as at December 31, 2019 and 2018.

Management believes that any reasonably possible change in the key assumptions on which the Group's recoverable amount is based would not cause the Group's carrying amount to exceed its recoverable amount.

Software License

In 2018, the useful life of certain intangible asset was shortened from the useful life of four years to one year based on management review of the operational efficiency of the intangible asset resulting to an additional amortization of ₱1.2 million.

11. Trade and Other Payables

This account consists of the following;

Trade payables –these are unsecured, noninterest-bearing and generally settled on a 15 to 60-day term.

Accrued expenses -consist mainly of professional fees, rentals and unpaid salaries which are noninterest-bearing and are normally settled in the next financial year.

Statutory payable - pertains to obligations to government agencies such as SSS, HDMF, PHIC, output VAT and withholding taxes that are normally settled in the following month.

12. Notes Payable

In 2019, the Group issued promissory notes amounting to ₱187.3 million to local commercial banks at interest rates ranging from 4.25% to 9.50% per annum. The principal amount will mature in 2021 and payable in equal installments.

In 2018, the Group issued short-term promissory notes to local commercial banks to finance its working capital requirements aggregating ₱246.7 million. The notes bear interest at rates ranging from 3.13% to 5.50% per annum and interest is payable on a monthly basis. In 2019, the outstanding balances of the notes were rolled over under similar terms.

Movements in this account follow:

	2020	2019
Balance at beginning of year	₱191,104,137	₱311,314,104
Issuances	-	187,326,411
Payments	(31,568,775)	(307,536,378)
Balance at end of year	159,535,362	191,104,137
Less current portion	101,176,349	115,834,240
Noncurrent portion	₱58,359,013	₱75,269,897

Interest charged to operations amounted to ₱ 9.3 million and to ₱ 19.9 million in 2020 and 2019, respectively.

The schedule of maturities of notes payable is as follows:

	Amount
2020	₱101,176,349
2021	58,359,013
	₱159,535,362

13. Mortgage Payable

The Group obtained loans from local commercial banks to finance its acquisition of transportation equipment.

Movements in this account follow:

	2019	2019
Balance at beginning of year	₱4,670,660	₱5,961,408
Availments	-	1,564,000
Payments	(1,047,603)	(2,854,748)
Balance at end of year	3,623,057	4,670,660
Less current portion	2,169,651	2,321,815
Noncurrent portion	₱1,453,406	₱2,348,845

The loans are payable in monthly installments up to May 2023 with effective interests ranging from 7.35% to 14.56% per annum.

The loans are secured by a chattel mortgage on the transportation equipment with total carrying amount of ₱8.2 million and ₱9.7 million as at December 31, 2019 and 2018, respectively (see Note 9).

The schedule of maturities of mortgage payable is as follows:

	Amount
2021	751,381
2022	492,276
2023	209,749
	₱1,453,406

14. Related Party Transactions

The Group, in the normal course of business, has transactions with its related parties as follows:

Related Parties	Nature of Transactions	Amount of Transactions		Outstanding Balance	
		June 2020	Dec 2019	2020	2019
Due from Related Parties					
<i>Entities Under Common Management</i>					
	Advances	₱ 1,550,000	₱260,477,832		
	Collections	(96,839)	(186,303,675)	₱116,198,479	₱114,745,318
Due to Related Parties					
<i>Stockholders</i>					
	Payments	₱ (4,583,211)	(₱18,659,472)		
	Advances	4,233,374	-	₱-	₱349,837
<i>Entities Under Common Management</i>					
	Payment	(313,984)	(78,124,253)		
	Advances	-	75,331,166	-	313,984
				₱-	₱663,821

Terms and Conditions of Transactions with Related Parties

Outstanding balances are unsecured, noninterest-bearing and settled in cash upon demand. Management makes an annual assessment of the financial position of the related parties and the market in which the related parties operates. There were no impairment losses recognized in 2020 and 2019.

Intercompany transactions eliminated in consolidation pertain to due to/from related parties, intercompany revenue and dividend income. Total due to/from related parties eliminated amounted to ₱320.9 million as at June 30, 2020. Intercompany revenue eliminated amounted to ₱24.3 million and ₱59.5 million in 2020 and 2019, respectively.

15. Retirement Benefits Liability

The Group's retirement plan is unfunded, noncontributory defined benefit plan with a single lump-sum payment covering retirement based on Republic Act No. 7641. The latest actuarial report is dated December 31, 2019.

The table below summarizes the components of retirement benefits expense recognized in the consolidated statements of comprehensive income (see Note 20).

		2020		2019
Current service cost	₱	1,759,025	₱	1,759,025
Interest cost		125,180		125,180
Increase in transitional liability		53,122		53,122
	₱	1,937,327	₱	1,937,327

Movements in the retirement benefits liability follow:

	2020	2019
Balance at beginning of year	₱2,229,865	₱2,229,865
Current service cost	1,759,025	1,759,025
Actuarial loss	1,240,238	1,240,238
Interest cost	125,180	125,18
Increase in transitional liability	53,122	53,122
Balance at end of year	₱5,407,430	₱5,407,430

The principal assumptions used in determining the Group's retirement benefits liability in 2019 and 2018 are as follows:

	2019	2018
Discount rate	5.1%	5.8%
Future salary increases	3.0%	4.0%

The projected unit credit method was applied to all the benefits without using one-year term cost.

This sensitivity analysis shows the impact of changes in key actuarial assumptions in 2019.

	Effect on Retirement Benefits Liability	
	Discount Rate	Salary Projected Rate
+1%	(P921,979)	P1,254,060
-1%	1,210,409	(920,853)

Each sensitivity analysis on the significant actuarial assumptions was prepared by remeasuring the retirement benefits liability at the reporting date after adjusting one of the current assumptions according to the applicable sensitivity increment or decrement (based on changes in the relevant assumption that were reasonably possible at the valuation date) while all other assumptions remain unchanged.

The Group does not maintain a fund for its retirement liability. While funding is not a requirement of the law, there is a risk that the Group may not have the cash if several employees retire within the same year.

The average duration of the retirement benefits liability as at December 31, 2019 and 2018 is 27 years and 28 years, respectively.

Cumulative remeasurement loss on retirement benefit liability recognized on OCI is as follows:

	As of June 2020		
	Cumulative net loss	Deferred tax	Net
Balance at beginning of year	P66,126	(P19,838)	P46,288
Remeasurement loss	1,240,238	(372,071)	868,167
Balance at end of year	P1,306,364	(P391,909)	P914,455

The table below shows the maturity profile of the undiscounted benefit payments:

	As of June 2020	2019
Less than one year	P661,230	P661,230
One year to less than five years	1,470,520	1,470,520
Five years to less than ten years	1,235,976	1,235,976
Ten years to less than fifteen years	6,643,124	6,643,124
Fifteen years to less than twenty years	10,283,899	10,283,899
Twenty years and above	276,003,847	276,003,847

16. Equity

Capital Stock

This account consists of:

	2020	2019
Authorized Capital Stock		
Common - =P0.10 par value		
Balance at beginning of year	4,700,000,000	4,700,000,000
Reclassification to preferred stock	-	-
Effect of stock split	-	-
Balance at end of year	4,700,000,000	4,700,000,000
Preferred value= P.01 par value		
Balance at beginning of year	3,000,000,000	3,000,000,000
Reclassification from common stock	-	-
Balance at end of year	3,000,000,000	3,000,000,000
	7,700,000,000	7,700,000,000
Issued and outstanding common		
Balance at beginning of year	1,600,000,000	1,600,000,000
Issuances	533,680,000	533,680,000
Effect of stock split	-	-
Balance at end of year	2,133,680,000	2,133,680,000

Common

Shares

On October 6, 2017, the SEC approved the application for 1:10 stock split resulting to a decrease in par value from ₱1.00 to ₱0.10 a share and increasing the authorized capital stock from 500,000,000 shares to 5,000,000,000 shares.

On February 26, 2018, the SEC approved the i) increase in the Parent Company's total authorized capital stock to ₱500.0 million divided into (a) 3,000,000,000 preferred shares at ₱0.01 par value a share, and (b) 4,700,000,000 common shares at ₱0.10 par value a share; and ii) reclassification of 3,000,000,000 common shares to preferred shares.

On August 24, 2019, the stockholders and the BOD authorized the Parent Company's Public Offering of its common shares with the PSE. This was approved by the SEC and the PSE on October 17, 2019 and October 23, 2019, respectively. On November 29, 2019, the Parent Company's 533,660,000 common shares were officially listed on the PSE with an Oversubscription Option of up to 68,340,000 common shares at an offer price of ₱1.68 a share.

The Offer Period was from November 18, 2019 to November 22, 2019. The trading of the shares commenced on November 29, 2019.

Preferred Shares

The features of the preferred shares follow: guaranteed dividend yield of 2.5% per annum; Voting, cumulative and non-participating; and shall not be convertible into common share.

Additional Paid-in Capital

Additional paid-in capital represents the excess of the amounts received over the par value of the shares issued, net of directly attributable transaction costs on the Parent Company's IPO. Details are as follows:

Proceeds in excess of par value	₱843,182,800
IPO expenses	65,345,756
Additional paid-in capital	₱777,837,044

IPO expenses were charged as follows:

Additional paid-in capital	₱65,345,756
General and administrative expenses	6,891,892
Input VAT	975,843
Deferred input VAT	444,435
Total	₱73,657,926

IPO expenses include professional, listing, underwriting and advertising fees.

Retained Earnings

The Parent Company's BOD and stockholders declared the following cash dividends:

Date of Declaration	Stockholders of Record	Amount Declared	
		Per Share	Total
June 27, 2019	June 30, 2019	₱0.0088	₱14,000,000
December 27, 2018	December 27, 2018	₱0.0284	₱45,500,320
November 2, 2017	November 2, 2017	₱0.0820	₱118,326,841

Cash dividends declared in 2018 were paid in March 2019.

Shares Held by Subsidiaries

In October 2017, LPI acquired the existing FHI shares held by subsidiaries for ₱52.0 million.

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit standing and stable capital ratios in order to support its business and maximize shareholder value. The Group maintains its current capital structure and will make adjustments, if necessary, in order to generate a reasonable level of returns to stockholders over the long term. No changes were made in the objectives, policies or processes during the year.

The Group considers the equity presented in the consolidated statements of financial position as its core capital.

The Group manages its capital structure and makes adjustments when there are changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using debt-to-equity ratio, which is total debt divided by total equity.

The debt-to-equity ratios are as follows:

	2020	2019
Total debt	₱454,283,158	₱484,818,811
Total equity	1,322,774,875	1,311,594,562
Debt-to-equity ratio	0.34:1	0.37:1

Pursuant to the PSE's rules on minimum public ownership, at least 10% of the issued and outstanding shares of a listed company must be owned and held by the public. The public ownership is about 31.85% and 20% as at June 30, 2020 and December 31, 2019, respectively.

The total number of shareholders of the Company as at June 30, 2020 is 127.

17. Revenue

This account consists of:

	June 30, 2020	June 30, 2019
	(Unaudited)	(Audited)
Net sales	₱ 450,704,853.75	₱ 922,269,981.00
Franchise fees	9,296,429.00	14,821,643.00
Rental Income	2,052,830.00	4,096,716.00
	₱ 462,054,112.75	₱ 941,188,340.00

The Group recognizes revenue from sales of goods and services upon delivery to customers or at a point in time when the Group has no more obligations that could affect the acceptance of goods by the customers.

18. Direct Costs

This account consists of:

	June 30, 2020		June 30, 2019
	(Unaudited)		(Audited)
Merchandise inventories at beginning of year	₱ 49,907,654.00	₱	52,024,675.00
Purchases	162,693,130.92		367,884,481.00
Cost of goods available for sale	212,600,784.92		419,909,156.00
Merchandise inventories at end of year	39,227,167.11		43,626,116.00
Merchandise inventories-used	173,373,617.81		376,283,040.00
Direct labor	5,338,036.57		9,735,000.00
Manufacturing overhead	2,951,399.10		2,510,000.00
Cost of goods sold	181,663,053.48		388,528,040.00
Amortization of ROU asset	4,079,464.64		3,626,000.00
	₱ 185,742,518.12	₱	392,154,040.00

Direct labor pertains to outside services and salaries and wages of personnel performing tasks directly related to the production of merchandise inventories.

Manufacturing overhead pertains to utilities, depreciation and amortization, taxes and licenses and rental expense incurred in the commissary.

19. Selling and Distribution Expenses

This account consists of:

		June 30, 2020		June 30, 2019
	Note	(Unaudited)		(Audited)
Transportation and Travel		₱ 5,781,243	₱	11,459,543
Contract Services		16,393,650		32,525,972
Salaries, wages and other employee benefits		70,445,866		124,969,000
Utilities		13,219,236		28,360,328
Rent		60,564,264		120,438,177
Advertising		13,551,239		13,286,853
Depreciation	9	27,324,933		32,539,726
Amortization	9	7,269,106		5,916,259
Repairs and Maintenance		3,616,892		6,764,605
Store supplies		3,047,054		6,522,096
Insurance		792,966		1,622,921
Agency fees		-		1,284,407
Management fees		2,766,793		2,877,191
Training		1,245,240		1,253,848
Miscellaneous		49,399		1,000,003
		₱ 226,067,879	₱	390,820,929

Salaries, wages and other employees' benefits include government contributions and other allowances.

Outside services pertain to salaries of service crews from agencies.

20. General and Administrative Expenses

This account consists of:

	Note	June 30, 2020 (Unaudited)	June 30, 2019 (Audited)
Retirement benefits	15	₱	₱ 482,773
Contract Services		2,583,691	
Salaries, wages and other employee benefits		18,471,722	25,346,268
Professional Fees		3,356,063	4,467,257
Office Supplies		-	3,998,298
Taxes and Licenses		16,431,943	18,275,929
Representation expense		2,652,377	4,204,770
Management fee		-	81,943
Rent		5,855,418	4,065,865
Director's fee		526,034	-
Depreciation	9	16,387,571	2,056,687
Amortization	9	4,110,936	3,335,498
Training		26,797	133,950
Bank charges		303,638	131,199
Utilities		1,403,796	-
Others		2,143,130	2,602,068
Donations		3,462,725	
		₱ 77,715,841	₱ 69,182,505

21. Other Income - Net

This account consists of:

	June 30, 2020 (Unaudited)	June 30, 2019 (Audited)
Interest Income	₱ 3,604,737	₱ 241,251
Others	10,300,967	4,837,667
	₱ 13,905,704	₱ 5,078,918

Others consist mainly of outlets' cash overages and fees charged to lessees for utilities incurred on leased spaces on food parks; it also includes the gain in market value of certain investments as of June 30, 2020.

22. Significant Agreements

Group as Lessee - Short-term Lease

The Group entered into several lease agreements with third parties for its store spaces for varying periods of up to one year and renewable annually. The lease contracts for the stores provide for a monthly rental based on a certain percentage of gross sales and a monthly fixed rental or an agreed minimum rental, whichever is higher. Lease agreements are generally renewable through a notice of lease renewal and upon mutual agreement with the lessors.

Details of rental deposits and advance rentals on lease contracts are as follows:

	2020	2019
Rental deposits	P97,297,683	P93,358,862
Advance rentals, prepayments and others	34,431,045	9,157,356
	P131,728,728	P102,516,218

The rental deposits will be applied against any unpaid rentals and other expenses related to the lease upon termination while the advance rentals will be utilized as rental payments for the last two to three months of the lease term.

Rental expense is charged to operations as follows:

	2020	2019
Selling and distribution expenses	P 44,286,117	P 53,077,345
General and administrative expenses	5,059,175	5,696,994
Direct cost	-	-
	P 49,345,292	P 58,774,339

The Group entered into noncancellable leases on outlets spaces, land and building with lease terms ranging from three to ten years subject to renewal. These leases have a fixed monthly rental subject to escalation clause.

The balance of and movements in ROU assets as at June 30, 2020 follow:

	Note	Outlets Spaces L a n d and Building	Total
Cost			
Balance at beginning of year, as previously presented		P-	P-
Adoption of PFRS 16, <i>Leases</i>	2	43,305,702	71,888,908
Additions		-	-
Balance at end of year		43,305,702	71,888,908
Accumulated Amortization			
Amortization	9	(7,269,106)	(7,799,218)
Carrying Amount		P36,036,596	P64,089,690
		P100,126,286	

The balance of and movements in lease liabilities as at June 30, 2020 follow:

	Note	Outlets Spaces	Land and Building	Total
Balance at beginning of year, as previously presented		₱–	₱–	₱–
Adoption of PFRS 16, <i>Leases</i>	22	46,430,167	73,792,164	120,222,331
Balance at beginning of year, as restated		46,430,167	70,968,768	117,398,935
Additions		39,211	-	39,211
Rental payments		(5,110,869)	(6,393,879)	(11,504,748)
Interest		1,007,981	1,776,204	2,784,185
Balance at end of year		42,366,490	66,351,093	108,717,583
Less current portion		11,245,073	15,047,072	26,292,145
Noncurrent portion		₱31,121,417	₱51,304,021	₱82,425,438

The incremental borrowing rates applied to the lease liabilities range from 10.87% to 11.00%, depending on the lease term. ROU assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments.

In 2017, the Group obtained the rights to the lease of 218 outlets from related parties. Rental deposits and advance rentals on leases were transferred to the Group through an assignment of lease agreements.

Group as Lessor

In 2017, the Group entered into several sublease agreements with third parties for the lease of spaces in food parks for varying periods up to one year. Rental income amounted to ₱2 million and ₱4 million in June 2020 and 2019, respectively. (See Note 17)

Franchise Agreements

The Group has granted its franchisees the right to operate outlets under various brands for acquired periods and subject to the terms and conditions specified in the franchise agreements. The agreements are renewable at the option of the Group. The agreements provide for an initial franchise fee payable upon execution of the agreements. The non-refundable initial franchise fee payment covers the renovation of franchisee's unit, signage, promotional materials and equipment. Franchise fees recognized as part of "Revenue" in the consolidated statements of comprehensive income amounted to ₱9.3 million and ₱14.8 million in 2020 and 2019, respectively (see Note 17).

23. Events After the Reporting Period

Impact of COVID-19. In March 2020, the COVID-19 outbreak was declared to be a global pandemic by the World Health Organization and the Group temporarily closed its Group-operated stores across the country beginning March 16, 2020, and expects these stores to remain closed until further notice. The Group plans to follow the guidance of local governments and health organization to determine when it can reopen these stores. As the situation continues to evolve rapidly, the Group is not currently able to predict the timing of store reopening, which may occur on a location- by-location basis.

As the community quarantine eases, the Group expects to see material improvement in sales as compared to the peak of the Enhanced Community Quarantine imposed throughout the country. Although the Group anticipates that COVID-19 will have a material impact on its business operations, including the duration and impact on overall customer demand, the impact cannot be reasonably estimated at this time.

As a precautionary measure, in March 2020, the Group took additional steps to reduce discretionary spending and other expenditures, rolled out procedures to ensure continuous delivery of their products using their newly acquired subsidiary, Cocodelivery Inc. (CDI) and repurpose or upgrade some stores into delivery hubs. The Group continues to monitor the situation closely and may implement further measures to provide additional flexibility and improve the Group's cash position and liquidity.

Notwithstanding the situation, management believes that with the Group's strong financial condition and ability to obtain short-term or long-term borrowings, the Group can continue as a going concern.

COMPANY NAME : FRUITAS HOLDINGS, INC.

LIST OF TOP 100 STOCKHOLDERS

As Of September 30, 2020

STOCKHOLDER'S NAME	OUTSTANDING & ISSUED SHARES (FULLY PAID)	OUTSTANDING & ISSUED SHARES PARTIALLY PAID	TOTAL HOLDINGS (SUBSCRIBED)	PERCENTAGE TO TOTAL
PCD NOMINEE CORP. (FILIPINO)	2,120,289,700	0	2,120,289,700	99.372
PCD NOMINEE CORP. (NON-FILIPINO)	13,246,300	0	13,246,300	0.621
MYRA P. VILLANUEVA	59,000	0	59,000	0.003
MILAGROS P. VILLANUEVA	20,000	0	20,000	0.001
MYRNA P. VILLANUEVA	20,000	0	20,000	0.001
MARIETTA V. CABREZA	10,000	0	10,000	0.000
IRENE CHUA	10,000	0	10,000	0.000
DENNIS BENG HUI	10,000	0	10,000	0.000
MA. CHRISTMAS R. NOLASCO	10,000	0	10,000	0.000
CALVIN FENIX CHUA	1,000	0	1,000	0.000
VINCENT RICARDO CUEVAS	1,000	0	1,000	0.000
BAMBI MAUREEN ENRIQUEZ DONATO	1,000	0	1,000	0.000
ROGELIO MESINA GUADALQUIVER	1,000	0	1,000	0.000
SHIRLEY O YEK TAN	1,000	0	1,000	0.000
GRAND TOTAL (14)	<u>2,133,680,000</u>	<u>0</u>	<u>2,133,680,000</u>	

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FRUITAS HOLDINGS INC.
No. 60 Cordillera St., Brgy. Doña Josefa
Quezon City, Philippines 1113

SECRETARY'S CERTIFICATE

I, **MARVIN C. YU**, of legal age, Filipino and with office address at No. 60 Cordillera St., Brgy. Doña Josefa, Quezon City, Philippines 1113, after having been duly sworn in accordance with law, hereby certify that:

1. I am the duly elected and incumbent Corporate Secretary of **FRUITAS HOLDINGS INC.** (the "Corporation"), a corporation duly organized and existing under the laws of the Republic of the Philippines, with principal address at No. 60 Cordillera St., Brgy. Doña Josefa, Quezon City, Philippines 1113;

2. None of the following Directors or Officers of the Corporation is connected with any government agencies or its instrumentalities:

Name	Position
Rogelio M. Guadalquivir	Chairman
Lester C. Yu	Director, President, and Chief Executive Officer
Calvin F. Chua	Director and Chief Financial Adviser
Bambi Maureen E. Donato	Independent Director
Dennis T. Beng Hui	Independent Director
Shirley O. Tan	Independent Director
Roselyn A. Legaspi	Managing Director – Visayas and Mindanao
Madelene T. Sayson	Chief Operating Officer
Marvin C. Yu	Corporate Secretary
Lerma C. Fajardo	Deputy Chief Financial Officer and Comptroller
Rushell A. Salvador	Vice-President – Compliance Officer
Juneil Dominic P. Torio	Chief Financial Officer, Treasurer, and Investor Relations Officer

3. This certification is being issued to attest to the truth of the foregoing statements and for whatever legal purpose it may serve.

IN WITNESS WHEREOF, I have hereunto set my hand this _____ in _____

OCT 28 2020 QUEZON CITY

Marvin C. Yu
MARVIN C. YU
Corporate Secretary

OCT 28 2020 QUEZON CITY

SUBSCRIBED AND SWORN to before me this _____ in _____
affiant exhibiting and presenting to me competent evidence of identity,
_____ issued by the _____ on
_____ valid until _____.

Doc. No. 11071 ;
Page No. 5 ;
Book No. XXII ;
Series of 2020.

[Signature]
ATTY. MA. PERITA P. CABRERA
Notarial Commission Expires on 31 Dec 2021
PTR No. 650322; 1-02-23, Q.C
IBP O.R. No. 100073; 1-02-23, Q.C
Roll of Attorneys No. 44573
MCLE Compliance No. VI-0026703
(Valid until April 14, 2022)

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **SHIRLEY O. TAN**, Filipino, of legal age and a resident of **4 MADELAINE ST., PARKWAY VILLAGE, BRGY. APOLONIO SAMSON, QUEZON CITY**, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **FRUITAS HOLDINGS, INC.** and have been its independent director since 2019,
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Bank of Makati	Corporate Treasurer	Jan. 2003 to Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **FRUITAS HOLDINGS, INC.**, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am not related to any director/officer/substantial shareholder of **FRUITAS HOLDINGS, INC. and any of its subsidiaries** other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
7. I shall inform the Corporate Secretary of **FRUITAS HOLDINGS, INC.** of any changes in the abovementioned information within five days from its occurrence.

Shirley O. Tan

Done, this OCT 12 2020 day of QUEZON CITY at _____.

M. S. O. Tan
Shirley O. Tan

SUBSCRIBED AND SWORN to before me this OCT 12 2020 day of QUEZON CITY at _____
affiant personally appeared before me and exhibited to me his/her _____
issued at _____ on _____.

Doc. No. 10447
Page No. 97
Book No. XX
Series of 10211

Perle P. Cabrera
ATTY. MA. PERLE P. CABRERA
Notarial Commission expires on 31 Dec 2021
PTR No. 6973020; 1-03-20, Q.C.
IBP O.R. No. 100370; 1-03-20, Q.C.
Roll of Attorneys No. 44573
MCLE Compliance No. VI-0026703
(Valid until April 14, 2022)

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **DENNIS T. BENG HUI**, Filipino, of legal age and a resident of **104A VALENCIA HILLS CONDOMINIUM, N. DOMINGO ST., VALENCIA, QUEZON CITY**, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **FRUITAS HOLDINGS, INC.** and have been its independent director since 2019.

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Technopoly Inc.	Managing Director and Co-Founder	2013 to Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **FRUITAS HOLDINGS, INC.**, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any director/officer/substantial shareholder of **FRUITAS HOLDINGS, INC. and any of its subsidiaries** other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

7. I shall inform the Corporate Secretary of **FRUITAS HOLDINGS, INC.** of any changes in the abovementioned information within five days from its occurrence.

Done, this OCT 12 2020 day of _____, at QUEZON CITY.

Dennis T. Beng Hui

OCT 12 2020
SUBSCRIBED AND SWORN to before me this _____ day of _____ at QUEZON CITY
affiant personally appeared before me and exhibited to me his/her _____
issued at _____ on _____.

Doc. No. 10470 ;
Page No. 76 ;
Book No. XX ;
Series of 7720 ;


ATTY. MA. PERLA P. CABRERA
Notarial Commission expires on 31 Dec 2021
PTR No. 6973320; 1-02-20, Q.C
IBP O.R. No. 100670; 1-03-20, Q.C
Roll of Attorneys No. 44573
MCLE Compliance No. VI-0026703
(Valid until April 14, 2022)

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **BAMBI MAUREEN E. DONATO**, Filipino, of legal age and a resident of **1 VERDE DE PASADENA TOWNHOMES, PASADENA DRIVE, SAN JUAN**, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **FRUITAS HOLDINGS, INC.** and have been its independent director since 2019.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Linq Academy Education Services, Inc.	Program and Marketing Manager	May 2015 to Present


3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **FRUITAS HOLDINGS, INC.**, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am not related to any director/officer/substantial shareholder of **FRUITAS HOLDINGS, INC. and any of its subsidiaries** other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

Done, this OCT 12 2020 day of OUEZON CITY


Bambi Maureen E. Donato

SUBSCRIBED AND SWORN to before me this OCT 12 2020 day of OUEZON CITY
affiant personally appeared before me and exhibited to me his/her _____
issued at _____ on _____.

Doc. No. 10472 ;
Page No. 97 ;
Book No. XX ;
Series of 2020 ;


ATTY. MA. PERLITA P. CABRERA
Notarial Commission Expires on 31 Dec 2021
PTR No. 6973320; 1-02-20, Q.C
IBP O.R. No. 100578; 1-02-20, Q.C
Roll of Attorneys No. 44573
MCLE Compliance No. VI-0026703
(Valid until April 14, 2022)

**MINUTES OF THE SPECIAL MEETING
OF THE BOARD OF DIRECTORS OF
FRUITAS HOLDINGS, INC.**

Held at FHI Head Office
on 24 August 2019 at 10:00am

PRESENT:

Rogelio M. Guadalquiver
Lester C. Yu
Irene O. Chua
Calvin F. Chua
Bambi Maureen E. Donato
Dennis T. Beng Hui
Shirley O. Tan
Sherlyn Gonzales
Marvin Yu

1. Call to Order

The Chairman, **Rogelio M. Guadalquiver**, called the meeting to order and presided over the same. **Sherlyn Gonzales**, the Corporate Secretary, recorded the minutes of the proceedings.

2. Declaration of Quorum

The Corporate Secretary certified that a quorum was present for the transaction of business at hand, there being present at least a majority of all the directors of the Corporation (the "Board"), and that the requirements of the Securities and Exchange Commission have been complied with.

3. Reading and Approval of the Minutes of the Previous Meeting of the Board of Directors held on June 21, 2018

After discussion and upon motion made and duly seconded, the Minutes of the Meeting of the Board held on 21 June 2018 was unanimously approved and adopted.

4. Approval of the Audited Financial Statement for the year ended 31 December 2018 and Interim Audited Financial Statement for the month ended 30, June 2019

The audited financial statements for the years ended December 31, 2018 and and Interim Financial Statements as of 30 June 2019 were presented to the stockholders. After discussion thereon, and on motion duly made and seconded, the

stockholders approved the audited Financial Statements of the Corporation for the year ended December 31, 2018 and Interim AFS for the month ended June 30, 2019 as certified by the Corporation's external auditors Reyes Tacandong and Co. and as presented during the meeting.

5. Ratification of the acts and resolutions of the Board of Directors and Management for the year 2019 until the date of the meeting.

Management Plans and resolutions were presented and discussed with the stockholders and were ratified as of the meeting date.

6. Appointment of Directors and Officers

List of candidates and respective Curriculum Vitae were presented to the stockholders and board of directors, upon motion made and duly seconded, the following officers and directors were appointed:

<u>Name</u>	<u>Position</u>
Rogelio M. Guadalquiver	Chairman
Lester C. Yu	President & CEO
Rushell A. Salvador	Vice President/ Compliance Officer
Madelene T. Sayson	Chief Operations Officer
Roselyn Legaspi	Managing Director- Visayas and Mindanao
Marvin C. Yu	Corporate Secretary
Irene O. Chua	Director and CFO & Treasurer
Lerma C. Fajardo	Deputy Chief Financial Officer
Juneil P. Torio	Investor Relations Officer
Calvin F. Chua	Director and Chief Financial Adviser
Bambi Maureen E. Donato	Independent Director
Shirley O. Tan	Independent Director
Dennis T. Beng Hui	Independent Director

7. Appointment of Board Committees:

Upon motion made and duly seconded, the following directors were duly appointed/elected per Board Committee:

Composition of Committees of the Group's Board of Directors			
a) Executive Committee	b) Nominations and Compensation Committee	c) Audit Committee	d) Corporate Governance Committee
Lester C. Yu - Chairman	Bambi E. Donato - Chairman	Dennis T. Beng Hui - Chairman	Shirley O. Tan - Chairman
Irene O. Chua - Member	Lester C. Yu - Member	Shirley O. Tan - Member	Bambi E. Donato - Member
Shirley O. Tan - Member	Irene O. Chua - Member	Irene O. Chua - Member	Dennis T. Beng Hui - Member
		Rogelio M. Guadalquiver - Member	

8. Approval of the terms and conditions of the Application for Initial Public Offering

The terms and conditions of the Initial Public Offering were presented to the stockholders and board of directors.

Upon motion made and duly seconded, the following resolutions were unanimously passed and approved:

“RESOLVED, that the Corporation be authorized and empowered to offer for sale or subscription its common shares of stock by way of an initial public offering in the Philippines under the following indicative terms and conditions:

- (a) The offer and sale of up to five hundred thirty three million three hundred forty thousand (533,340,000) common shares out of the unissued portion of the authorized capital stock of the Corporation (the “Firm Offer Shares”) at an offer price of up to one peso and ninety nine centavos (~~₱~~1.99) per share;
- (b) The grant by Next Merchant Holdings Inc. of an over- allotment option of up to sixty eight million three hundred forty thousand (68,340,000) common shares of the Corporation owned by Next Merchant Holdings Inc. (the “Optional Shares”) under the same terms and conditions as the Firm Offer Shares; and
- (c) Other terms and conditions that may be mutually

agreed upon by the Corporation, the Existing Shareholders, and the underwriter (the Firm Offer Shares and the Optional Shares, collectively, the "Offer Shares")

"RESOLVED, FURTHER, that the Corporation be authorized to apply for (i) the registration of a total of up to two billion one hundred thirty three million three hundred sixty thousand (2,133,360,000) of its common shares with the Securities and Exchange Commission (the 'SEC'), consisting of one billion six hundred million twenty thousand (1,600,020,000) issued and outstanding common shares and up to five hundred thirty three million three hundred forty thousand (533,340,000) common shares from the authorized but unissued capital stock of the corporation to be offered by the Corporation to the public by way of initial public offering; and (ii) the listing of its common shares with the Philippine Stock Exchange (the 'PSE');

"RESOLVED, FURTHER, that the Corporation be authorized to engage the services of underwriters, advisors, legal counsels, stock and transfer agent, receiving agent/bank, escrow agent, the Philippine Depository & Trust Corporation, and other agents as may be necessary, proper or desirable to effect and implement the registration and licensing of the Offer Shares with the SEC, the listing of its common shares with the PSE and the offer for sale, to the public and investors within the Philippines, of its shares, under such terms and conditions as management may deem to be fair and reasonable and in the best interest of the Corporation;

"RESOLVED, FURTHERMORE, that the Corporation be authorized to sign, execute and deliver any and all documents, contracts, agreements and instruments as may be required or necessary in connection with the registration and licensing of its shares with the SEC, the listing of its common shares with the PSE and the offer for sale to the public of its common shares;

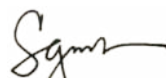
"RESOLVED, FINALLY, that any one (1) of the President/Chief Executive Officer, the Chief Operating Officer, the Corporate Secretary and/or any other proper officers of the Corporation, be authorized to sign, execute and deliver, for and on behalf of the Corporation, all applications, registration forms, deeds, documents, contracts, agreements and instruments, and to perform such further acts and deeds as may be necessary, convenient or appropriate, to give force and effect to the foregoing resolutions."

The foregoing resolutions are in full force and effect and have not been amended or rescinded in any way.

9. Adjournment

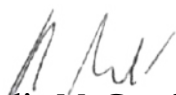
There being no other business to transact, the meeting was there upon adjourned at 5:00pm

CERTIFIED CORRECT:



Sherlyn U. Gonzales
Corporate Secretary

ATTESTED BY:



Rogelio M. Guadalquiver
Chairman



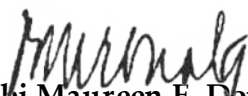
Lester C. Yu
Director



Irene O. Chua
Director



Calvin F. Chua
Director



Bambi Maureen E. Donato
Director



Dennis T. Beng Hui
Director



Shirley O. Tan
Director