

COVER SHEET

2 5 1 6 0

S.E.C. Registration Number

M I L L E N N I U M G L O B A L H O L D I N G S , I N C .

(Company's Full Name)

L O T 9 B L O C K 2 J O H N S T .

M U L T I N A T I O N A L V I L L A G E

P A R A N A Q U E C I T Y 1 7 0 1

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

Janine G. Manzano

Contact Person/s

(02) 7218-0437

Company Telephone Number

1 2

Month

3 1

Day

Fiscal Year

SEC Form 17-Q
September 30, 2022

September 30, 2022

FORM TYPE

June

Month

Last Friday

Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND
THE REVISED CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended **September 30, 2022**
2. Commission identification number **25160**
3. BIR Tax Identification No **000-189-138-000**
4. Exact name of issuer as specified in its charter **Millennium Global Holdings, Inc.**
5. Province, country or other jurisdiction of incorporation or organization: **Metro Manila, Philippines**
6. Industry Classification Code: (SEC Use Only)
7. **Lot 9 Block 2 John St., Multinational Village, Paranaque City** 1708
Address of issuer's office Postal Code

Issuer's telephone number, including area code **(632) 8551-2575**
8. **N/A**
Former name, former address and former fiscal year, if changed since last report
9. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common	2,369,684,619 shares

10. 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 Shares

11. Indicate by check mark whether the registrant:

(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 the Revised 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

12. 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. (See definition of "affiliate" in "Annex B").

The aggregate market value of the voting stock held by non-affiliates of the Company as of September 30, 2022 is Php122,274,441.162 (1,198,769,031@0.102).

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

13. 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 (N/A)

DOCUMENTS INCORPORATED BY REFERENCE

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

(a) Any annual report to security holders; (N/A)

(b) Any information statement filed pursuant to SRC Rule 20; (N/A)

(c) Any prospectus filed pursuant to SRC Rule 8.1. (N/A)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*Our discussions in the succeeding sections of this report pertain to the results of our company's operations for the nine (9) months ended **September 30, 2022**. References are going to be made on results of operations for the same period of the previous year 2021.*

This report may also contain forward-looking statements that reflect our current views with respect to the company's future plans, events, operational performance, and desired results. These statements, by their very nature, contain substantial elements of risks and uncertainties, and therefore, may not be 100% accurate. Actual results may be different from our forecasts.

Furthermore, the information contained herein should be read in conjunction with the accompanying audited consolidated financial statements and related notes. Our financial statements, and the financial discussions below, have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

PART I. BUSINESS AND GENERAL INFORMATION

Millennium Global Holdings, Inc. (the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission ("SEC") per SEC Registration No. 25160 on May 19, 1964. Currently a general holding company, it is listed in the Philippine Stock Exchange, Inc. (the "PSE") since March 1, 1976 with the ticker code MG.

In the recent years, the Company has established its presence through the seafood businesses of its subsidiaries. Nevertheless, it adopts a positive stance to portfolio diversification and varied business opportunities as the SEC on February 14, 2013 approved, among others, the amendment of its primary purpose to become a general holding company.

On February 1, 2017, the SEC approved the Company's application for decrease in authorized capital stock to ₱250 Million and equity restructuring. On March 20, 2017, the SEC further approved the equity restructuring to partially wipe out the remaining deficit as of December 31, 2015.

On October 7, 2022, the SEC approved the Company's application for change of the principal office to Lot 9 Block 2 John St., Multinational Village, Paranaque City.

Status of Operations

The Company owns 51% controlling interest in Millennium Ocean Star Corporation (MOSC). MOSC is primarily engaged in the processing of high-quality seafood and aquaculture products for export and trading of imported marine and other related products. Its key business activity is the processing and export of several quality and high valued seafood products such as Black Tiger Shrimps, Kisu (asohos) fillet, frozen lobsters, etc. Its processing plants and buying stations are strategically located all over the country, enabling it to have a strong market foothold in Japan, Taiwan, Hong Kong, Vietnam, Malaysia, Singapore, United States of America, Canada, etc. MOSC also imports salmon, mackerel scad, scallops, shrimps, etc. for the local market, supplying supermarkets, groceries, food processors, hotels, and restaurants nationwide.

The Company also owns 51% stake in Cebu Canning Corporation (C3), with the intention of making it a 100%-owned subsidiary. To date, the Company's acquisition of the remaining 49% of C3, through purchase of secondary shares from existing shareholders of the Subsidiary, is yet to be completed. C3 is a domestic company engaged in the business of manufacturing, processing and dealing in pasteurized canned crabmeat, frozen marine products and other food products for export purposes. The raw crab meat which is the main material used in the business is locally sourced by C3.

Due to the COVID-19 pandemic, C3 regular operations were temporarily halted in 2021 to save on costs and production was temporarily absorbed by MOSC. This irregularity may continue until such time that it is deemed appropriate to resume C3 regular operations.

Transaction with and/or Dependence on Related parties

Pursuant to the approval of the stockholders on December 18, 2020, the members of the Board of Directors of the Company approved on March 18, 2021 the initial increase of the authorized capital stock of the Corporation from P250 Million to P750 Million, divided into 5,000,000,000 common shares at par value of P0.10/share. The shares shall be subscribed at P0.20/share by Yang Chi Jen (a.k.a. Michael Yang), the Company's Chairman/President and CEO and controlling shareholder of subsidiary, MOSC. The proceeds of the transaction shall be invested in MOSC for the purpose of supporting its operations and expanding its production lines for fish and meat canning, meat and seafoods processing, and sauces. The increase in authorized capital stock is subject to the approval of the SEC and the issuance of the subject shares shall only be effective upon said approval.

Effect of Existing or Probable Government Regulations on the Business

The government regulations affecting the Company have no significant or minimal impact on its business in 2019 and prior years. However, beginning 2020, amid the COVID-19 pandemic and compliance with the directives of the government to observe the rules on varying degrees of community quarantine, operations of subsidiaries were streamlined and kept at minimum to balance the health and safety of workers and employees.

Development Activities

The Company has not engaged in significant development activities.

Cost and Effects of Compliance with Environmental Laws

The Company is committed to complying with the relevant environmental laws and regulations. Its costs and effects have no significant impact on its business.

Employees

Beginning 2014, personnel support has been provided to the Company through its subsidiaries, MOSC and C3. The Company in the normal course of business will hire personnel, as needed, to support the businesses that it will undertake in the future. Furthermore, the Company complies with government prescribed labor standards.

In 2021, due to the COVID-19 pandemic, C3 regular operations were temporarily halted to save on costs and production was temporarily absorbed by MOSC. This irregularity may continue until such time that it is deemed appropriate to resume C3 regular operations.

Description of Properties

The Properties are comprised mostly of land, processing plants and equipment, machinery and delivery equipment owned by the Company's subsidiaries.

Legal Proceedings

The Company is not aware of any legal proceedings of the nature required to be disclosed under Part I, paragraph (C) of "Annex C, as amended" of the SRC Rule 12 with respect to the Company and/or its subsidiaries.

The Company is not aware of (1) any bankruptcy petition filed by or against any business of which any of the directors and executive officers was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time; (2) any conviction of any of the directors and executive officers by final judgment or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses; (3) any of the directors and executive officers being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and (4) any of the directors and executive officers being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated, occurring during the past five (5) years up to the latest date that are material to an evaluation of the ability or integrity of any director, any nominee for election as director, executive officer, underwriter or control person of the Registrant.

Submission of Matters to a Vote of Security Holders

On December 17, 2021, the stockholders of the Company representing 1,348,539,419 issued and outstanding shares, or 53.94% thereof, elected the following members of the Board of Directors for the ensuing year:

1. Yang Chi Jen (a.k.a Michael Yang)
2. Yeh Hsiu-Yin
3. Hsien-Tzu Yang
4. Willy O. Dizon
5. Maria Soledad C. Lim
6. Nancy T. Golpeo
7. Ernesto S. Go
8. Amelia T. Tan
9. Aracelli G. Co
10. Maria Luisa T. Wu (Independent)
11. Cristina Hiltrude L. Aganon (Independent)

On the said meeting, the following matters were approved and/or ratified by the stockholders:

1. Minutes of the previous Annual Stockholders' Meeting held on December 18, 2020;
2. Audited Financial Statements for the calendar year ended December 31, 2020, as contained in the Annual Report;
3. All prior acts and proceedings of the Board of Directors, Corporate Officers and Management;
4. Appointment of Valdes Abad & Company as External Auditor for the calendar year 2021;

During the organizational meeting of the new Board following the stockholders' meeting, the following were duly elected:

Name	Positions
Yang Chi Jen a.k.a. Michael Yang	Chairman / President & CEO
Amelia T. Tan	Treasurer
Lyra Gracia Y. Lipae-Fabella	Corporate Secretary

The Board likewise approved the appointments of Atty. Lyra Gracia Y. Lipae-Fabella as Corporate Information Officer and Alternate Compliance Officer; Mr. Yang Chi Jen as Alternate Corporate Information Officer and Alternate Compliance Officer; and Ms. Janine G. Manzano as Compliance Officer and Alternate Corporate Information Officer.

PART II. RESULTS OF OPERATIONS

Financial Highlights and Key Performance Indicators				
Consolidated Balance Sheet				
	As at		Increase (Decrease)	
	September 30	December 31		
	2022	2021	Amount	%
Total Assets	₱ 2,029,148,892	₱ 2,193,414,925	₱ (164,266,033)	(7.49%)
Current Assets	1,645,104,754	1,794,044,399	(148,939,645)	(8.30%)
Property and Equipment	285,969,734	342,144,492	(56,174,758)	(16.42%)
Total Liabilities	1,365,061,921	1,514,506,392	(149,444,471)	(9.87%)
Current Liabilities	1,321,340,515	1,462,257,507	(140,916,992)	(9.64%)
Interest-bearing Loans	1,088,577,099	1,161,425,041	(72,847,942)	(6.27%)
Equity	664,086,971	678,908,533	(14,821,562)	(2.18%)
Consolidated Statements of Comprehensive Income				
	For the 9 months ended		Increase (Decrease)	
	September 30			
	2022	2021	Amount	%
Revenues (gross)	₱ 407,222,537	₱ 554,528,086	₱ (147,305,549)	26.56%
Gross Profit	108,250,919	105,188,124	3,062,795	2.91%
General & administrative expenses	91,914,391	92,974,719	(1,060,328)	1.14%
Earnings Before Interest, Taxes, Dep'n. & Amort.	49,591,819	27,706,649	21,885,170	78.99%
Profit / (Loss) before tax	(1,186,272)	(2,597,777)	1,411,505	54.34%
Profit / (Loss) after tax	(1,790,024)	(3,213,554)	(1,423,530)	44.30%
Total Comprehensive Income (loss)	(1,790,024)	(3,213,554)	(1,423,530)	44.30%
Consolidated Cash Flows				
	For the 9 months ended		Increase (Decrease)	
	September 30			
	2022	2021	Amount	%
Net Cash from Operating Activities	₱ (130,184,690)	₱ (493,368,900)	₱ 363,184,210	73.61%
Net Cash from Investing Activities	(15,647,328)	(36,431,355)	20,784,027	57.05%
Net Cash from Financing Activities	(197,929,775)	437,111,805	(635,041,580)	145.28%

	For the 9 months ended	As at
	September 30	December 31
Key Performance Indicators	2022	2021
Current Ratio	1.25	1.23
Quick Ratio	0.66	0.83
Solvency Ratio	1.49	1.45
Debt Ratio	0.67	0.69
Debt-to-Equity Ratio	2.06	2.23

Interest coverage ratio	(0.97)	(0.92)
Asset to Equity Ratio	3.06	3.23
Gross Profit Margin	0.27	0.06
Net Profit Margin	(0.0043)	(0.0022)
Return on Assets	(0.00088)	(0.0010)
Return on Equity	(0.0026)	(0.0032)
Price/Earnings Ratio	(126.16)	(498.4201)
Book value per share	(0.00088)	(0.00032)
	2022	2021
Issued & Outstanding Shares	2,369,684,620	2,500,000,000
Ave. Exchange Rates (\$ to Peso)	54.194	50.774
<i>Please refer to Financial Statement Notes</i>		

Ratios

- *Current Ratio is computed by dividing Current Assets by Current Liabilities.*
- *Quick Ratio is computed by dividing Current Assets less Inventory and Prepayments by Current Liabilities.*
- *Solvency Ratio is computed by dividing Total Assets by Total Liabilities.*
- *Debt Ratio is computed by dividing Total Debts by Total Assets.*
- *Debt to Equity Ratio is computed by dividing Total Debts by Total Equity.*
- *Net Profit Margin Ratio is computed by dividing Net Profit (Loss) by Total Revenue.*
- *Gross Margin is computed by dividing Gross Profit by Total Revenue.*
- *Interest Coverage Ratio is computed by dividing EBIT by Interest Charges.*
- *Return on Assets Ratio is computed by dividing Net Profit (Loss) by Total Assets.*
- *Return on Equity Ratio is computed by dividing Net Profit (Loss) by Total Equity.*
- *Price/Earnings Ratio is computed by dividing Price per Share by Earnings per Share.*

As of September 30, 2022, the financial results reflect the consolidated financial statements of the Company and its subsidiaries, MOSC and C3.

Discussion on Financial Results

Assets

Cash as of September 30, 2022 is Php47.16 Million as compared to Php390 Million on December 31, 2021.

Accounts receivables as of September 30, 2022 amounting to Php640 Million represents trade and other receivables of MOSC and nil for the Company. Accounts receivable increased by ₱60 Million as compared to ₱700 Million as of December 31, 2021.

Liabilities

Liabilities as of September 30, 2022 amount to ₱1.365 Billion as compared to ₱1.514 Billion as of December 31, 2021. The decrease of ₱149.444 Million is mainly due to payment of borrowings and lease payable.

Equity

Decrease in equity of ₱14.821 Million as of September 30, 2022 pertains to the increase in the deficit and the rescission of the subscription to MGHI.

Additional details on balance sheet accounts may be found in the accompanying Notes to Financial Statements.

Revenues

Revenue generated for the period ended September 30, 2022 is ₱407.22 Million. The revenues are attributable to MOSC's import/export and processing of marine goods and other related products.

Other Income (charges) as of September 30, 2022 is ₱17.89 Million. The revenues are attributable to Rental income and Miscellaneous income for storage.

Expenses

Comparing the nine (9) months ended September 30, 2022 against nine (9) months ended September 30, 2021, the top expenses in Peso terms are as follows:

- **Cost of Sales**

Total cost of sales for ₱298.97 Million in 2022 represents cost of 73.4% of gross sales of ₱407.22 Million.

- **Salaries and Benefits**

The Company has not made any hiring during the quarter. As of September 30, 2022, total salaries increased by ₱1.1 Million, from ₱11.8 Million as of September 30, 2021, to ₱12.9 Million as of September 30, 2022. Salaries represent MOSC manpower cost and employees' benefits. This accounts for 14.03% of total operating expenses as of September 30, 2022.

- **Interest expense** as of September 30, 2022 amounted to Php35.04 Million. This accounts for about 27.83% of the group's total operating expenses.

- **Utilities expense** as of September 30, 2022 amounted to Php19.27 Million. This accounts for about 15.13% of groups' total operating expenses. For the year 2021 it amounted to Php12.6 Million.

- **Shipping and handling cost** as of September 30, 2022 amounted to Php13.31 Million. This accounts for about 10.45% of groups' total operating expenses. For the year 2021 it amounted to Php11.3 Million.

Additional details on the Statement of Comprehensive Income accounts may be found in the accompanying Notes to Financial Statements.

Liquidity and Capital Resources

The following table shows the consolidated cash flows as of September 30, 2022 and 2021:

Consolidated Cash Flows	For the 9 months ended		Increase (Decrease)	
	September 30		Amount	%
	2022	2021		
Net Cash from Operating Activities	₱ (130,184,690)	₱ (493,368,900)	₱ 363,184,210	73.61%
Net Cash from Investing Activities	(15,647,328)	(36,431,355)	20,784,027	57.05%
Net Cash from Financing Activities	(197,929,775)	437,111,805	(635,041,580)	145.28%

Operating Activities

Net cash used for operating activities of ₱130.2 Million as of September 30, 2022 are mainly from MOSC operations as of September 30, 2022.

Investing Activities

Net cash used for investing activities of ₱15.6 Million as of September 30, 2022 was mainly from advances made to related parties of MOSC.

Financing Activities

Net cash used financing activities of ₱197.92 Million as of September 30, 2022, represents payments of lease liability of MOSC.

Seasonal aspects that had a material effect on the financial condition or results of operations

The Company's operations have since resumed and become regular after some temporary disruptions as a result of the community quarantines which the government imposed beginning March 17, 2020. Due to the COVID-19 pandemic, C3 regular operations were temporarily halted to save on costs and production was temporarily absorbed by MOSC. This irregularity may continue until such time that it is deemed appropriate to resume C3 regular operations.

While the irregularity of operations due to COVID-19 pandemic is currently considered to be temporary, management anticipates that any significant or prolonged suspension of businesses and/or restrictions on the movement of workers will negatively impact the Group's financial condition and operations – specifically in its production and distribution channels.

Requirements under SRC Rule 17 and 68.1

We have extensively disclosed the risks in this report and Financial Statements filed with the Exchange.

Financial Risk Assessment

The Company and its operating subsidiaries face various categories and levels of risk. Inherent in all of the businesses is Counterparty risk, or the risk that clients may stop or delay payments of their service

invoices, and that suppliers may fail to deliver the goods and services. Each company is addressing these issues through continuous dialogue with, and management of, the specific counterparty at risk. We do not see, at this point, that any failure on the part of our customers, our suppliers, or a group thereof, would materially affect the financial conditions and results of the company.

Currency Risk

During the period when the Peso was still strong, the company decided to hedge its net USD inflows with a foreign bank, by fixing the USD-Peso exchange rate until the end of the contract. Since then, the Peso has depreciated and we may see the USD to strengthen as the other economies are affected by the credit crisis, and inflows from OFW remittances may slow down.

Disclosure on Financial Instruments

The Company does not carry any market-based financial instruments, derivatives, and other similar products in their portfolios. Hence, the evaluation of these financial instruments, comparison to fair values and realization of gains or losses, criteria for determining fair values, are not applicable to the Company.

Aside from risks that are inherent in our businesses, such as risks from competitive forces and from the performance of business operations, we do not foresee any other trend, event or uncertainty that will have a material impact on our net sales and income from the continuing operations of our subsidiaries.

Any events that will trigger direct or contingent financial obligation, which is material to the company, including default or acceleration of an obligation.

We do not foresee any event that would trigger direct or contingent financial obligation, including default or acceleration of any obligation.

The Company's operations have since resumed and become regular after some temporary disruptions as a result of the community quarantines which the government imposed beginning March 17, 2020. Due to the COVID-19 pandemic, C3 regular operations were temporarily halted to save on costs and production was temporarily absorbed by MOSC. This irregularity may continue until such time that it is deemed appropriate to resume C3 regular operations.

While the irregularity of operations due to COVID-19 pandemic is currently considered to be temporary, management anticipates that any significant or prolonged suspension of businesses and/or restrictions on the movement of workers will negatively impact the Group's financial condition and operations – specifically in its production and distribution channels.

All material off balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

There are no known material off balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.

Any significant elements of income or loss that did not arise from the issuer's continuing operations.

The Company's operations have since resumed and become regular after some temporary disruptions as a result of the community quarantines which the government imposed beginning March 17, 2020. Due to the COVID-19 pandemic, C3 regular operations were temporarily halted to save on costs and production was temporarily absorbed by MOSC. This irregularity may continue until such time that it is deemed appropriate to resume C3 regular operations.

While the irregularity of operations due to COVID-19 pandemic is currently considered to be temporary, management anticipates that any significant or prolonged suspension of businesses and/or restrictions on the movement of workers will negatively impact the Group's financial condition and operations – specifically in its production and distribution channels.

Issuances, repurchases, and repayments of debt and equity securities.

There are no significant issuances, repurchases, and repayments of debt and equity securities during the period.

Notably, pursuant to the approval of the stockholders on December 18, 2020, the members of the Board of Directors of the Company approved on March 18, 2021 the initial increase of the authorized capital stock of the Corporation from P250 Million to P750 Million, divided into 5,000,000,000 common shares at par value of P0.10/share. The shares shall be subscribed at P0.20/share by Yang Chi Jen (a.k.a. Michael Yang), the Company's Chairman/President and CEO and controlling shareholder of subsidiary, MOSC. The proceeds of the transaction shall be invested in MOSC for the purpose of supporting its operations and expanding its production lines for fish and meat canning, meat and seafoods processing, and sauces. The increase in authorized capital stock is subject to the approval of the SEC and the issuance of the subject shares shall only be effective upon said approval.

Any change in the composition of the issuer during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructuring, and discontinuing operations.

There are no significant changes in the composition of the issuer during the period.

Changes in contingent liabilities or contingent assets since the last annual balance sheet date.

There are no material changes in contingent liabilities or assets since the last annual balance sheet.

Disclosures not made under SEC Form 17-C.

All disclosures made under SEC Form 17-C have been filed during the period.

Other subsequent events disclosed under SEC Form 17-C.

Other subsequent events disclosed under SEC Form 17-C are included in this report. Please see pages 19 to 20 for more information.

PART III. CONTROL AND COMPENSATION INFORMATION

DIRECTORS & EXECUTIVE OFFICERS

Name	Age	Citizenship	Position	No. of Years Served as Director	Term of Office
Yang Chi Jen (a.k.a Michael Yang)	52	Filipino	Chairman/ President & CEO	9	December 17, 2021 – present
Hsien – Tzu Yang	81	Taiwanese	Director	9	December 17, 2021 – present
Yeh Hsiu-Yin	73	Chinese	Director	4 months	December 17, 2021 – present
Willy O. Dizon	66	Filipino	Director	9	December 17, 2021 – present
Maria Soledad C. Lim	62	Filipino	Director	9	December 17, 2021 – present
Nancy T. Golpeo	61	Filipino	Director	9	December 17, 2021 – present
Ernesto S. Go	71	Filipino	Director	9	December 17, 2021 – present
Amelia T. Tan	56	Filipino	Director	6	December 17, 2021 – present
Aracelli G. Co	57	Filipino	Director	6	December 17, 2021 – present
Maria Luisa T. Wu	67	Filipino	Independent Director	6	December 17, 2021 – present
Cristina Hiltrude L. Aganon	56	Filipino	Independent Director	4	December 17, 2021 – present
Lyra Gracia Y. Lipae- Fabella	46	Filipino	Corporate Secretary	N/A	December 17, 2021 – present
Janine G. Manzano	29	Filipino	Compliance Officer	N/A	December 17, 2021 – present

PROFILES

YANG CHI JEN (a.k.a Michael Yang)
Chairman, President & CEO

Mr. Yang has four (4) decades of extensive experience in the export/import business as he has been immersed in the day-to-day operations of various businesses owned by his family. Mr. Yang is the controlling shareholder of Millennium Ocean Star Corporation; ShieJie Corporation, a company engaged in the business of seafood processing, packing, and import/export trading; Jomark Food Corporation, a company engaged in fish and squid ball, kikiyam, crab nuggets processing and serves as the local distributor of Millennium products; and Philippine 101 Hotel, Inc., a company engaged in the hotel industry. He was educated in Taiwan where he attended Kweishan Junior High School.

YEH HSIU-YIN

Director

Ms. Yeh Hsiu-Yin had decades of experience in the areas of seafood processing and packing. She used to manage Shie Jie Corporation where she now sits as Director. She also started FM Foodmark Enterprises as a single proprietorship until it is now known as Jomark Food Corporation where she likewise sits as Director. She also owned Shop Mark Supermarket in Zamboanga City until its closure in 2008 due to the volatility of the peace and order situation at the time. She is also Director of Millennium Ocean Star Corporation. She was educated in Taiwan where she attended First Lady High School.

HSIEN-TZU YANG

Director

Mr. Yang has had more than four (4) decades of experience in the areas of seafood processing, packing, canning, and manufacturing of marine products. For a number of years, he ran ShieJie Corporation, South Sea Marine Products, Tawi-Tawi King Fisher Incorporated and South Phil. Marine Products, Incorporated. He was educated in Taiwan where he attended Taichung Elementary School.

WILLY O. DIZON

Director

Mr. Dizon is the Chairman/President of Timbercity Jetty Gas Station and De Luxe Construction Supply Co., Inc. He is a seasoned businessman with more than thirty (30) years track experience in sales and marketing. He took up BS Chemical Engineering at Mapua Institute of Technology.

MARIA SOLEDAD C. LIM

Director

Ms. Lim is the Executive Vice President in Optimum Solutions, Inc. and Secretary of Fuji Zipper Manufacturing Inc., a family-owned business. She has extensive experience in marketing and finance. Ms. Lim is a graduate of the University of the East in Business Administration.

NANCY T. GOLPEO

Director

Ms. Golpeo is engaged in the real estate business and has been a licensed real estate appraiser since 2011. She has a Bachelor of Science degree in Commerce from the University of Santo Tomas.

AMELIA T. TAN

Director, Treasurer

Ms. Tan is the Treasurer of the Corporation and Chief Finance Officer and Corporate Secretary of Millennium Ocean Star Corporation. She has more than 19 years of combined banking experience in Bank of the Philippine Islands (1999-2004), Far East Bank (1987-1999) and Urban Bank (1985-1987). She obtained her degree in Bachelor of Science in Commerce major in Management Financial Institution from De La Salle University.

ARACELLI G. CO

Director

Ms. Co is the Manager of Aracelli Plastic Products. She is also a member of the faculty of Northern Rizal Yorklin School since 1984. She has been an Asst. Treasurer of the Philippine Plastic Industry Association and Treasurer of Northern Rizal Yorklin Alumni Assn. since 2013. She is a Certified Public Accountant. She obtained her degree in Bachelor of Science in Business Administration major in Accounting from the Philippine School of Business Administration.

ERNESTO S. GO

Director

Atty. Go is a Senior Partner at the Cerilles Navarro Nuval & Go Law Offices since 1978. He has an extensive background in Corporate and Litigation practice. He holds a Bachelor of Laws degree from the Ateneo De Manila University Law School and placed 20th in the 1975 Bar Examinations.

MARIA LUISA T. WU

Independent Director

Ms. Wu is a Financial Consultant for Planters and Green Revolutionist Association Inc.; President of Uniq Intertrade Corporation; and Proprietor of the Giant Builders and the Ad-Reds International Trading. She is also a member of the Filipino-Chinese Eastern Chamber of Commerce. She was previously connected with Giant Footwear (Shanghai, China) and Masterx Footwear (Mariveles, Bataan) as production manager. Ms. Wu took up Bachelor of Science in Commerce, Major in Accountancy, at the University of the East.

CRISTINA HILTRUDE L. AGANON

Independent Director

Ms. Aganon is a Certified Public Accountant. She serves as the Treasury Officer/Budget Officer/Accounting Officer of Private Infra Dev. Corp. since 2011. Previously, she has worked as Branch manager for the Philippine National Bank from 2008 to 2010. Ms. Aganon obtained her degree in BS Commerce Major in Accounting from St. Mary's University in Nueva Vizcaya. She likewise earned 36 MBA units from the University of Santo Tomas.

LYRA GRACIA Y. LIPAE-FABELLA

Corporate Secretary, Corporate Information Officer and Alternate Compliance Officer

Atty. Lipae-Fabella is a Certified Public Accountant and member of the Integrated Bar of the Philippines. She serves/has served as Corporate Secretary/ Officer to a number of publicly-listed and private companies. At present, she is the Managing Partner of the Fabella and Fabella Law Office. Her work experience includes having been a Junior Auditor of a leading auditing firm, Associate of a law firm and Securities Counsel III at the Securities and Exchange Commission. Atty. Lipae-Fabella graduated from San Beda College of Law and obtained her BS Business Administration and Accountancy degree from the University of the Philippines in Diliman.

JANINE G. MANZANO

Compliance Officer and Alternate Corporate Information Officer

Ms. Manzano is a licensed teacher who found joy working in the corporate field. Prior to immersing in the corporate practice, she taught at St. Benedict School of Novaliches. She obtained her degree in BS Secondary Education from Divine Word College of Vigan.

Family Relationship

Yang Chi Jen (a.k.a. Michael Yang) is the son of spouses Hsien-Tzu Yang and Yeh Hsiu-Yin.

There are no other family relationships known to the Company other than the ones disclosed herein.

PART IV. CORPORATE GOVERNANCE

The Board of directors and shareholders, management and employees of the Company believe that corporate governance is a necessary component to achieve strategic business management. Going beyond compliance to laws and the implementation of rules and regulations, the Company's governance cultivates a corporate culture of integrity and empowering leadership, and significantly contributes to long-term growth and enhanced shareholder value.

The Company is committed to adhering to the highest level of sound corporate governance practices in setting values that serve as its foundation in guiding both employees and stockholders alike. With a dedicated team of professionals who share such passion, its business practices and work ethics put in place a philosophy of corporate transparency and public accountability.

In compliance with SEC Memorandum Circular No.19, Series of 2016 and SEC Memorandum Circular No.24, Series of 2019, the Corporation revised its Manual on Corporate Governance, adopting the mandatory provisions of the Revised Code of Corporate Governance and Revised Corporation Code. There has been no material deviation from the Corporation's Revised Manual on Corporate Governance.

THE BOARD OF DIRECTORS

A Board leads the Company, which is the highest authority in matters of governance and in managing the business of the Company.

It is the Board's responsibility to foster the long-term success of the Company and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Company, its shareholders and other stakeholders.

The Board meets regularly throughout the year to ensure a high standard of business practice for the Company and its stakeholders and to ensure soundness, effectiveness, and adequacy of the Company's internal control environment. Independent judgment is exercised at all times.

COMMITTEES

To aid in complying with the principles of good corporate governance and as expressly provided in the Company's Revised Manual of Corporate Governance, the following committees were established with specific responsibilities.

Nomination, Compensation and Election Committee

The Nomination, Compensation and Election Committee is composed of three (3) members of the Board of Directors. The members of the Committee are as follows:

1. Yang Chi Jen - Chairman
2. Amelia T. Tan – Member
3. Ernesto S. Go – Member

The Committee has established a formal, transparent procedure developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors. It provides oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the Company's culture, strategy and control environment. It determined the amount of remuneration, which is sufficient to attract and retain directors and officers who are needed to run the company successfully.

It is also tasked to install and maintain a process to ensure that all directors to be nominated for election at the annual stockholders' meeting have all the qualifications and none of the disqualifications for directors as stated in the By-Laws, the Revised Manual on Corporate Governance of the Company and the pertinent rules of the SEC.

It likewise reviews and evaluates the qualifications of all persons nominated to positions in the Company, which require appointment, by the Board.

Audit Committee

The Audit Committee is composed of three (3) members of the Board and chaired by an independent director. The members of the Committee are as follows:

1. Cristina Hiltrude L. Aganon (Independent Director) – Chairman
2. Aracelli G. Co – Member
3. Maria Luisa T. Wu (Independent Director) – Member

The members have adequate understanding at least or competence at most of the company's financial management systems and environment. The Committee checks all financial reports against its compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements. It performs oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Company, and crisis management.

The committee function includes a direct interface with the internal and external auditors, which are separate and independent of each other.

Corporate Governance Committee/Risk Management and Oversight Committee

The Committee is composed of one (1) independent director and two (2) regular directors. The members are as follows:

1. Maria Luisa T. Wu – (Independent Director) Chairman
2. Yang Chi Jen – Member
3. Amelia T. Tan – Member

The Committee is tasked to assist the Board in the performance of its corporate governance responsibilities. It shall ensure compliance with and proper observance of corporate governance principles and practices.

The Committee is likewise tasked for the oversight of a Company's Risk Management system to ensure its functionality and effectiveness.

Executive Committee

The Executive Committee is composed of a minimum of three (3) members. The members of the Committee are as follows:

1. Yang Chi Jen – Chairman
2. Amelia T. Tan – Member
3. Aracelli G. Co – Member

The Executive Committee acts in accordance with the authority granted by the Board, or during the absence of the Board, on specific matters within the competence of the Board of Directors, except with respect to approval of any action for which shareholders' approval is also required; distribution of cash dividends; filling of vacancies in the Board or in the Executive Committee; amendment or repeal of By-Laws or the adoption of new By-Laws; amendment or repeal of any resolution of the Board of Directors which by its express terms is not so amendable or repealable; and the exercise of powers delegated by the Board exclusively to other committees.

Compliance Officer

The Compliance Officer is designated to ensure adherence to corporate principles and best practices.

The duties of the Compliance Officer include monitoring of compliance with the provisions and requirements of the Revised Manual on Corporate Governance; determine violation/s of the Manual and recommend penalty for violation thereof for further review and approval of the Board; appear before the Securities and Exchange Commission upon summon; and identify, monitor and control compliance risks.

Content and Timing of Disclosures

The Company updates the investing public with strategic, operating and financial information through adequate and timely disclosures filed with the Securities and Exchange Commission and the Philippine Stock Exchange.

In addition to compliance with periodic reportorial requirements, the Company ensures that not only major and market-sensitive information but material information such as earnings, dividend declarations, joint ventures and acquisitions, sale and disposition of significant assets are punctually disclosed to the SEC, PSE and through the Company's website.

PART V. EXHIBITS AND SCHEDULES

The significant matters reported under SEC Form 17-C during the third quarter of 2022 until the date of this report are as follows:

Date																																			
September 30, 2022	<p>Approval of the following:</p> <p>1. Rescission of the subscription to a total of 130,315,381 common shares by the following:</p> <table border="1" data-bbox="456 919 1425 1255"> <thead> <tr> <th data-bbox="456 919 824 951">Name</th> <th data-bbox="824 919 1149 951">No. of Common shares</th> <th data-bbox="1149 919 1425 951">Date of Issuance</th> </tr> </thead> <tbody> <tr> <td data-bbox="456 951 824 1003">Elite Holdings, Inc.</td> <td data-bbox="824 951 1149 1003">55,052,300</td> <td data-bbox="1149 951 1425 1003">10/13/2011</td> </tr> <tr> <td data-bbox="456 1003 824 1035">Roger G. Stone</td> <td data-bbox="824 1003 1149 1035">18,500,000</td> <td data-bbox="1149 1003 1425 1035">10/13/2011</td> </tr> <tr> <td data-bbox="456 1035 824 1066">Oleen Miranda</td> <td data-bbox="824 1035 1149 1066">6,000,000</td> <td data-bbox="1149 1035 1425 1066">10/13/2011</td> </tr> <tr> <td data-bbox="456 1066 824 1098">Paul Joseph Cunningham</td> <td data-bbox="824 1066 1149 1098">6,000,000</td> <td data-bbox="1149 1066 1425 1098">10/13/2011</td> </tr> <tr> <td data-bbox="456 1098 824 1129">IPVG Employees, Inc.</td> <td data-bbox="824 1098 1149 1129">38,000,000</td> <td data-bbox="1149 1098 1425 1129">10/13/2011</td> </tr> <tr> <td data-bbox="456 1129 824 1161">E-store Exchange.Com Inc.</td> <td data-bbox="824 1129 1149 1161">1,763,080</td> <td data-bbox="1149 1129 1425 1161">12/07/2010</td> </tr> <tr> <td data-bbox="456 1161 824 1192">Jaime Enrique Y. Gonzalez</td> <td data-bbox="824 1161 1149 1192">5,000,000</td> <td data-bbox="1149 1161 1425 1192">04/15/2011</td> </tr> <tr> <td data-bbox="456 1192 824 1224">Ricardo F. Lagdameo</td> <td data-bbox="824 1192 1149 1224">1</td> <td data-bbox="1149 1192 1425 1224">12/07/2010</td> </tr> <tr> <td data-bbox="456 1224 824 1255">TOTAL</td> <td data-bbox="824 1224 1149 1255">130,315,381</td> <td data-bbox="1149 1224 1425 1255"></td> </tr> </tbody> </table> <p data-bbox="440 1283 1425 1423">The above subscriptions were made in 2010 and 2011, with the understanding that the above stockholders were to assist in facilitating the issuance and the ultimate listing of the shares. For failure of the said stockholders to provide the requirements and assistance needed within a considerable period since the transaction, the Corporation deems it best to proceed with the rescission of the subscription.</p> <p data-bbox="440 1461 1425 1514">Any previously issued certificates of stocks representing said shares shall be surrendered to and canceled by the Corporation.</p> <p data-bbox="440 1549 1425 1581">With the above, the updated capital structure of the Company is as follows:</p> <table border="1" data-bbox="440 1602 1312 1665"> <tbody> <tr> <td data-bbox="440 1602 930 1633">No. of issued shares</td> <td data-bbox="930 1602 1312 1633">2,369,684,619</td> </tr> <tr> <td data-bbox="440 1633 930 1665">No. of outstanding shares</td> <td data-bbox="930 1633 1312 1665">2,369,684,619</td> </tr> </tbody> </table> <p data-bbox="440 1696 1425 1812">2. Amendment of the timeline to proceed with the application for increase of the authorized capital stock of the Corporation as disclosed on March 18, 2021, such that the same shall proceed after the approval of the additional listing of the remaining unlisted shares of the Corporation and service of the lock-up period, as may be applicable.</p>	Name	No. of Common shares	Date of Issuance	Elite Holdings, Inc.	55,052,300	10/13/2011	Roger G. Stone	18,500,000	10/13/2011	Oleen Miranda	6,000,000	10/13/2011	Paul Joseph Cunningham	6,000,000	10/13/2011	IPVG Employees, Inc.	38,000,000	10/13/2011	E-store Exchange.Com Inc.	1,763,080	12/07/2010	Jaime Enrique Y. Gonzalez	5,000,000	04/15/2011	Ricardo F. Lagdameo	1	12/07/2010	TOTAL	130,315,381		No. of issued shares	2,369,684,619	No. of outstanding shares	2,369,684,619
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October 7, 2022	Approval by the SEC of the Company's application to change its principal office to Lot 9 Block 2 John Street, Multinational Village, Paranaque City.																																		

October 20, 2022	Approval of the holding of the Company’s Annual Stockholders’ Meeting (“ASM”) on December 7, 2022 at 2:00 p.m. through remote communication/ online (Zoom) pursuant to SEC Memorandum Circular No. 6, series of 2020. The record date is set on November 8, 2022.
October 21, 2022	<p>Attendance to the corporate governance seminar of the following:</p> <ul style="list-style-type: none"> • Yang Chi Jen (a.k.a. Michael Yang) – Chairman/ President & CEO; • Willy O. Dizon – Director; • Hsien Tzu Yang – Director; • Maria Soledad C. Lim – Director; • Nancy T. Golpeo – Director; • Amelia T. Tan – Director; • Aracelli G. Co – Director; • Atty. Ernesto S. Go – Director; • Yeh Hsiu-Yin – Director; • Maria Luisa T. Wu – Independent Director; • Cristina Hiltrude L. Aganon – Independent Director; • Atty. Lyra Gracia Y. Lipae-Fabella – Corporate Secretary/Corporate Information and Alternate Compliance Officer; and • Janine G. Manzano – Compliance Officer and Alternate Corporate Information Officer

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, in Paranaque City on NOV 11 2022.

MILLENNIUM GLOBAL HOLDINGS, INC.

Issuer

By:



YANG CHIH-SHAN (a.k.a. Michael Yang)
President and CEO



AMELIA T. TAN
Treasurer

**MILLENNIUM GLOBAL HOLDINGS, INC.
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2022 (Unaudited) AND DECEMBER 31, 2021 AND 2020 (Audited)**

(In Philippine Peso) AS AT	30 September-22 (Unaudited)	31 Dec-21 (Audited)	31 Dec-20 (Audited)
ASSETS			
Current Assets			
Cash	47,160,610	390,922,403	145,297,802
Trade and other receivables, net	639,970,072	699,973,888	442,295,928
Inventories	658,427,666	462,146,582	487,745,362
Prepayment and other current assets	119,839,108	117,751,617	115,366,650
Due from related parties	179,707,298	123,249,909	130,151,222
Total Current Assets	1,645,104,754	1,794,044,399	1,320,856,964
Noncurrent Assets			
Property, plant and equipment, net	285,969,734	342,144,492	329,116,418
Investment in associate	26,444,112	26,444,112	24,280,930
Deferred tax assets	2,853,009	15,880,184	15,808,385
Financial asset at FVOCI	50,000	50,000	50,000
Goodwill	14,521,202	14,521,202	14,521,202
Other noncurrent assets	54,206,081	330,536	330,536
Total Noncurrent Assets	384,044,138	399,370,526	384,107,471
TOTAL ASSETS	2,029,148,892	2,193,414,925	1,704,964,435
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	95,277,198	95,618,205	97,520,573
Due to a related party	137,486,218	134,690,006	138,168,506
Lease liability, current portion	-	70,524,255	75,058,755
Borrowings	1,088,577,099	1,161,425,041	902,835,220
Total Current Liabilities	1,321,340,515	1,462,257,507	1,213,583,054
Noncurrent Liabilities			
Lease liability, net of current portion	-	8,882,949	10,218,541
Borrowings, net of current portion	-	-	3,226,917
Retirement benefits obligations	43,721,406	43,365,936	46,876,712
Total Noncurrent Liabilities	43,721,406	52,248,885	60,322,170
TOTAL LIABILITIES	1,365,061,921	1,514,506,392	1,273,905,224

Equity (capital deficiency)			
Attributable to equity holders of the parent			
Share capital	236,968,462	250,000,000	250,000,000
Share premium	36,578,500	36,578,500	36,578,500
Remeasurement of retirement benefits obligation	(7,455,587)	(7,455,587)	(7,455,587)
AFS reserve	(300,000)	(300,000)	(300,000)
Deficit	(127,711,415)	(125,607,616)	(124,804,064)
Deposit for future share subscription	287,636,935	287,636,935	37,636,935
Total	425,716,895	440,852,232	191,655,784
Equity attributable to non-controlling interests			
	238,370,076	238,056,301	239,403,427
TOTAL EQUITY	664,086,971	678,908,533	431,059,211
TOTAL LIABILITIES & EQUITY	2,029,148,892	2,193,414,925	1,704,964,435

MILLENNIUM GLOBAL HOLDINGS, INC. AND ITS SUBSIDIARIES CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) FOR THE 9 MONTHS PERIOD ENDED SEPTEMBER 30, 2022, 2021 AND 2020 (Unaudited)			
	9 mos.	9 mos.	9 mos.
(In Philippine Peso)	30-Sept-22 (Unaudited)	30-Sept-21 (Unaudited)	30-Sept-20 (Unaudited)
REVENUES			
Gross sales	407,222,537	554,528,086	482,004,562
Less: COST OF SALES	298,971,618	449,339,962	421,793,005
GROSS PROFIT	108,250,919	105,188,124	60,211,557
OPERATING EXPENSES			
Taxes and licenses	3,515,928	5,225,537	1,590,648
Salaries and other employment benefits	12,930,512	11,758,624	12,639,255
Transportation & Travel	625,747	296,952	421,145
Representation expense	640,195	840,832	208,317
Communication, light& water expense	19,279,952	18,430,167	12,846,163
Commission	1,018,209	1,138,666	986,221
Brokerage fees	158,173	1,317,643	202,709
Rental expenses	2,737,615	3,152,056	3,072,044
Repair and maintenance	3,351,704	2,481,720	2,509,115
Management & Professional fees	1,040,004	1,249,862	1,084,498
Retirement benefits	1,792,171	624,037	532,439
Security and janitorial services	1,396,481	1,277,393	1,350,434
Supplies & other Office expense	2,762,794	2,918,367	987,023
Insurance	385,576	330,385	218,387
Membership dues	255,424	254,500	272,264
Warehousing services	846,670	339,078	1,564,374
Shipping and handling cost	13,312,764	16,919,681	11,518,954
Information technology services	314,192	271,619	187,451
Documentary stamps	3,747,099	2,369,985	509,907
Fuel and lubricants	1,123,603	1,127,678	632,598
Donations and contributions	38,645	40,800	24,899
Trainings and seminars	56,260	-	10,874
Litigation	0	-	-
Product testing and analysis fee	278,195	292,077	121,429
Sanitation	448,835	388,771	386,482
Advertising and promotions	7,401	25,000	-
Fines, penalties & other charges	615,904	37,462	648,811
Reprocessing	315,477	79,692	85,568
Miscellaneous	3,554,164	4,292,891	879,085
Total Operating Expenses	76,549,694	77,481,475	55,491,094
EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization)	49,591,819	27,706,649	4,720,463
Total Depreciation and Amortization	15,364,697	15,493,244	24,388,999

Other Income/Expenses			
Bank charges	(407,051)	(374,495)	(275,808)
Foreign exchange (gain) or loss	479,417	639,980	170,550
Rental income	3,974,406	4,949,426	8,439,492
Gain on finance lease-sale and leaseback	2,918,944	2,515,926	2,710,772
Gain on sale of fixed asset	-	-	-
Provision on losses / actual losses	-	-	-
Miscellaneous income(loss)	10,924,878	11,902,293	28,340,996
Other income (loss), net	17,890,594	19,633,130	39,386,002
Profit (loss) from operations and other income/expenses	34,227,122	31,846,535	19,717,466
Finance Income	25,909	19,777	33,333
Finance costs	(35,439,303)	(34,464,089)	(22,045,577)
Profit (Loss) before income tax	(1,186,272)	(2,597,777)	(2,294,778)
Provision for Income Tax	603,752	615,777	277,119
Profit (Loss) after income tax	(1,790,024)	(3,213,554)	(2,571,897)
Share in net losses (income of consolidated subsidiaries in excess of investments)	-	-	-
TOTAL COMPREHENSIVE INCOME (LOSS)	(1,790,024)	(3,213,554)	(2,571,897)

MILLENNIUM GLOBAL HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE 3 MONTHS PERIOD ENDED SEPTEMBER 30, 2022, 2021 AND 2020 (Unaudited)

(In Philippine Peso)	3 mos. July-Sept, 2022 (Unaudited)	3 mos. July-Sept, 2021 (Unaudited)	3 mos. July-Sept, 2020 (Unaudited)
REVENUES			
Gross sales	165,178,143	130,969,701	114,132,047
Less: COST OF SALES	128,475,661	95,164,247	108,259,361
GROSS PROFIT	36,702,482	35,805,454	5,872,686
OPERATING EXPENSES			
Taxes and licenses	985,971	2,303,160	118,360
Salaries and other employees' benefits	2,607,273	2,640,731	2,762,177
Transportation and Travel	80,116	102,994	37,214
Representation expenses	415,498	610,921	26,836
Communication, light& water expense	8,002,914	5,795,507	2,744,438
Commission	234,694	351,961	290,763
Brokerage fee	-	934,521	-
Rental expenses	85,427	398,326	735,889
Repair and maintenance	1,465,884	1,270,991	141,159
Management & Professional fees	545,004	438,110	482,148
Retirement benefits	205,644	213,904	129,900
Security and janitorial services	648,499	445,568	327,294
Supplies & other Office expense	548,220	2,137,389	582,796
Insurance	41,255	164,365	47,838
Membership dues	-	-	-
Warehousing services	93,855	-	321,163
Shipping and handling cost	13,312,764	5,613,382	2,476,080
Information technology services	75,610	111,039	42,853
Documentary stamps	1,854,618	1,731,331	51,184
Fuel and lubricants	326,088	385,236	200,417
Donations and contributions	2,500	4,000	6,094
Training and seminar	56,260	-	10,874
Litigation	-	-	-
Product testing and analysis	133,266	80,959	9,865
Sanitation	193,874	132,388	55,881
Advertising and promotion	7,401	24,000	-
Fines, penalties & other charges	39,522	25,966	40,964
Reprocessing	14,789	13,000	42,853
Miscellaneous	1,408,911	3,635,882	15,161
Total Operating Expenses	33,385,857	29,565,631	11,700,201
EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization)	2,330,655	6,239,823	(5,827,515)
Total Depreciation and amortization	5,122,399	5,095,034	5,594,357
Other Income/Expenses			

Bank charges	(250,559)	(142,332)	(66,391)
Foreign exchange (gain) or loss	212,496	193,889	(164,730)
Rental income	884,040	1,194,708	2,886,419
Gain on finance lease-sale and leaseback	2,918,944	926,123	1,921,643
Loss on sale of Fixed asset	-	-	-
Provision on losses / actual losses	-	-	-
Miscellaneous income (loss)	1,998,467	6,036,642	15,574,189
Other income (loss), net	5,763,388	8,209,030	20,151,130
Profit (loss) from operations	2,971,644	9,353,819	8,729,258
Finance Income	4,691	8,038	16,761
Finance costs	(12,907,342)	(9,295,062)	(7,563,878)
Profit (Loss) before income tax	(9,931,007)	66,795	1,182,141
Provision for Income Tax	53,631	125,973	100,069
Profit (Loss) after income tax	(9,877,376)	(59,178)	1,082,072
Share in net losses (income of consolidated subsidiaries in excess of investments)	-	-	-
TOTAL COMPREHENSIVE INCOME (LOSS)	(9,877,376)	(59,178)	1,082,072

**MILLENNIUM GLOBAL HOLDINGS, INC.
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CAPITAL DEFICIENCY)
FOR THE PERIOD ENDED SEPTEMBER 30, 2022, 2021 AND 2020 (Unaudited)**

AS AT	30-Sept-22	30-Sept-21	30-Sept-20
CAPITAL STOCK			
Share capital			
Balance at beginning of year	250,000,000	250,000,000	250,000,000
Return of shares	13,031,538	-	-
Equity Restructuring	-	-	-
Balance at end of period	236,968,462	250,000,000	250,000,000
Subscribed Capital			
Balance at beginning of the year	-	-	-
Additions during the year	-	-	-
Balance at the end of the period	-	-	-
Share premium			
Balance at beginning of year	36,578,500	36,578,500	36,578,500
Additions during the year	-	-	-
Application against deficit	-	-	-
Balance at end of period	36,578,500	36,578,500	36,578,500
AFS Reserves			
Balance at beginning of year	(300,000)	(300,000)	(300,000)
Other comprehensive income	-	-	-
Balance at end of period	(300,000)	(300,000)	(300,000)
Remeasurement of retirement benefits obligation			
Balance at beginning of year	(7,455,587)	(7,455,587)	(7,455,587)
Other comprehensive income	-	-	-
Balance at end of period	(7,455,587)	(7,455,587)	(7,455,587)
Deficit			
Balance at beginning of year	(127,397,098)	(124,804,064)	(116,806,569)
Net income (loss) during the period	(2,103,799)	(5,946,447)	(1,906,754)
Prior period adjustment	-	-	-
Equity restructuring (Wipeout)	-	-	-
Balance at end of period	(127,711,415)	(127,010,699)	(118,713,323)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
	425,716,895	151,812,214	160,109,590
NON-CONTROLLING INTERESTS			
Changes in ownership interest	238,370,076	238,396,508	241,207,217
TOTAL EQUITY (CAPITAL DEFICIENCY)	664,086,971	390,208,722	401,316,807

**MILLENNIUM GLOBAL HOLDINGS, INC.
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED SEPTEMBER 30, 2022, 2021 and 2022 (Unaudited)**

(In Philippine Peso)	9 mos. 30-Sept-22 (Unaudited)	9 mos. 30-Sept-21 (Unaudited)	9 mos. 30-Sept-20 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (loss) before tax	(1,186,272)	(2,597,777)	(2,294,778)
Adjustments for:			
Depreciation and amortization	15,364,697	15,493,244	24,388,999
Prior period adjustment	-	-	-
Retirement benefits expense	1,792,171	624,037	532,438
Finance costs	35,439,303	34,464,089	22,045,577
Finance income	(25,909)	(19,777)	(33,333)
Operating loss before working capital changes	51,383,990	44,638,903	47,963,816
Decrease (increase) in:			
Trade and other receivables, net	60,003,816	(360,131,658)	(27,817,859)
Inventories	(196,281,084)	(133,858,071)	7,207,231
Prepayment and other current assets	(2,087,491)	4,666,179	(5,072,697)
Other noncurrent assets	(53,875,545)	(83,939,496)	(65,153,638)
Deferred tax asset	-	-	-
Increase (decrease) in:			
Accounts payable and accrued expenses	(341,007)	32,830,043	64,374,081
Cash provided by (used in) operations	(141,197,321)	(492,469,187)	18,176,021
Finance income received	25,909	19,777	33,333
Benefits paid	(1,436,701)	(303,713)	(238,249)
Income taxes paid (benefit)	12,423,423	(615,777)	(277,119)
Cash provided by (used in) Operating activities	130,184,690	17,693,986	(493,368,900)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions(disposal) to:			
Property & equipment	40,810,061	14,546,899	
Due from related parties	(56,457,389)	(55,430,303)	-
Proceeds from disposal of property & equipment	-	18,998,948	-
Change in available-for-sale investment	-	-	-
Cash from investing activities	(15,647,328)	(36,431,355)	14,546,899
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase (Decrease) in subscribed share	(13,031,538)	-	-
Collection of subscriptions receivable	-	-	-
Proceeds(payment) from availment of Borrowings	(72,847,942)	255,967,060	(51,234,911)
Proceeds from availment (repayments) of Obligation under Finance lease	(79,407,204)	(53,119,939)	(39,526,823)
Finance cost paid	(35,439,303)	(22,045,577)	(34,464,089)
Advances to (from) related parties during the period	2,796,212	(3,845)	18,728,773
Deposit for future share subscription	-	-	250,000,000
Net cash provided by financing activities	(197,929,775)	437,111,805	(112,811,156)
Net Increase / (Decrease) in Cash and cash equivalents	(343,761,793)	(80,570,271)	(92,688,450)
Cash at beginning of year	(390,922,403)	145,297,802	126,843,875

Cash at end of year	47,160,610	52,609,352	46,273,604
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MILLENNIUM GLOBAL HOLDINGS, INC.

AND ITS SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS AND INDICATORS

FOR THE PERIOD ENDED September 30, 2022 (Unaudited) and DECEMBER 31, 2021 and 2020 (Audited)

(In Philippine Peso)	September 30, 2022 (Unaudited)	Dec. 31, 2021 (Audited)	Dec. 31, 2020 (Audited)
Current/Liquidity ratio			
Current assets	1,645,104,754	1,794,044,399	1,320,856,964
Current liabilities	1,321,340,515	1,462,257,507	1,213,583,054
Current Ratio	1.25	1.23	1.088
Quick ratio			
Current assets-Inventory-prepayments	866,837,980	1,214,146,200	717,744,952
Current liabilities	1,321,340,515	1,462,257,507	1,213,583,054
Quick Ratio	0.66	0.830	0.591
Solvency ratio			
Total Assets	2,029,148,892	2,193,414,925	1,704,964,435
Total Liabilities	1,365,061,921	1,514,506,392	1,273,905,224
Solvency Ratio	1.49	1.45	1.34
Debt ratio			
Total Debts	1,365,061,921	1,514,506,392	1,273,905,224
Total Assets	2,029,148,892	2,193,414,925	1,704,964,435
Debt Ratio	0.67	0.69	0.75
Debt to Equity Ratio			
Debt	1,365,061,921	1,514,506,392	1,273,905,224
Equity	664,086,971	678,908,533	431,059,211
Debt/Equity Ratio	2.06	2.23	2.96
Assets to Equity ratio			
Assets	2,029,148,892	2,193,414,925	1,704,964,435
Equity	664,086,971	678,908,533	431,059,211
Assets to Equity Ratio	3.06	3.231	3.955
Net Profit margin ratio			
Net Income (loss)-continuing operation	(1,790,024)	(2,144,646)	(7,860,907)
Revenue	407,222,537	981,122,351	814,372,690
Net Profit Margin Ratio	(0.00440)	(0.00219)	(0.00965)

Gross margin ratio

Gross profit	108,250,919	62,759,501	51,795,500
Revenue	407,222,537	981,122,351	814,372,690
Gross Margin Ratio	0.27	0.064	0.064

Interest coverage

EBIT (Earnings before Interest income (charges) and taxes)	34,227,122	20,136,027	14,151,125
Interest Charges	35,413,394	(21,943,285)	(22,547,383)
Interest coverage Ratio	(0.97)	(0.92)	(0.63)

Return on Assets

Profit (loss)	(1,790,024)	(2,144,646)	(7,860,907)
Total Assets	2,029,148,892	2,193,414,925	1,704,964,435
Return on Assets Ratio	(0.000882)	(0.0010)	(0.00461)

Return on Equity

Profit (loss)	(1,790,024)	(2,144,646)	(7,860,907)
Equity	664,086,971	678,908,533	431,059,211
Return on Equity Ratio	(0.002695)	(0.0032)	(0.082)

Price/Earnings Ratio

Price per share	0.112	0.159	0.219
Per common share	(0.00809)	(0.000319008)	(0.0027)
Price/Earnings Ratio	(126.15)	(498.42)	(81.11)

**MILLENNIUM GLOBAL HOLDINGS, INC.
AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2022 (Unaudited) and December 31, 2021 and 2020 (Audited)**

NOTE 1 – CORPORATE INFORMATION

Millennium Global Holdings, Inc. (the Parent Company), Millennium Ocean Star Corporation and Cebu Canning Corporation, its subsidiaries, (collectively referred to herein as the “Group”) were incorporated under the laws of the Republic of the Philippines.

Millennium Global Holdings, Inc.

Millennium Global Holdings, Inc. (the Parent Company) is registered with the Philippine Securities and Exchange Commission (SEC) per SEC Registration No. 25160 on May 19, 1964. Its shares of stock have been listed in the Philippine Stock Exchange (PSE) beginning March 1, 1976, now with the ticker code MG.

In the recent years, the Parent Company has established its presence through the seafood businesses of its subsidiaries. Nevertheless, it adopts a positive stance to portfolio diversification and varied business opportunities as the SEC on February 14, 2013 approved, among others, the amendment of its primary purpose to become a general holding company.

On February 1, 2017, the SEC approved the Company’s application for decrease in authorized capital stock to ₱250 Million and equity restructuring. On March 20, 2017, the SEC further approved the equity restructuring to partially wipe out the remaining deficit as of December 31, 2015.

On October 7, 2022, the SEC approved the Company’s application for change of the principal office to Lot 9 Block 2 John St., Multinational Village, Paranaque City.

Millennium Ocean Star Corporation (MOSC)

The Parent Company owns 51% controlling interest in MOSC. MOSC is primarily engaged in the processing of high-quality seafood and aquaculture products for export and trading of imported marine and other related products. Its key business activity is the processing and export of several quality and high valued seafood products such as Black Tiger Shrimps, Kisu (asohos) fillet, frozen lobsters, etc. Its processing plants and buying stations are strategically located all over the country, enabling it to have a strong market foothold in Japan, Taiwan, Hong Kong, Vietnam, Malaysia, Singapore, United States of America, Canada, etc. MOSC also imports salmon, mackerel scad, scallops, shrimps, etc. for the local market, supplying supermarkets, groceries, food processors, hotels, and restaurants nationwide.

The Subsidiary was organized under the laws of the Republic of the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) per Registration No. A200008891 on June 7, 2000.

The Subsidiary’s registered office address is at Block 4 Lot 6 Greenbreeze Village, Langkaan II, Dasmariñas, Cavite, Philippines.

Cebu Canning Corporation (C3)

The Parent Company also owns 51% stake in C3, with the intention of making it a 100%-owned subsidiary. To date, the Company’s acquisition of the remaining 49% of C3, through purchase of secondary shares from existing shareholders of the Subsidiary, is yet to be completed. C3 is a domestic company engaged in the business of manufacturing, processing and dealing in pasteurized canned crabmeat, frozen marine products and other food

products for export purposes. The raw crab meat which is the main material used in the business is locally sourced by C3.

Due to the COVID-19 pandemic, C3 regular operations were temporarily halted to save on costs and production was temporarily absorbed by MOSC. This irregularity may continue until such time that it is deemed appropriate to resume C3 regular operations.

The Subsidiary was incorporated under the laws of the Republic of the Philippines and registered with Philippine Securities and Exchange Commission (SEC) per Registration No. CS200806090 on April 24, 2008.

The Subsidiary's registered office address is at Tresco Compound, Casuntinigan, Asahi Road, Mandaue City, Cebu, Philippines.

NOTE 2 - BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with the Philippine Financial Reporting Standards (PFRSs). PFRSs includes all applicable PFRS, Philippine Accounting Standards (PASs) and Interpretations issued by the Philippine Financial Reporting Interpretation Committee (PFRIC) as approved by the Financial Reporting Standards Committee (FRSC) and adopted by the SEC.

The consolidated financial statements have been prepared on the accrual basis using historical cost basis, except for financial assets at fair value through other comprehensive income (FVOCI) that are measured at fair value. The consolidated financial statements are presented in Philippine peso, which is the Group's functional and presentation currency. All values are rounded to the nearest million, except when otherwise indicated.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company, Millennium Global Holdings, Inc., and the following subsidiaries:

	Percentage of Ownership	
	<u>2022</u>	<u>2021</u>
Operating subsidiaries:		
Millennium Ocean Star Corporation	51%	51%
Cebu Canning Corporation	51%	51%

A subsidiary is an entity in which the Parent Company has control. Subsidiaries are consolidated from the date on which control is transferred to the Parent Company and cease to be consolidated from the date on which control is transferred out of the Parent Company. Control is achieved when the Parent Company is exposed to, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Parent Company controls an investee, if and only if, the Parent Company has:

- Power over the investee
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee

- Rights arising from other contractual arrangements
- The Parent Company's voting rights and potential voting rights

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Parent Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring their accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to intra-group transactions are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Parent Company loses control over the subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary
- derecognizes the carrying amount of any non-controlling interest
- derecognizes the cumulative transaction differences recorded in equity
- recognizes the fair value of the consideration received
- recognizes the fair value of any investment retained
- recognizes any surplus or deficit in profit or loss
- reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Intercompany balances and transactions, including intercompany profits and unrealized profits and losses, are eliminated in full.

Non-controlling Interests

Non-controlling interests represent the interests in subsidiaries which are not owned, directly or indirectly through subsidiaries, by the Parent Company. If losses applicable to the non-controlling interest in a consolidated subsidiary exceed the non-controlling interest's equity in the subsidiary, the excess, and any further losses applicable to non-controlling interest, are charged against the majority interest except to the extent that the minority has a binding obligation to, and is able to, make good of the losses. If the subsidiary subsequently reports profits, the majority interest is allocated all such profits until the interest's share of losses previously absorbed by the majority interest has been recovered.

2.3 Business combination and goodwill

Business combinations are 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. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in 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. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PAS, is measured at fair value with changes in fair value recognized either in profit or loss or as a change to OCI. If the contingent consideration is not within the scope of PAS 39, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assess whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in the consolidated statements of income.

After the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortized but is reviewed for impairment at least annually. Any impairment loss is recognized immediately in profit or loss and is not subsequently reversed. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

2.4 Use of judgment and estimates

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the Group's financial statements and accompanying notes.

Judgments are made by management in the development, selection and disclosure of the Group's significant accounting policies and estimates and the application of these policies and estimates.

The estimates and assumptions are reviewed on an on-going basis. These are based on management's evaluation of relevant facts and circumstances as of the reporting date. Actual results could differ from such estimates.

Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

2.5 Adoption of new and revised accounting standards

New and Amended Accounting Standards Effective in 2021

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Group adopted.

Effective beginning on or after June 1, 2020

- *Amendments to PFRS 16, COVID-19-related Rent Concessions* – the amendment provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. When there is a change in lease payments, the accounting consequences will depend on whether that change meets the definition of a lease modification, which PFRS 16 Leases defines as “a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease (for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term)”.

Effective beginning on or after January 1, 2021

- *PFRS 9, PFRS 7, PFRS 4 and PFRS 16 (amendments), Interest Rate Benchmark Reform – Phase 2* The amendments provide in the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):
 - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform;
 - Relief from discontinuing hedging relationships;
 - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

The Company shall also disclose information about:

- The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and,
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition.

The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and must be applied retrospectively.

New and Amended Standards Effective Subsequent to 2021 but not Early Adopted

Pronouncements issued but not yet effective as at December 31, 2021 are listed below. The Group intends to adopt the following pronouncements when they become effective. Except as otherwise indicated, the Company does not expect the adoption of these new pronouncements to have a significant impact on the consolidated financial statements.

Effective beginning on or after January 1, 2022

Amendments to PAS 16, Property, Plant and Equipment - Proceeds before Intended Use - the purpose of the amendments is to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

Amendments to PAS 37, Onerous Contracts - Cost of Fulfilling a Contract – the amendment is regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Amendments to PFRS 3, Reference to the Conceptual Framework with amendments to PFRS 3 'Business Combinations – the amendments update an outdated reference in PFRS 3 without significantly changing its requirements. The changes are: update PFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework; add to PFRS 3 a requirement that, for transactions and other events within the scope of PAS 37 or IFRIC 21, an acquirer applies PAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination; and add to PFRS 3 an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

The Group is still assessing the impact of the preceding amendments to the consolidated financial statements.

Effective beginning on or after January 1, 2023

Amendments to PAS 1, Classification of Liabilities as Current or Non-current – the amendments provide a more general approach to the classification of liabilities under PAS 1 based on the contractual arrangements in place at the reporting date. The amendments affect only the presentation of liabilities in the statement of financial position not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. To:

- clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
- make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

Amendments to PAS 1, 'Presentation of financial statements', PFRS Practice statement 2 and PAS 8, 'Accounting policies, changes in accounting estimates and errors' - The amendment require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment also clarifies that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. On the other hand, the amendment to PAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period. The amendments should help companies:

- to improve accounting policy disclosures, either by making the disclosures more specific to the entity or by reducing generic disclosures that are commonly understood applications of IFRS; and
- to distinguish changes in accounting estimates from changes in accounting policies.

These amendments are not expected to have a significant impact on the preparation of consolidated financial statements.

Amendments to PFRS 17, Insurance Contracts – the amendments’ purpose is to address concerns and implementation challenges that were identified after PFRS 17 'Insurance Contracts' was published in 2017. The main changes are: deferral of the date of initial application of PFRS 17 by two years to annual periods beginning on or after January 1, 2023; additional scope exclusion for credit card contracts and similar contracts that provide insurance coverage as well as optional scope exclusion for loan contracts that transfer significant insurance risk; recognition of insurance acquisition cash flows relating to expected contract renewals, including transition provisions and guidance for insurance acquisition cash flows recognized in a business acquired in a business combination; extension of the risk mitigation option to include reinsurance contracts held and non-financial derivatives; amendments to require an entity that at initial recognition recognizes losses on onerous insurance contracts issued to also recognize a gain on reinsurance contracts held; simplified presentation of insurance contracts in the statement of financial position so that entities would present insurance contract assets and liabilities in the statement of financial position determined using portfolios of insurance contracts rather than groups of insurance contracts; and several small amendments regarding minor application issues.

The Group is still assessing the impact of the preceding amendments to the consolidated financial statements.

Deferred

PFRS 10 (amendments), Consolidated Financial Statements, and PAS 28 (amendments), Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors’ interests in the associate or joint venture.

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

Annual Improvements to PFRS

The annual improvements to PFRSs contain non-urgent but necessary amendments to PFRSs.

2018-2020 Cycle

The Annual Improvements to PFRSs (2018-2020 Cycle) are effective for annual periods beginning on or after January 1, 2022, with retrospective application. The amendments to the following standards:

- PFRS 1, Subsidiary as a first-time adopter - The amendment permits a subsidiary to measure cumulative translation differences using the amounts reported by its parent, based on the parent’s date of transition to PFRSs. As a result of the amendment, a subsidiary that uses the exemption in PFRS 1: D16 (a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent’s consolidated financial statements, based on the parent’s date of transition to PFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in PFRS 1: D16 (a).
- PFRS 9, Fees in the ‘10 per cent’ test for derecognition of financial liabilities - The amendment clarifies which fees an entity includes when it applies the ‘10 per cent’ test in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf.

The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the financial statements.

- PFRS 16, Lease Incentives - The amendment removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
- PAS 41, Taxation in fair value measurements - The amendment removes the requirement for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in PFRS 13.

The amendments are not expected to have a material impact on the consolidated financial statements.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these consolidated financial statements are summarized below. The policies have been consistently applied to all years presented unless otherwise stated.

3.1 Financial instruments

Initial recognition

The financial asset or a financial liability are recognized only when the entity becomes party to the contractual provisions of the instrument.

A financial asset (except trade receivable without a significant financing component) or financial liability are initially measured at fair value plus, in the case not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and measurement

The financial assets are classified based on the Group's business model for managing the assets and the contractual cash flows characteristics, and these are measured as follows:

- Amortized cost - a financial asset is measured at amortized cost if both of the following conditions are met:
 - i. the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
 - ii. 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.
- Fair value through other comprehensive income (FVOCI) - financial assets are classified and measured at fair value through other comprehensive income if they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- Fair value through profit or loss (FVTPL) - any financial assets that are not held in one of the two business models mentioned are measured at fair value through profit or loss.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The foregoing categories of financial instruments are more fully described below.

Financial assets at FVTPL - These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

As of December 31, 2021, and 2020, the Group has no financial assets at FVTPL.

Financial assets at amortized cost - These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss. Cash, trade and other receivables, refundable deposits, and due from related parties are included in this category.

Debt investments at FVOCI - These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI - These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

As of December 31, 2021, and 2020, the Group's equity investments are carried at FVOCI.

Financial liabilities – Classification and measurement

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

As of December 31, 2021, and 2020, the Group has no financial liabilities classified under FVTPL.

The other financial liabilities of the Group as of December 31, 2021 and 2020, includes trade and other payables, due to related parties, borrowings, and lease liability.

Derecognition

Financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

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

Offsetting

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Impairment

Impairment of financial assets are recognized in stages as follows:

- Stage 1 - as soon as a financial instrument is originated or purchased, 12-month expected credit losses are recognized in profit or loss and a loss allowance is established. This serves as a proxy for the initial expectations of credit losses. For financial assets, interest revenue is calculated on the gross carrying amount (without deduction for expected credit losses).
- Stage 2 - if the credit risk increases significantly and is not considered low, full lifetime expected credit losses are recognized in profit or loss. The calculation of interest revenue is the same as for Stage 1.
- Stage 3 - if the credit risk of a financial asset increases to the point that it is considered credit-impaired, interest revenue is calculated based on the amortized cost (the gross carrying amount less the loss allowance). Financial assets in this stage will generally be assessed individually. Lifetime expected credit losses are recognized on these financial assets.

3.2 Current versus non-current classification

The Group presents assets and liabilities in the consolidated statements of financial position based on current/non-current classification.

An asset as current when:

- It is expected to be realized or intended to be sold or consumed in normal operating cycle
- It is primarily held for the purpose of trading
- It is expected to be realized within twelve months after the reporting period, or
- It is cash on hand and in banks unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as noncurrent.

3.3 Foreign currency transactions and translation

Transactions in foreign currencies are initially recorded by the group at the respective functional currency rates prevailing at the date of the transaction.

Monetary assets and monetary liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are taken to the consolidated statement of income with the exception of all monetary items that provide an effective hedge for a net investment in a foreign operation. These are recognized in OCI until the disposal of the net investment, at which time they are recognized in profit or loss. Tax charges and credits applicable to exchange differences on these monetary items are also recorded in the OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the par value is determined.

3.4 Fair value measurement

For measurement and disclosure purposes, the Group determines the fair value of an asset or liability at the initial measurement or at each statement of financial position date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

3.5 Cash

Cash consist of cash on hand and in banks. Cash in banks earns interest at respective bank deposit rates. For purpose of reporting cash flows, cash on hand and in banks are unrestricted and available for use in current operations.

3.6 Trade and other receivables

Trade and other receivables are recognized initially at the transaction price and are subsequently measured at amortized cost using the EIR method, less provision for impairment. Provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

3.7 Inventories

Inventories are initially recognized at cost, and subsequently at the lower of cost and net realizable value (NRV). Cost comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in, first-out (FIFO) method. NRV represent the estimated selling price less all estimated costs to be incurred in marketing, selling and distributing the goods.

When the NRV of the inventories is lower than the cost, the group provides for an allowance for the decline in the value of the inventory and recognizes the write-down as an expense in the consolidated statement of income.

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

3.8 Prepayments and other current assets

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to the consolidated statement of income as they are consumed in operations or have expired with the passage of time.

Prepayments are classified in the consolidated statements of financial position as current assets when the cost of goods or services related to the prepayment are expected to be incurred within one year or the Group's normal operating cycle, whichever is longer. Otherwise, prepayments are classified as noncurrent assets.

Other assets are recognized when the Group expects to receive future economic benefit from them and the amount can be measured reliably. Other assets are classified in the consolidated statements of financial position as current assets when the cost of goods or services related to the assets are expected to be incurred within one year of the Group's normal operating cycle, whichever is longer. Otherwise, other assets are classified as non-current assets.

3.9 Investment in associates

Associates are entities over where the Company is in a position to exercise significant influence in the financial and operating policy decisions but not control or joint control.

Investment in associates is recognized using the equity method of accounting. Under the equity method the investment is initially recognized at cost and adjusted thereafter for the post-acquisition change in the investor's share of net assets of the investee. On acquisition of the investment any difference between the cost of the investment and the investor's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is accounted for in accordance with PFRS 3 Business Combinations.

The income statement of the investor includes the investor's share of the income statement of the investee.

Losses of associates in excess of the Company's interest in the relevant entity are not recognized except to the extent that the Company has an obligation. Profits on company transactions with associates are eliminated to the extent of the Company's interest in the relevant associate.

Below is the Company's associate, which is incorporated outside the Philippines.

<u>Associate</u>	<u>Percentage of Ownership</u>
Pacific Seafoods Company (PASECO)	47.57%

3.10 Property, plant and equipment

Property, plant and equipment are initially measured at cost. At the end of each reporting period, items of property, plant and equipment are measured at cost less any subsequent accumulated depreciation, amortization and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

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

Depreciation and amortization is charged so as to allocate the cost of other assets less their residual values over their estimated useful lives using the straight-line method.

Below are the estimated useful lives used for the depreciation and amortization of property, plant and equipment:

	<u>Useful years</u>
Building	30 years
Leasehold improvements	15 years
Machineries	15 years
Transportation equipment	5 years
Furniture and fixtures	5 years

Land is not depreciated. Leasehold improvements are amortized over the term of the lease, or the estimated useful life of the leasehold improvements whichever is shorter.

The estimated useful lives and depreciation and amortization method are reviewed periodically, and adjusted prospectively, if necessary, to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property, plant and equipment. The lease term includes assumption of lease renewals when such have been determined to be reasonably assured. The lease renewal is reasonably assured when failure to renew the lease imposes a penalty to the lessee.

Depreciation and amortization of these assets, on the same basis as other property assets commences at the time the assets are ready for their intended use.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is charged to the consolidated statement of income.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts and any resulting gain or loss arising on the disposal or retirement of an asset, determined as the difference between the sales proceeds and the carrying amount of the asset, is recognized in the consolidated statement of income.

3.11 Refundable security deposits

Refundable security deposits represent payments made in relation to the lease agreements entered into by the Group. These are carried at cost and will generally be applied as lease payments toward the end of the lease terms or refunded to the Group.

3.12 Impairment of non-financial assets other than inventories

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment or an impairment loss previously recognized no longer exists or may have decreased. If any such indication exists, the Group makes a formal estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or its Cash Generating Units (CGU's) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash flows independent of those from other assets, the recoverable amount is determined for the CGU to which the asset belongs. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized. Reversals of impairment are recognized in the consolidated statement of income.

Goodwill is tested for impairment annually as at December 31 and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

The Group performs its impairment test of goodwill every reporting date.

3.13 Trade and other payables

Trade and other payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. They are classified as current liabilities if payment is due within one year or less (or within the normal operating cycle of the business if longer); otherwise, they are presented as noncurrent liabilities.

Accruals are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with supplier, including amounts due to employees. It is necessary to estimate the amount or timing of accruals, however, the uncertainty is generally much less than for provision.

Government dues and remittances include withholding income taxes which represent taxes retained by the Group for an item of income required to be remitted to the BIR in the following month. The obligation of the Group to

deduct and withhold the taxes arises at the time an income payment is paid or payable, or the income payment is accrued or recorded as an expense or asset, whichever comes first. The term “payable” refers to the date the obligation becomes due, demandable or legally enforceable.

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the EIR method.

3.14 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost using EIR method, which ensures that any finance cost over the period of repayment is at constant rate on the balance of the liability carried in the consolidated statements of financial position.

The Group classifies borrowings as current liabilities if settlement is expected within one year or less, and the Group does not have the right to defer settlement of the liabilities and does not breach any loan provisions on or before the end of the reporting period. Otherwise, these are presented as noncurrent liabilities.

3.15 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Borrowing costs that are not directly attributable to the acquisition, construction, or production of qualifying asset are recognized in the consolidated statement of income in the period which they are incurred.

3.16 Provisions and contingencies

Provisions are recognized when: (a) Group has a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as finance cost. When the Group expects a provision or loss to be reimbursed, the reimbursement is recognized as a consolidated asset only when the reimbursement is virtually certain and its amount is estimable. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement.

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed in the notes unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized in the consolidated financial statements but disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

3.17 Due to (from) related parties

Due to (from) related parties are non-interest bearing borrowings. These are measured initially at their nominal values and subsequently recognized at amortized costs less settlement payments.

3.18 Deposit for future share subscription

Deposit for future share subscription represents payments made on subscription of shares which cannot be directly credited to 'Capital Stock' pending application for the approval of the proposed increase presented for filing /filed with the SEC and registration of the amendment to the Articles of Incorporation increasing capital stock. The paid-up subscription can be classified under equity if the nature of the transaction give rise to a contractual obligation of the Group to deliver its own shares to the subscriber in exchange of the subscription amount.

In addition, deposit for future share subscription shall be classified under equity if all of the following elements are present as at reporting date:

- a. The unissued authorized capital of the entity is insufficient to cover the amount of shares indicated in the contract;
- b. There is Board of Directors' approval on the proposed increase in authorized capital stock (for which a deposit was received by the corporation);
- c. There is stockholders' approval of said proposed increase; and
- d. The application for the approval of the proposed increase has been presented for filing or has been filed with the Commission.

If any or all of the foregoing elements are not present, the deposit for future share subscription shall be recognized as a noncurrent liability in the consolidated statements of financial position.

As of December 31, 2021, the Group's application for increase in authorized capital stock is pending for approval of the SEC.

3.19 Equity

Share capital is measured at par value for all shares issued. When the shares are sold out at a premium, the difference between the proceeds and the par value is credited to the "Share premium" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Group, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Retained earnings represent the cumulative balance of periodic net income or loss, dividend distribution, prior period adjustments, effect of changes in accounting policy and other capital adjustments. When retained earnings account has a debit balance, it is called "deficit", and presented as a deduction from equity.

Dividends are recognized when they become legally payable. Dividend distribution to equity shareholders is recognized as liability in the Group's consolidated financial statements in the period in which the dividends are declared and approved by the Group's BOD.

3.20 Revenue recognition

Revenue from contract with customers

Revenue from contract with customers is recognized at a point in time when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for the goods or services. The Group applies this standard with its revenue arrangements on investments.

To determine whether to recognize revenue, the Group follows a five-step process:

1. identifying the contract with a customer;
2. identifying the performance obligation;
3. determining the transaction price;
4. allocating the transaction price to the performance obligations; and,
5. recognizing revenue when/as performance obligations are satisfied.

For Step 1 to be achieved, the following gating criteria must be present:

- the parties to the contract have approved the contract either in writing, orally or in accordance with other customary business practices;
- each party's rights regarding the goods or services to be transferred or performed can be identified;
- the payment terms for the goods or services to be transferred or performed can be identified;
- the contract has commercial substance (i.e., the risk, timing or amount of the future cash flows is expected to change as a result of the contract; and,
- collection of the consideration in exchange of the goods and services is probable.

Revenue is recognized only when (or as) the Group satisfies a performance obligation by transferring control of the promised goods or services to a customer. The transfer of control can occur over time or at a point in time.

A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case it is satisfied over time:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,
- the Company's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

The transaction price allocated to the performance obligations satisfied at a point in time is recognized as revenue when control of goods or services transfers to the customer. As a matter of accounting policy when applicable, if the performance obligation is satisfied over time, the transaction price allocated to that performance obligation is recognized as revenue as the performance obligation is satisfied.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contract with customers are disclosed in Note 4.

Sale of goods

Revenue from the sale of goods is recognized when all of the following conditions are satisfied:

- a. The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b. The Group retains neither continuing managerial involvement to the degree usually associated with the ownership nor effective control over the goods sold;
- c. The amount of revenue can be measured reliably;
- d. It is probable that the economic benefits associated with the transaction will flow to the Group; and
- e. The costs incurred or to be incurred in respect of the transaction can be measured reliably.

If it is probable that discount will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sale is recognized.

Rental income

Rental income from non-cancellable operating leases is recognized as income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Finance income

Interest income is recorded using the EIR which is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. Interest income is included in “finance income” in the consolidated statements of income.

Contract balances

Receivable from Customers

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 consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Cost to obtain contract

The incremental costs of obtaining a contract with a customer are recognized as an asset if the Group expects to recover them.

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 consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due, whichever is earlier. Contract liabilities are recognized as revenue when the Group performs under the contract.

3.21 Employee benefits

A defined contribution plan is a pension plan under which Group pays fixed contributions into a consolidated entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability or asset recognized in the consolidated statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually using projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of all related pension obligations.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the consolidated statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statement of income.

Remeasurements comprising actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

3.22 Costs and expense recognition

Costs and expenses are recognized in the consolidated statements of income when the decrease in future economic benefit related to a decrease in an asset or an increase in liability has arisen that can be measured reliably. Costs and expenses are recognized in the consolidated statements of income: on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the consolidated statements of financial position as an asset.

Costs and expenses in the consolidated statements of income are presented using the function of expense method. Costs of sales are expenses incurred that are associated with the goods sold and include purchases of goods, distribution costs, labor costs and overhead. General and administrative expenses are costs attributable to administrative and other business activities of the Group.

3.23 Leases

At inception of a contract, an entity shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group assesses whether the contract meets three key evaluations which are whether:

- a) the contract contains an *identified asset*, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group,
- b) the Group has the *right to obtain substantially all of the economic benefits* from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract,
- c) the Group has the *right to direct the use* of the identified asset throughout the period of use.

The Group shall reassess whether a contract is, or contains, a lease only if the terms and conditions of the contract are changed.

The Group as a lessee

The Group recognizes right-of-use assets and lease liabilities for its leases.

(a) Right-of-use asset

At lease commencement date, the Group recognizes a right-of-use asset on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

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

(b) Lease liability

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

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

3.24 Taxes

Current income tax

Current income tax assets and liabilities for the current period is 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 are enacted or substantively enacted at the reporting date.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on all temporary differences between the tax bases of assets and liabilities and their carrying amounts for reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, when timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry-forward of unused tax credits from excess minimum corporate income tax (MCIT) and net operating loss carry over (NOLCO), and any unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits from MCIT and NOLCO and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination; and at the time of the transaction, affects neither the accounting profit nor taxable profit (or loss).
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences 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 that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle the liabilities simultaneously.

Value-added Tax (VAT)

Revenue, expenses and assets are recognized net of the amount of VAT.

For acquisition of capital goods over ₱1,000,000, the VAT is deferred and amortized over the useful life of the related capital goods or 60 months, whichever is shorter, commencing on the date of the acquisition.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of 'prepayments and other current assets' or 'trade and other payables' in the consolidated statements of financial position.

3.25 Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate

entities. The key management personnel of the Group and post-employment benefit plans for the benefit of the Group's employees are also considered to be related parties.

3.26 Earnings per share (EPS)

Basic EPS is determined by dividing profit or loss by the weighted average number of shares issued and outstanding during the year.

For the purpose of calculating diluted EPS, profit or loss for the year attributable to ordinary equity shareholders of the Group and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential ordinary shares.

3.27 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

Allocating resources and assessing performance of the operating segments, has been identified as the Chairman of the Board that makes strategic decisions.

An operating segment may engage in business activities for which it has yet to earn revenues, for example, start-up operations may be operating segments before earning revenues.

Segment results that are reported to the Chairman of the Board include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses, interest income and expenditures and income tax assets and liabilities.

3.28 Events after the reporting date

Post year-end events up to the date when the consolidated financial statements were authorized for issue by the BOD that provide additional information about the Group's position at 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 the consolidated financial statements when material.

NOTE 4 - SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the consolidated financial statements in conformity with PFRS requires the management to make estimates, assumptions and judgments that affect the amounts reported in the consolidated financial statements and accompanying notes.

The estimates and associated assumptions are based on historical experiences and other various factors that are believed to be reasonable under the circumstances including expectations of related future events, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

4.1 Judgments

a) *Going concern*

The Group's management has made an assessment on the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue their business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

b) Determination of functional currency

The consolidated financial statements are presented in the Philippine Peso, which is also the Parent Company's functional currency. For each entity, the Group determines the functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency.

c) Classification of financial statements

The Group exercises judgments in classifying a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability, or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset or liability. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statement of financial position.

The classification of financial assets and liabilities is presented in Note 8.

d) Fair value measurements

A number of the Group's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

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

If the inputs used to measure the fair value of an asset or a liability can 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 based on the lowest level input that is significant to the entire measurement.

e) Revenue recognition from contracts with customers

Revenue recognition under PFRS 15 involves the application of significant judgment and estimation in the (a) identification of the contract for sale of goods and services that would meet the requirements of PFRS 15; (b) assessment of performance obligation and the probability that the entity will collect the consideration from the buyer; and (c) determining the timing of satisfaction of the performance obligation.

f) Identification of the contract

The Group's primary document for a contract with a customer is a signed contract to sell. It has determined however, that in cases wherein contracts to sell are not signed by both parties, the combination of its other signed documentation such as reservation agreement, official receipts, quotation sheets and other documents, would contain all the criteria to qualify as contract with customer under PFRS 15.

In addition, part of the assessment of the Group before revenue recognition is to assess the probability that the Group will collect the consideration to which it will be entitled in exchange for the goods that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, the Group

considers the significance of the customer's initial payments in relation to the total contract price. Collectability is also assessed by considering factors such as payment history of customer, age and pricing of the property. Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of customers' equity before commencing revenue recognition.

g) Determining performance obligation

With respect to sale of goods, the Group concluded that the transfer of goods and services in each contract constitute a performance obligation. Generally, the Group is responsible for all these goods and services and the overall management of the sale and production.

The Group uses those goods and services as inputs and provides a significant service of integrating them into a combined output.

h) Determining the timing of satisfaction of the performance obligation

The Group concluded that revenue from contracts with customers is to be recognized at a point in time since it does not fall within any of the following conditions to be met for a recognition over a period of time:

- (a) The customer receives and consumes the benefits of the goods or services as they are provided by the Group;
- (b) the Group's performance does not create an asset with an alternative use and;
- (c) the goods or services create or enhance an asset that the customer controls as that asset is created and enhanced.

i) Determination whether an agreement contains a lease

The determination of whether a contract is, or contains a lease, is based on the substance of the arrangement at the inception of the lease. The arrangement is assessed for if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration

The Group has entered into a lease arrangement as a lessor and a lessee.

Leases are further disclosed in Note 35.

j) Contingencies

The Group is currently involved in legal proceedings. The estimate of the probable cost for the resolution of claims has been developed in consultation with the aid of the outside legal counsel handling the Group's defense in this matter and is based upon an analysis of potential results. Management does not believe that the outcome of this matter will affect the results of operations. It is probable, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to this proceeding.

k) Repairs and maintenance

Costs of repairs and maintenance that do not result in an increase in the future economic benefit of an item of property and equipment is charged to operations in the period it is incurred. Otherwise, it is capitalized as part of the asset.

4.2 Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the financial reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting year are discussed below:

a) Fair values of financial instruments

PFRS requires that financial assets and financial liabilities be carried or disclosed at fair value, which requires the use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, and volatility rates), the amount of changes in fair value would differ if the Group utilized different valuation methodologies. Any change in the fair values of financial assets and financial liabilities directly affects profit or loss, equity, and the required disclosures.

Where the fair values of financial assets and financial liabilities recorded in the statements of financial position cannot be derived from active markets, their fair values are determined using valuation techniques that are generally-accepted market valuations including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values.

The fair values of financial assets and financial liabilities by category and their fair value hierarchy are set out in Note 7.

b) Assessing ECL on financial assets

The Group applies the general approach in measuring the ECL. For cash, the Group assessed that cash is deposited with reputable banks that possess good credit ratings. For trade and other receivables and due from related parties, the Group considers the financial capacity of the counterparty. No ECL was recognized in 2021 and 2020. The carrying amounts of the Group's financial assets are as follows:

	Note	2021	2020
Cash	10	₱ 390,922,403	₱ 145,297,802
Trade and other receivables, net	11	599,353,896	377,631,942
Due from related parties	14,32	123,249,909	130,151,222

**Excludes advances to suppliers*

c) Allowance for credit losses of receivables

The Group reviews its impaired receivables at each reporting date to assess whether an additional provision for credit losses should be recorded in the profit and loss. In particular, judgment by Management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about number of factors and actual results may differ, resulting in future changes to the allowance.

The carrying value of receivables amounted to ₱699,973,888 and ₱442,295,928 as of December 31, 2021, and 2020, respectively (Note 11).

No allowance for credit losses were recognized as of December 31, 2021 and 2020. No write-off and recoveries either were recognized by the Group as of December 31, 2021 and 2020.

d) Impairment of trade and other receivables and due from related parties

The Group reviews its receivables at each reporting date to assess whether an impairment loss should be recognized in its consolidated statement of income or receivables balance should be written off. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance is required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. Moreover, management evaluates the presence of objective evidence of impairment which includes observable data that comes to the attention of the Group about loss events such as but not limited to significant financial difficulty of the counterparty, a breach of contract, such as a default or delinquency in interest or principal payments, probability that the borrower will enter bankruptcy or other financial re-organization.

The carrying values of trade and other receivables and due from related parties and the related allowance for impairment losses provided as at December 31, 2021 and 2020 are disclosed in Notes 11, 13 and 29.

e) Impairment of equity investments

The Group classifies certain financial assets as equity investments and recognizes movements in fair value in OCI and equity. When the fair value declines, management makes assumptions about the decline in value to determine whether it is an impairment that should be recognized in profit or loss. Impairment may be appropriate when there is evidence of deterioration in the financial wealth of investee, industry and sector performance and operational and financing cash flows. The Company treats financial assets at other comprehensive income as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment.

The Group treats "significant" generally as 20% or more of the original cost of the investment, and "prolonged," longer than 12 months. In addition, the Company evaluates other factors including normal volatility in share price for quoted securities and the future cash flows and the discount factors for unquoted securities.

Accumulated unrealized loss recognized for the years ended December 31, 2021 and 2020 amounted to ₱300,000. The carrying amount of financial assets at FVOCI amounted to ₱50,000 as at December 31, 2021 and 2020 (Note 15).

f) Estimation of net realizable values and impairment of inventories

The Group provides an allowance to reduce inventories to net realizable values whenever the utility of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. The estimate of the net realizable value is reviewed regularly.

The carrying values of inventories and the related allowance for inventory obsolescence are disclosed in Note 12.

g) Estimation of useful lives of property, plant and equipment

The Group reviews annually the estimated useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. It is possible that future results of operations could be materially affected by changes in these estimates. A reduction in the estimated useful lives of property, plant and equipment would increase recorded depreciation and amortization expense and decrease the related asset accounts.

The estimated useful lives of property, plant and equipment are discussed in Note 3.10.

h) Impairment of goodwill

The Group performed its annual impairment test on its goodwill as of reporting date. The recoverable amounts of the intangible assets were determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The following assumptions were also used in computing value in use:

Growth rate estimates – growth rates were based on experiences and strategies developed for the various subsidiaries. The prospect for the industry was also considered in estimating the growth rates.

Discount rates – discount rates were estimated based on the industry weighted average cost of capital, which includes the cost of equity and debt after considering the gearing ratio. Value-in-use is the most sensitive to changes in discount rate and growth rate.

i) Impairment of non-financial assets other than inventories

The Group assesses at each reporting date whether there is an indication that the carrying amount of all non-financial assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. At the reporting date, the Group assesses 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.

Management has reviewed the carrying values of the Group's property, plant and equipment as at December 31, 2020 and 2019 for impairment. Based on the results of its evaluation, there were no indications that the property and equipment were impaired, thus, no impairment loss needs to be recognized in 2020, 2019 and 2018.

j) Realizability of deferred tax assets

Management reviews carrying amount of deferred tax assets at each reporting date. The carrying amount of deferred tax assets is reduced to the extent that it is no longer probable that sufficient taxable profit will be available against which the related tax assets can be utilized.

The Group's recognized deferred tax assets amounted to ₱15,880,184 and ₱15,808,385 as at December 31, 2021 and 2020, respectively (see Note 34). The Group has not recognized deferred tax assets on NOLCO of the Parent Company as at December 31, 2021 and 2020. The non-recognition of deferred tax assets on NOLCO is based on management's assumption that there will be no available future taxable profits for the Parent Company.

k) Incremental borrowing rate of lease liability

Incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The incremental borrowing rate is determined by the Group on the commencement date of the lease. As a result, it incorporates the impact of significant economic events and other changes in circumstances arising between lease inception and commencement.

This incremental rate is used to measure the lease liability at the present value of lease payments that are not paid at the end of lease term. In 2021, the Group's determined incremental rates used to compute the carrying value of lease liability amounting to a total of ₱79,407,204 are 7% and 5% (Note 35).

l) *Estimation of retirement benefits*

The determination of the Group's obligation and cost for retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. The assumptions described in Note 31 include, among others, discount rates, average remaining working lives and rates of compensation increase. While management believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect pension and other retirement obligations.

The details of the Group's retirement benefits are provided in Note 33.

4.3 Provision and contingencies

The estimate of the probable costs for the resolution of possible claims has been developed in consultation with outside legal counsel and is based upon an analysis of potential results.

NOTE 5 - CASH

This account consists of the following:

	30-Sep-22	31-Dec-21	31-Dec-20
Cash	₱ 47,160,610	₱ 390,922,403	₱ 145,297,802
Total	₱ 47,160,610	₱ 390,922,403	₱ 145,297,802

NOTE 6 – TRADE AND OTHER RECEIVABLES

This account consists of the following:

	30-Sep-22	31-Dec-21	31-Dec-20
Accounts receivable-trade	₱ 627,250,586	₱ 615,993,595	₱ 394,271,641
Accounts receivable-others	13,373,258	100,619,992	64,663,986
Allowance for impairment loss	(653,772)	(16,639,699)	(16,639,699)
Total	₱ 639,970,072	₱ 699,973,888	₱ 442,295,928

NOTE 7 - AGING OF ACCOUNTS RECEIVABLE TRADE AND OTHER RECEIVABLES

This account as of September 30, 2022 consists of the following:

	Total	<u>Neither past due nor impaired</u>	<u>31-60 days</u>	<u>61-90 days</u>	<u>Over 90 days</u>
A/R-Trade	639,970,072	441, 130,0171	209,324,536	67,699,757	653,772

NOTE 8 – PREPAYMENTS AND OTHER CURRENT ASSETS

This account consists of the following:

	30-Sep-22	31-Dec-21	31-Dec-20
Prepayments & other current assets	₱ 20,003,779	₱ 10,017,988	₱ 10,292,907
Input tax	65,489,475	40,000,684	34,617,510
Factory supplies	18,717,841	67,554,799	69,475,250
Prepaid tax & creditable withholding tax	50,468	800,600	1,443,437
Guaranty deposits	16,299,979	99,979	259,979
Allowance for impairment	(722,433)	(722,433)	(722,433)
Total	₱ 119,839,109	₱ 117,751,617	₱ 115,366,650

NOTE 9 – TRADE AND OTHER PAYABLES

This account consists of the following:

	30-Sep-22	31-Dec-21	31-Dec-20
Trade payables	₱ 89,037,949	₱ 86,626,627	₱ 89,116,973
Income tax payable	-	307,878	232,966
Government payables	845,136	479,877	324,718
Accrued expenses	5,394,113	8,203,823	7,845,916
Others	-	-	-
Total	₱ 95,277,198	₱ 95,618,205	₱ 97,520,573

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