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**Interim Condensed Consolidated Financial Statements (Unaudited) as of March 31, 2021, and  
2020 and Notes to Consolidated Financial Statements**

**Supplementary Schedules to Interim Condensed Consolidated Financial Statements as of  
March 31, 2021 (Annex 68-J, SRC Rule 68)**

**Management Discussion and Analysis of Financial Condition and Results of Operations as of  
March 31, 2021 as compared with the financial condition and results of operations as of  
March 31, 2020**

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Danica Renardo

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**From:** MSRD COVID19 <msrd\_covid19@sec.gov.ph>  
**Sent:** Tuesday, May 11, 2021 3:49 PM  
**To:** Danica Renardo  
**Cc:** LOURVIC D. PACIS  
**Subject:** Fwd: SBS PHILIPPINES CORPORATION SEC FORM 17-Q 11 MAY 2021  
**Attachments:** SBS PHILS CORP 17-Q FINANCIAL STATEMENT Q1 2021-PSE DISCLOSURE.pdf

Dear Sir/Madam,

Acknowledging receipt of your email below with its attachments.

Thank you.

Regards,

**MARKETS AND SECURITIES REGULATION DEPARTMENT**  
**PHILIPPINE SECURITIES AND EXCHANGE COMMISSION**

----- Forwarded message -----

**From:** Danica Renardo <d.renardo@sbsph.com>  
**Date:** Tue, May 11, 2021 at 2:21 PM  
**Subject:** SBS PHILIPPINES CORPORATION SEC FORM 17-Q 11 MAY 2021  
**To:** <ictdsubmission@sec.gov.ph>, <msrd\_covid19@sec.gov.ph>

Good Afternoon Sir/Madam,

We submit herewith the Company's SEC Form 17-Q (QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER). Attached herewith the following file report/s:

1. SEC Form 17-Q FINANCIAL STATEMENT Q1 2021 with PSE Approved Disclosure

Kindly acknowledge receipt thereof.

Thank you.

**Danica Renardo**

*Office of the President and CEO*



Address: #10 Resthaven Street

San Francisco Del Monte, Quezon City

# SECURITIES AND EXCHANGE COMMISSION

## SEC FORM 17-Q

### QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended  
Mar 31, 2021
2. SEC Identification Number  
A200110402
3. BIR Tax Identification No.  
213-054-503-000
4. Exact name of issuer as specified in its charter  
SBS PHILIPPINES CORPORATION
5. Province, country or other jurisdiction of incorporation or organization  
PHILIPPINES
6. Industry Classification Code(SEC Use Only)
7. Address of principal office  
10 RESTHAVEN STREET, SAN FRANCISCO DEL MONTE, QUEZON CITY  
Postal Code  
1105
8. Issuer's telephone number, including area code  
(632) 8371-1111
9. Former name or former address, and former fiscal year, if changed since last report  
N/A
10. 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 SHARES	1,549,999,999

11. Are any or all of registrant's securities listed on a Stock Exchange?  
Yes      No  
If yes, state the name of such stock exchange and the classes of securities listed therein:  
PHILIPPINE STOCK EXCHANGE COMMON SHARES
12. 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 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the

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

Yes No

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

Yes No

*The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.*



## SBS Philippines Corporation

### SBS

**PSE Disclosure Form 17-2 - Quarterly Report**  
**References: SRC Rule 17 and**  
**Sections 17.2 and 17.8 of the Revised Disclosure Rules**

For the period ended	Mar 31, 2021
Currency (indicate units, if applicable)	Philippine Peso

#### Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Mar 31, 2021	Dec 31, 2020
Current Assets	2,282,686,025	2,516,019,151
Total Assets	8,513,786,298	8,770,487,935
Current Liabilities	1,973,682,810	2,043,901,411
Total Liabilities	2,158,318,799	2,394,182,089
Retained Earnings/(Deficit)	1,780,547,870	1,796,420,126
Stockholders' Equity	6,355,467,499	6,376,305,846
Stockholders' Equity - Parent	5,573,342,076	5,589,214,332
Book Value per Share	3.6	3.61

## Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Gross Revenue	183,931,776	284,320,113	183,931,776	284,320,113
Gross Expense	150,128,882	242,197,955	150,128,882	242,197,955
Non-Operating Income	0	0	0	0
Non-Operating Expense	50,240,835	29,864,512	50,240,835	29,864,512
Income/(Loss) Before Tax	-16,437,941	12,257,646	-16,437,941	12,257,646
Income Tax Expense	-4,607	2,386,658	-4,607	2,386,658
Net Income/(Loss) After Tax	-20,838,347	6,389,501	-20,838,347	6,389,501
Net Income Attributable to Parent Equity Holder	-15,872,256	11,420,898	-15,872,256	11,420,898
Earnings/(Loss) Per Share (Basic)	-0.01	0.01	-0.01	0.01
Earnings/(Loss) Per Share (Diluted)	-0.01	0.01	-0.01	0.01

	Current Year (Trailing 12 months)	Previous Year (Trailing 12 months)
Earnings/(Loss) Per Share (Basic)	0.44	0.01
Earnings/(Loss) Per Share (Diluted)	0.44	0.01

### Other Relevant Information

The Net Loss After Tax for the period ended March 31, 2021 of Php 20,838,347, is inclusive of the Net Loss from continuing operations of Php 16,433,334 and the Net Loss after tax from discontinued operations amounting to Php 4,405,013.

The Net Income After Tax for the period ended March 31, 2020 of Php 6,389,501 is inclusive of the Net Profit from continuing operations of Php 9,870,988 and the Net Loss after tax from discontinued operations amounting to Php 3,481,487.

Earnings Per Share (Basic and Diluted) is based on the Net Profit for the period attributable to Shareholders of SBS Philippines Corporation (the Parent Company), divided by the total number of outstanding shares.

### Filed on behalf by:

Name	JOSE FIDEL ACUNA
Designation	CORPORATE INFORMATION OFFICER

# COVER SHEET

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(Company's Full Name)

S	B	S		P	H	I	L	I	P	P	I	N	E	S		C	O	R	P	O	R	A	T	I	O	N			
(	F	O	R	M	E	R	L	Y		S	Y	T	E	N	G	C	O		P	H	I	L	I	P	P	I	N	E	S
C	O	R	P	O	R	A	T	I	O	N	)																		

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

N	O	.		1	0		R	E	S	T	H	A	V	E	N		S	T	R	E	E	T		S	A	N		
F	R	A	N	C	I	S	C	O		D	E	L		M	O	N	T	E		Q	U	E	Z	O	N			
C	I	T	Y																									

FORM TYPE

17-Q

Department Requiring the Report

M S R D

Secondary License Type, If Applicable

## COMPANY INFORMATION

Company's Email Address

ir@sbspb.com

Company's Telephone Numbers

8 3 7 1 - 1 1 1 1

Mobile Number

No. of Stockholders

12

Annual Meeting

Month/Day

Last Friday of June

Fiscal Year

Month/Day

12/31

## CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person

GERRY D. TAN

Email Address

g.tan@sbspb.com

Telephone Number's

(02) 8371-1111

Contact Person's Address

10 Resthaven Street, San Francisco del Monte, Quezon City

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES  
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **31 March 2021**
2. Commission identification number **A200110402**
3. BIR Tax Identification No **213-054-503-000**
4. Exact name of issuer as specified in its charter **SBS PHILIPPINES CORPORATION**
5. **Philippines**  
Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code:  (SEC Use Only)
7. **No. 10 Resthaven Street,**  
**San Francisco Del Monte, Quezon City** **1105**  
Address of issuer's principal office Postal Code
8. **(632) 8371-1111**  
Issuer's telephone number, including area code
9. **N/A**  
Former Name/Address/Fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of stock as of 31 March 2021
<b>Common Shares</b>	<b>1,549,999,999</b>

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

Yes [☒] No [☐]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

**PHILIPPINE STOCK EXCHANGE**

**COMMON SHARES**

12. Indicate by check mark whether the registrant:

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

Yes [☒] No [☐]

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

Yes [☒] No [☐]



## PART I- FINANCIAL INFORMATION

### Item 1. Financial Statements.

The unaudited consolidated financial statements SBS Philippines Corporations ("SBS") and its subsidiaries as of and for the period ended March 31, 2021 (with comparative figures as of December 31, 2020 and for the period ended March 31, 2020) and Selected Notes to the Financial Statements are hereto attached as **Annex "A"**.

### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The information required by Part III, Paragraph (A)(2)(b) of 'Annex C, as amended' is attached hereto as **Annex "B"**.

## PART II- OTHER INFORMATION

### Outlook On Economic Position

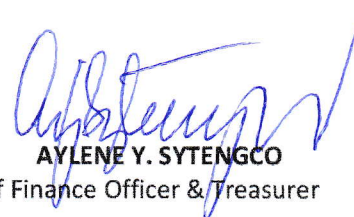
The company expects a slow recovery for the demand in feed ingredient raw materials and veterinary inputs from its customers other than those in the pharmaceutical, home care and food manufacturing industries due to reduction of the swine population in Luzon affected by African swine flu and the re-imposition of various stages of community quarantine implementation in NCR Plus. On quarter to quarter basis, we expect a stronger demand in the 2<sup>nd</sup> quarter 2021 than the previous quarter that is expected to generate better result for the Company.

## 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 Quezon City on 7 May 2021.



**GERRY D. TAN**  
President & Chief Executive Officer



**AYLENE Y. SYTENGCO**  
Chief Finance Officer & Treasurer

**SBS PHILIPPINES CORPORATION AND SUBSIDIARIES**  
*(A Subsidiary of Anesys Holdings Corporation)*  
**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**MARCH 31, 2021 AND DECEMBER 31, 2020**  
*(Amounts in Philippine Pesos)*

	Notes	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
<b><u>A S S E T S</u></b>			
<b>CURRENT ASSETS</b>			
Cash	1	P 136,279,524	P 238,420,167
Trade and other receivables – net	3	627,577,793	723,874,428
Inventories – net	1	862,175,509	894,472,936
Prepayments and other current assets	5	<u>656,653,199</u>	<u>659,251,620</u>
Total Current Assets		<u>2,282,686,025</u>	<u>2,516,019,151</u>
<b>NON-CURRENT ASSETS</b>			
Investments in associates	4	2,884,024,569	2,905,295,267
Property and equipment – net	6	21,151,745	12,879,597
Right-of-use assets – net	7	45,032,560	51,465,782
Investment properties – net	8	625,700,346	625,700,346
Deferred tax assets – net		1,516,209	2,403,246
Other non-current assets	5	<u>2,105,546,724</u>	<u>2,105,546,724</u>
Total Non-current Assets		<u>5,682,972,153</u>	<u>5,703,290,962</u>
<b>ASSETS HELD FOR SALE</b>	20	<u>548,128,120</u>	<u>551,177,822</u>
<b>TOTAL ASSETS</b>		<u><b>P 8,513,786,298</b></u>	<u><b>P 8,770,487,935</b></u>
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>CURRENT LIABILITIES</b>			
Loans payable	10	P 1,789,293,929	P 1,840,140,828
Trade and other payables	9	165,500,708	177,726,867
Lease liabilities	7	<u>18,888,173</u>	<u>26,033,716</u>
Total Current Liabilities		<u>1,973,682,810</u>	<u>2,043,901,411</u>
<b>NON-CURRENT LIABILITIES</b>			
Loans payable	10	166,040,884	333,040,884
Security deposit		7,690,253	7,690,253
Post-employment defined benefit obligation		<u>9,019,095</u>	<u>9,019,095</u>
Total Non-current Liabilities		<u>182,750,232</u>	<u>349,750,232</u>
<b>LIABILITIES ATTRIBUTABLE TO ASSETS HELD FOR SALE</b>	20	<u>1,885,757</u>	<u>530,446</u>
Total Liabilities		<u>2,158,318,799</u>	<u>2,394,182,089</u>
<b>EQUITY</b>			
Equity attributable to the shareholders of Parent Company:	14		
Capital stock		1,549,999,999	1,549,999,999
Additional paid-in capital		2,242,794,207	2,242,794,207
Revaluation reserves		( 4,080,708 )	( 4,080,708 )
Retained earnings		<u>1,784,628,578</u>	<u>1,800,500,834</u>
		5,573,342,076	5,589,214,332
Non-controlling interest		<u>782,125,423</u>	<u>787,091,514</u>
Total Equity		<u>6,355,467,499</u>	<u>6,376,305,846</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u><b>P 8,513,786,298</b></u>	<u><b>P 8,770,487,935</b></u>

*See Selected Notes to Condensed Consolidated Financial Statements.*

**SBS PHILIPPINES CORPORATION AND SUBSIDIARIES**  
*(A Subsidiary of Anesys Holdings Corporation)*  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020**  
*(Amounts in Philippine Pesos)*  
**(UNAUDITED)**

	<u>Notes</u>	<u>2021</u>	<u>2020</u>
<b>REVENUES</b>			
Sale of goods		<b>P 174,084,196</b>	P 275,198,881
Consultancy income		<u>-</u>	<u>8,169,913</u>
		<b><u>174,084,196</u></b>	<b><u>283,368,794</u></b>
<b>COST OF SALES AND SERVICES</b>			
Cost of goods sold		<b>111,346,008</b>	192,459,620
Cost of services		<u>-</u>	<u>1,923,054</u>
		<b><u>111,346,008</u></b>	<b><u>194,382,674</u></b>
<b>GROSS PROFIT</b>		<b><u>62,738,188</u></b>	<b><u>88,986,120</u></b>
<b>OTHER OPERATING INCOME (EXPENSES)</b>			
Other operating expenses		( 38,782,874 )	( 47,815,281 )
Other operating income	11	<u>9,847,580</u>	<u>951,319</u>
		( <u>28,935,294</u> )	( <u>46,863,962</u> )
<b>OPERATING PROFIT</b>		<b>33,802,894</b>	42,122,158
<b>EQUITY IN NET LOSSES OF ASSOCIATES</b>	4	( 21,270,698 )	( 9,617,054 )
<b>FINANCE COSTS - Net</b>		( <u>28,970,137</u> )	( <u>20,247,458</u> )
<b>PROFIT (LOSS) BEFORE TAX</b>		( 16,437,941 )	12,257,646
<b>TAX EXPENSE (INCOME)</b>		( <u>4,607</u> )	<u>2,386,658</u>
<b>NET PROFIT (LOSS) FROM CONTINUING OPERATIONS</b>		( 16,433,334 )	9,870,988
<b>NET LOSS AFTER TAX FROM DISCONTINUED OPE</b>	20	( <u>4,405,013</u> )	( <u>3,481,487</u> )
<b>NET PROFIT (LOSS)</b>		( <u><u>P 20,838,347</u></u> )	<u><u>P 6,389,501</u></u>
Attributable to:			
Shareholders of the Parent Company		( <u><u>P 15,872,256</u></u> )	P 11,420,898
Non-controlling interest		( <u><u>4,966,091</u></u> )	( <u><u>5,031,397</u></u> )
		( <u><u>P 20,838,347</u></u> )	<u><u>P 6,389,501</u></u>
<b>EARNINGS PER SHARE</b>	14		
Basic and diluted earnings (loss) per share			
From continuing operations		( <u><u>P 0.01</u></u> )	P 0.01
From discontinued operations		( <u><u>0.00</u></u> )	( <u><u>0.00</u></u> )
		( <u><u>P 0.01</u></u> )	<u><u>P 0.01</u></u>

*See Selected Notes to Condensed Consolidated Financial Statements.*

**SBS PHILIPPINES CORPORATION AND SUBSIDIARIES**  
*(A Subsidiary of Anesy Holdings Corporation)*  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020**  
*(Amounts in Philippine Pesos)*

	Attributable to Shareholders of the Parent Company						
	Capital Stock (see Note 14)	Additional Paid-in Capital (see Note 14)	Revaluation Reserves	Retained Earnings (see Note 14)	Total	Non-controlling Interest	Total
Balance at January 1, 2021 (audited)	P 1,549,999,999	P 2,242,794,207	( P 4,080,708 )	P 1,800,500,834	P 5,589,214,332	P 787,091,514	P 6,376,305,846
Total comprehensive income (loss) for the period	-	-	-	( 15,872,256 )	( 15,872,256 )	( 4,966,091 )	( 20,838,347 )
<b>Balance at March 31, 2021 (unaudited)</b>	<b><u>P 1,549,999,999</u></b>	<b><u>P 2,242,794,207</u></b>	<b><u>( P 4,080,708 )</u></b>	<b><u>P 1,784,628,578</u></b>	<b><u>P 5,573,342,076</u></b>	<b><u>P 782,125,423</u></b>	<b><u>P 6,355,467,499</u></b>
Balance at January 1, 2020 (audited)	P 1,549,999,999	P 2,242,794,207	( P 2,469,695 )	P 1,091,824,743	P 4,882,149,254	P 795,595,639	P 5,677,744,893
Total comprehensive income (loss) for the year	-	-	-	11,420,898	11,420,898	( 5,031,397 )	6,389,501
Balance at March 31, 2020 (unaudited)	<u>P 1,549,999,999</u>	<u>P 2,242,794,207</u>	<u>( P 2,469,695 )</u>	<u>P 1,103,245,641</u>	<u>P 4,893,570,152</u>	<u>P 790,564,242</u>	<u>P 5,684,134,394</u>

*See Selected Notes to Condensed Consolidated Financial Statements.*

**SBS PHILIPPINES CORPORATION AND SUBSIDIARIES**  
*(A Subsidiary of Anesys Holdings Corporation)*  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020**  
*(Amounts in Philippine Pesos)*  
**(UNAUDITED)**

	Notes	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit (loss) before tax from continuing operations		( P 16,437,941 )	P 12,257,646
Loss before tax from discontinued operations		( 5,152,526 )	( 4,973,630 )
Adjustments for:			
Equity in net losses of associates	4	21,270,698	9,617,054
Interest expense	7, 9, 10	29,328,976	32,640,811
Depreciation and amortization	6, 7	7,854,485	12,205,844
Unrealized foreign currency gains - net		( 860,458 )	( 12,216,896 )
Interest income		( 47,213 )	( 176,637 )
Operating profit before working capital changes		35,956,021	49,354,192
Decrease in inventories		32,297,427	80,508,738
Decrease (increase) in trade and other receivables		96,254,315	( 34,584,638 )
Decrease in prepayments and other assets		3,485,459	4,115,481
Increase (decrease) in trade and other payables		( 10,426,159 )	49,947,383
Increase in security deposits		-	659,973
Net Cash From Operating Activities		157,567,062	150,001,129
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of property and equipment	6	( 9,693,411 )	( 272,615 )
Interest received		47,213	176,637
Advance payment for investment and asset acquisition	5	-	( 38,200,000 )
Advances to an associate		-	( 26,000,000 )
Acquisition of computer software	5	-	( 174,960 )
Net Cash Used in Investing Activities		( 9,646,198 )	( 64,470,938 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Settlement of loans	10	( 217,000,000 )	( 33,000,000 )
Interest paid		( 29,673,539 )	( 32,640,811 )
Payment of lease liabilities	7	( 6,945,543 )	( 9,381,333 )
Cash Used in Financing Activities		( 253,619,082 )	( 75,022,144 )
<b>EFFECTS OF FOREIGN EXCHANGE RATE CHANGES ON CASH</b>		3,557,575	15,225,080
<b>NET INCREASE (DECREASE) IN CASH</b>		( 102,140,643 )	25,733,127
<b>CASH AT BEGINNING OF PERIOD</b>		238,420,167	395,616,655
<b>CASH AT END OF PERIOD</b>		P 136,279,524	P 421,349,782

**Supplemental Information on Non-cash Financing and Investing Activities:**

- (1) In 2020, the Group recognized additional lease liabilities amounting to P6.7 million upon reaching an agreement for refund equivalent to three months' worth of rent (see Note 7).
- (2) In 2020, as a result of the Group's decision to sell its ownership interest in Lence Holdings Corporation (LHC), the condensed assets, liabilities, income and expenses of LHC are presented separately in the 2020 condensed consolidated statement of financial position and consolidated statements of comprehensive income (see Note 20).

*See Selected Notes to Condensed Consolidated Financial Statements.*

**SBS PHILIPPINES CORPORATION AND SUBSIDIARIES**  
**SELECTED NOTES TO CONDENSED CONSOLIDATED**  
**FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

***1.1 Basis of Preparation of Condensed Consolidated Financial Statements***

***a) Presentation of Condensed Consolidated Financial Statements***

The condensed consolidated interim financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. This condensed consolidated interim financial statements do not include all of the information required for annual consolidated financial statements, and should be read in conjunction with the annual consolidated financial statements of the Group as of and for the year ended December 31, 2020 which have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council from the pronouncements issued by the International Accounting Standards Board, and approved by the Philippine Board of Accountancy.

***b) Functional and Presentation Currency***

These condensed consolidated financial statements are presented in Philippine pesos, the Group's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the condensed consolidated financial statements of the Group are measured using its functional currency, the currency of the primary economic environment in which the Group operates.

***1.2 Changes in Significant Accounting Policies***

The condensed consolidated interim financial statements have been prepared in accordance with the accounting policies adopted by the Group in its recent annual consolidated financial statements for the year ended December 31, 2020.

The policies have been consistently applied to all periods presented, unless otherwise stated.

**2. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

The preparation of the Group's condensed consolidated interim financial statements in accordance with PAS 34 requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the financial statements. Actual results may vary from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied in the Group's recent annual consolidated financial statements as of and for the year ended December 31, 2020.

### 3. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	Notes	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Non-trade receivable	12.7	P 519,475,000	P 635,800,000
Trade receivables	12.4	105,310,733	85,301,854
Due from associates	12.2	-	4,728
Other receivables		<u>3,277,394</u>	<u>3,253,180</u>
		628,063,127	724,359,762
Allowance for impairment	16.2	( <u>485,334</u> )	( <u>485,334</u> )
		<u>P 627,577,793</u>	<u>P 723,874,428</u>

Trade receivables are usually due within 30 to 60 days and do not bear any interest.

Non-trade receivable pertains to payments made to a third party in relation to a purchase of a certain property by an associate and will be collected upon consummation of the transaction, which is expected within the year (see Note 12.7). The Group received partial payments on these receivables based on the transfer certificate of titles already received by the associate.

Due from associates pertain to noninterest-bearing advances for working capital purposes which are due and demandable. The outstanding balance as of December 31, 2020 was collected in full in 2021.

All of the Group's trade and other receivables have been reviewed for indications of impairment. Certain trade receivables were assessed to have expected credit loss (ECL) using the provisional matrix as determined by management, hence, adequate amounts of allowance for impairment have been recognized (see Note 16.2). However, no additional allowance for credit losses was recognized for the period ended March 31, 2021 and 2020. For the non-trade receivables, no ECL was recognized as the counterparty is deemed to be of low credit risk based on the current status of the property purchase. Currently, the certificate authorizing registration of the property being purchased is currently in process and is expected to be released within the year.

#### 4. INVESTMENTS IN ASSOCIATES AND ACQUISITION OF ASSETS

##### 4.1 Investments in Associates

The components of the carrying values of investments in associates accounted for under the equity method are shown as follows:

	March 31, 2021 <u>(Unaudited)</u>	December 31, 2020 <u>(Audited)</u>
<i>Associates of the Parent Company:</i>		
Goldchester Holdings Corporation (GHC)	<b>P 1,098,247,031</b>	P 1,098,328,042
Cleon Phils. Holding Corporation (CPHC)	<b>714,089,846</b>	723,913,543
Smyte Phils. Holdings Corporation (SPHC)	<b>282,528,558</b>	282,757,126
Berny Philippines Holdings Corp (BPHC)	<b>221,340,690</b>	221,354,308
Lakerfield Phils. Holding Corporation (LPHC)	<b>41,634,692</b>	42,126,836
Ayschester Holdings Corporation (AHC)	<b>25,511,003</b>	26,160,213
I-Bonding Holdings Corporation (IBHC)	<b>8,760,327</b>	8,770,034
	<b><u>2,392,112,147</u></b>	<b><u>P 2,403,410,502</u></b>
<i>Associates of SBS Holdings and Enterprises Corporation (SBS Holdings):</i>		
Mansfield Holdings Corp (MFHC)	<b>111,803,485</b>	111,844,239
Joune Holding Limited (JoHL)	<b>89,614,255</b>	89,614,255
Orientalgems Holdings Corporation (OHC)	<b>88,277,330</b>	88,468,865
Scott Holdings Corp. (SHC)	<b>45,958,680</b>	45,979,173
Aresa Holdings Corp. (ARHC)	<b>44,253,685</b>	44,389,464
Joine Holdings Corporation (JHC)	<b>26,961,271</b>	26,985,157
Icare Holding Corporation (ICHC)	<b>23,227,671</b>	23,298,990
Justfields Holdings Corporation (JuHC)	<b>19,067,176</b>	25,234,286
Namia Holdings Corporation (NHC)	<b>15,001,809</b>	15,403,888
Urman Holdings Corporation (UHC)	<b>8,336,397</b>	8,348,958
Syner Holdings Corporation (SyHC)	<b>6,147,446</b>	8,424,835
Morechester Phils. Inc. (MPI)	<b>5,986,189</b>	6,019,559
Aspar Holdings Corporation (ArHC)	<b>3,577,327</b>	3,591,633
Apschester Holdings Corporation (APHC)	<b>2,463,375</b>	2,984,777
Ineda Holdings Corporation (IHC)	<b>1,011,344</b>	1,013,203
Asida Holdings Corp. (ASHC)	<b>224,982</b>	283,483
Milia Holdings Corporation (MHC)	-	-
Couts Holdings Corporation (CHC)	-	-
	<b><u>491,912,422</u></b>	<b><u>501,884,765</u></b>
	<b><u>P 2,884,024,569</u></b>	<b><u>P 2,905,295,267</u></b>



The Group recognized its share in the net losses of the investee companies in the total amount of P21.3 million and P9.6 million in 2021 and 2020, respectively, which are presented as Equity in Net Losses of Associates in the consolidated statements of comprehensive income.

A reconciliation of the carrying amounts of investments in associates at the beginning and end of March 31, 2021 and December 31, 2020 is reported as follows:

	<b>March 31, 2021 (Unaudited)</b>	<b>December 31, 2020 (Audited)</b>
Balance at beginning of year	<b>P2,905,295,267</b>	P2,122,989,855
Additions	-	107,500,000
Equity in net losses	<b>( 21,270,698)</b>	<u>674,805,412</u>
	<b><u>P2,884,024,569</u></b>	<u>P2,905,295,267</u>

The total amount of the assets, liabilities, revenues and net loss of these associates are reported in the succeeding page.

	<u>Assets</u>	<u>Liabilities</u>	<u>Expenses</u>	<u>Net Loss</u>
<b>March 31, 2021:</b>				
CPHC	P 3,832,512,468	P 1,802,813,238	P (1,049,919)	P 19,775,991
JuHC	2,576,358,445	2,544,994,799	21,266,479	15,949,313
GHC	1,594,582,087	473,835,161	286,952	215,181
CHC	1,564,560,122	1,629,293,174	11,923,624	8,942,506
SPHC	1,561,579,228	1,152,442,326	331,386	248,511
SyHC	1,180,094,964	1,149,200,214	10,351,938	7,763,790
OHC	1,096,338,034	928,015,526	660,506	495,341
MHC	967,437,220	965,126,674	5,565,205	4,923,781
BPHC	926,060,336	9,026,413	59,246	44,401
MFHC	631,470,229	444,037	239,765	179,791
JHC	458,910,571	336,026,085	108,658	81,402
APHC	365,417,685	353,999,238	2,370,125	1,777,485
NHC	350,271,538	281,408,248	2,436,882	1,827,634
ICHC	347,622,486	258,295,353	3,706,624	213,808
ARHC	319,554,275	51,995,478	798,758	598,999
AHC	309,301,722	198,901,205	2,596,976	1,947,644
LPHC	302,218,452	181,739,804	1,330,149	997,592
SHC	288,184,615	26,453,102	117,125	87,820
UHC	185,475,208	157,348,172	57,121	42,811
ASHC	177,017,698	186,480,452	344,166	258,081
MPI	159,716,260	135,372,685	197,332	146,966
ArHC	154,414,986	137,935,580	65,040	48,764
IBHC	135,077,229	83,314,916	57,125	42,824
IHC	25,519,104	20,229,080	11,000	8,183

		<u>Assets</u>		<u>Liabilities</u>		<u>Expenses</u>		<u>Net Loss (Profit)</u>
December 31, 2020:								
CPHC	P	3,872,517,449	P	1,816,445,877	P	178,282	(P	2,157,642,764)
JuHC		2,571,353,763		2,524,040,803		3,077,993		61,321,370
GHC		1,591,604,887		470,645,281		4,403,254		3,081,632
SPHC		1,561,337,929		1,151,952,516		4,053,278		2,836,931
CHC		1,559,936,969		1,615,727,514		33,058,582		23,140,343
SyHC		1,177,832,537		1,139,173,997		368,174		251,172
OHC		1,096,374,061		927,552,475		4,364,557		3,450,325
MHC		963,079,054		955,844,729		31,507,615		22,054,175
BPHC		917,344,907		266,582		807,211		1,134,610
MFHC		631,318,076		112,092		9,743,871		6,820,247
JHC		458,993,602		336,027,705		449,861		314,636
APHC		364,836,722		351,640,789		197,968		5,869,918
NHC		349,634,649		278,929,868		9,982,649		7,019,904
ICHC		348,114,213		258,573,273		5,541,089	(	3,472,115)
ARHC		319,560,272		51,402,476		2,355,650		1,648,587
LPHC		316,977,292		195,168,525		208,615		4,315,133
AHC		309,472,585		196,475,229		375,100		3,915,187
SHC		288,349,222		26,449,330		485,848		339,757
UHC		185,412,208		157,238,480		155,228		108,486
ASHC		176,969,644		186,174,316		2,285,232		1,599,427
MPI		159,707,536		135,216,996		722,138		505,379
ArHC		154,404,369		137,876,200		141,551		98,938
IBHC		134,994,186		83,174,774		251,263		175,731
IHC		25,527,907		20,229,700		58,977		41,064

## 4.2 Acquisition of Assets

In previous years, Lence Holdings Corporation (LHC) acquired 100% ownership interest in Benesale. Benesale is a company incorporated in the Philippines and holds an investment property in the form of land. On July 10, 2019, Benesale received approval from Bureau of Internal Revenue to change its registered address and principal place of business from 24<sup>th</sup> Floor Net Lima Building, 5<sup>th</sup> Avenue corner 26<sup>th</sup> Street, Bonifacio Global City, Taguig to 10 Miller St. Brgy. Bungad San Francisco del Monte, Quezon City.

As of March 31, 2021 and December 31 2020, Benesale has no operations and its assets mainly pertain to the land where the Group's buildings, improvements and machinery recently acquired is located at Canlubang, Laguna. In accordance with Group's policy, the transaction is accounted by the Group as an asset acquisition since the transaction does not constitute an acquisition of a business.

The entire purchase price of P175.0 million is included under Assets Held for Sale in the condensed consolidated statements of financial position (see Note 20).

Subsequent to the date of acquisition, any changes in the carrying value of the net assets acquired in the books of Benesale, including the expenses incurred in administering the property (i.e., property taxes), shall be updated in the books of the Group on a line-by-line basis, as if they are consolidated in a single entry. The difference shall be charged directly to profit or loss.

## 5. PREPAYMENTS AND OTHER ASSETS

This account is composed of the following:

	<u>Note</u>	<b>March 31, 2021 (Unaudited)</b>	<b>December 31, 2020 (Audited)</b>
Current assets:			
Refundable deposits		<b>P 603,021,235</b>	P 603,021,235
Input VAT		<b>25,672,426</b>	31,239,720
Prepaid expenses		<b>17,464,452</b>	15,568,267
Creditable withholding tax		<b><u>10,495,086</u></b>	<u>9,422,398</u>
		<b><u>P 656,653,199</u></b>	<u>P 659,251,620</u>
Non-current assets:			
Investment subscriptions		<b>P 1,328,267,500</b>	P 1,328,267,500
Refundable deposits	12.5	<b>768,750,000</b>	768,750,000
Computer software		<b><u>8,529,224</u></b>	<u>8,529,224</u>
		<b><u>P 2,105,546,724</u></b>	<u>P 2,105,546,724</u>

Refundable deposits include amounts paid to lessor of leased warehouses. These can be applied against unpaid rent or any damages against leased property. It also includes amounts deposited by the Group to certain related parties in relation to memorandums of agreement which may be refunded upon the happening of certain conditions (see Note 12.5).

Prepaid expenses pertain mainly to advance payments on real property taxes and insurance premiums. It also includes amounts paid to lessor of the leased warehouse. These can be applied against unpaid rent or any damages against leased property.

Investment subscription pertains to deposit for future subscription made by the Group in certain affiliate companies. However, such subscriptions are yet to be completed or executed as of March 31, 2021 and December 31, 2020.

Computer software pertains to the Enterprise Resource Planning system which the Group intends to employ for use in operations of the Group. Amortization of the computer software will commence once the computer is put into use.

## 6. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of March 31, 2021 and December 31, 2020 are shown below.

		<u>Leasehold Improvements</u>	<u>Transportation and other Equipment</u>	<u>Furniture and Fixtures</u>	<u>Construction in Progress</u>	<u>Total</u>
March 31, 2021						
Cost	P	7,467,022	P 59,185,083	P 5,183,686	P 8,342,647	P 80,178,438
Accumulated depreciation and amortization	(	<u>5,358,889</u> )	<u>( 48,767,981)</u>	<u>( 4,899,823)</u>	<u>-</u>	<u>( 59,026,693)</u>
Net carrying amount (unaudited)	P	<u><b>2,108,133</b></u>	<u><b>P 10,417,102</b></u>	<u><b>P 283,863</b></u>	<u><b>P 8,342,647</b></u>	<u><b>P 21,151,745</b></u>
December 31, 2020						
Cost	P	7,467,022	P 54,681,019	P 5,183,686	P 3,157,167	P 70,488,894
Accumulated depreciation and amortization	(	<u>5,217,962</u> )	<u>( 47,541,728)</u>	<u>( 4,849,607)</u>	<u>-</u>	<u>( 57,609,297)</u>
Net carrying amount (audited)	P	<u><b>2,249,060</b></u>	<u><b>P 7,139,291</b></u>	<u><b>P 334,079</b></u>	<u><b>P 3,157,167</b></u>	<u><b>P 12,879,597</b></u>
January 1, 2020						
Cost	P	6,842,022	P 150,837,314	P 6,835,656	P -	P 164,514,992
Accumulated depreciation and amortization	(	<u>4,668,945</u> )	<u>( 61,485,490)</u>	<u>( 5,722,049)</u>	<u>-</u>	<u>( 71,876,484)</u>
Net carrying amount (audited)	P	<u><b>2,173,077</b></u>	<u><b>P 89,351,824</b></u>	<u><b>P 1,113,607</b></u>	<u><b>P -</b></u>	<u><b>P 92,638,508</b></u>

A reconciliation of the carrying amounts of property and equipment at the beginning and end of period is as follows:

		<u>Leasehold Improvements</u>	<u>Transportation and other Equipment</u>	<u>Furniture and Fixtures</u>	<u>Construction in Progress</u>	<u>Total</u>
Balance at January 1, 2021, net of accumulated depreciation and amortization (audited)	P	2,249,060	P 7,139,291	P 334,079	P 3,157,167	P 12,879,597
Additions	-	-	4,507,931	-	5,185,480	9,693,411
Depreciation and amortization charges for the period	(	<u>140,927</u> )	<u>( 1,230,120)</u>	<u>( 50,216)</u>	<u>-</u>	<u>( 1,421,263)</u>
Balance at March 31, 2021, net of accumulated depreciation and amortization (unaudited)	P	<u><b>2,108,133</b></u>	<u><b>P 10,417,102</b></u>	<u><b>P 283,863</b></u>	<u><b>P 8,342,647</b></u>	<u><b>P 21,151,745</b></u>
Balance at January 1, 2020, net of accumulated depreciation and amortization (audited)	P	2,173,077	P 89,351,824	P 1,113,607	P -	P 92,638,508
Additions		625,000	311,322	6,302	3,157,167	4,099,791
Reclassification	-	-	( 68,331,228)	( 46,063)	-	( 68,377,291)
Depreciation and amortization charges for the year from:						
Continued operations	(	<u>549,017</u> )	<u>( 4,545,865)</u>	<u>( 187,010)</u>	<u>-</u>	<u>( 5,281,892)</u>
Assets held for sale	-	<u>-</u>	<u>( 9,646,762)</u>	<u>( 552,757)</u>	<u>-</u>	<u>( 10,199,519)</u>
Balance at December 31, 2020, net of accumulated depreciation and amortization (audited)	P	<u><b>2,249,060</b></u>	<u><b>P 7,139,291</b></u>	<u><b>P 334,079</b></u>	<u><b>P 3,157,167</b></u>	<u><b>P 12,879,597</b></u>

The amount of depreciation and amortization is presented under Other Operating Expenses in the condensed consolidated statements of comprehensive income.

Construction-in-progress pertains to accumulated costs incurred on warehouse facility and installation of solar panel being constructed as part of Group's expansion program. The percentage of completion of the construction in progress averages to 30% and 10% as of March 31, 2021 and December 31, 2020. The remaining ongoing project are expected to be completed by the second quarter of 2021. Other than the remaining capital expenditures, there are no other capital commitments relating to the ongoing project.

As at March 31, 2021 and December 31, 2020 the gross carrying amount of the Group's fully depreciated property and equipment that are still in use is P33.4 million.

## 7. LEASES

The Group is a lessee under non-cancellable operating leases covering its warehouses and office space. The lease for warehouses has a term of two to four years, including the new leases entered into in 2019, while the lease for office space have lease term of four years. All leases have renewal options subject to mutual agreement of the parties. Generally, termination of lease contracts shall be communicated to the lessee by the lessor 30 days prior to the termination or expiration of the lease contract. With the exception of the lease of a two warehouse, which is a short-term lease, each lease is reflected in the condensed consolidated statements of financial position as a right-of-use asset and as lease liability. The Group classifies its right-of-use assets as a separate line item in the condensed consolidated statements of financial position.

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. The Group is prohibited from selling or pledging the underlying leased assets as security. For leases over warehouses and offices, the Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Group is to incur maintenance fees on such items in accordance with the lease contracts.

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognized in the condensed consolidated statements of financial position.

	Number of Right-of-use assets leased	Average Remaining lease term
Warehouses and related facilities	5	2 years
Office building	1	2 years

### 7.1 Right-of-use Assets

The carrying amounts of the Group's right-of-use assets as at March 31, 2021 and December 31, 2020 and the movements during those periods are as follows:

	<u>Warehouse and other related facilities</u>	<u>Office Building</u>	<u>Total</u>
March 31, 2021			
Balance at beginning of period (audited)	P 46,294,333	P 5,171,449	P 51,465,782
Depreciation and amortization	( 5,786,791)	( 646,431)	( 6,433,222)
Balance at end of period (unaudited)	<b><u>P 40,507,542</u></b>	<b><u>P 4,525,018</u></b>	<b><u>P 45,032,560</u></b>
December 31, 2020			
Balance at beginning of year (audited)	P 85,333,841	P 7,757,173	P 93,091,014
Derecognition of right-of-use assets	( 16,071,430)	-	( 16,071,430)
Depreciation and amortization	( 22,968,078)	( 2,585,724)	( 25,553,802)
Balance at end of year (audited)	<b><u>P 46,294,333</u></b>	<b><u>P 5,171,449</u></b>	<b><u>P 51,465,782</u></b>

Depreciation and amortization of right-of-use assets is presented as part of Other Operating Expenses in the condensed consolidated statements of comprehensive income.

### 7.2 Lease Liabilities

The outstanding balance of lease liabilities amounting to P18.9 million and P26.0 million as of March 31, 2021 and December 31, 2020, respectively, are presented in Current Liabilities section in the condensed consolidated statements of financial position.

### 7.3 Lease Payments Not Recognized as Liabilities

The Group has elected not to recognize a lease liability for short-term leases. Payments made under such leases are expensed on a straight-line basis.

The expenses relating to short-term leases is presented as Rentals under Other Operating Expenses in the condensed consolidated statement of comprehensive income.

### 7.4 Additional Profit or Loss and Cash Flow Information

The total cash outflow in respect of leases, including interest payment, amounted to P7.1 million and P9.9 million in March 31, 2021 and March 31, 2020, respectively. Interest expense in relation to lease liabilities amounted to P0.2 million and P0.5 million and is presented as part of Finance Costs in the condensed consolidated statements of comprehensive income.

## 8. INVESTMENT PROPERTIES

The Group's investment properties represent parcels of land and building held primarily for capital appreciation but not for sale in the ordinary course of the business or use in the production or supply of goods or services or for administrative purposes.

The gross carrying amounts and accumulated depreciation and amortization of the property and improvement at the beginning and end of March 31, 2021 and December 31, 2020 are shown below.

	<u>Land</u>	<u>Building</u>	<u>Land Improvement</u>	<u>Total</u>
March 31, 2021				
Cost	P 625,700,346	P -	-	P 625,700,346
Accumulated depreciation and amortization	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net carrying amount (unaudited)	<u><b>P 625,700,346</b></u>	<u><b>P -</b></u>	<u><b>P -</b></u>	<u><b>P 625,700,346</b></u>
December 31, 2020				
Cost	P 625,700,346	P -	-	P 625,700,346
Accumulated depreciation and amortization	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net carrying amount (audited)	<u><b>P 625,700,346</b></u>	<u><b>P -</b></u>	<u><b>P -</b></u>	<u><b>P 625,700,346</b></u>
January 1, 2020				
Cost	P 800,700,346	P 138,348,695	P 6,974,240	P 946,023,281
Accumulated depreciation and amortization	<u>-</u>	<u>(10,606,733)</u>	<u>(534,692)</u>	<u>(11,141,425)</u>
Net carrying amount (audited)	<u><b>P 800,700,346</b></u>	<u><b>P 127,741,962</b></u>	<u><b>P 6,349,548</b></u>	<u><b>P 934,881,856</b></u>

A reconciliation of the carrying amount of investment properties at the beginning and end of March 31, 2021 and December 31, 2020 follows:

	<u>Land</u>	<u>Building</u>	<u>Land Improvement</u>	<u>Total</u>
Balance at January 1, 2021 (audited) and March 31, 2021 net of accumulated depreciation and amortization (unaudited)	<u><b>P 625,700,346</b></u>	<u><b>P -</b></u>	<u><b>P -</b></u>	<u><b>P 625,700,346</b></u>

	<u>Land</u>	<u>Building</u>	<u>Land Improvement</u>	<u>Total</u>
Balance at January 1, 2020, net of accumulated depreciation and amortization (audited)	P 800,700,346	P 127,741,962	P 6,439,548	P 934,881,856
Reclassification	( 175,000,000)	( 122,208,014)	( 6,160,579)	( 303,368,593)
Depreciation and amortization charges for the year from assets held for sale	<u>-</u>	<u>( 5,533,948)</u>	<u>( 278,969)</u>	<u>( 5,812,917)</u>
Balance at December 31, 2020 net of accumulated depreciation and amortization (audited)	<u>P 625,700,346</u>	<u>P -</u>	<u>P -</u>	<u>P 625,700,346</u>

In 2020, the investment properties owned by LHC were reclassified to Assets Held for Sale as of December 31, 2020 (see Note 20). The depreciation and amortization of investment properties from Assets Held for Sale is presented as part of Net Loss After Tax from Discontinued Operations in the 2020 condensed consolidated statement of profit or loss.

The real property taxes on investment properties amounted to P0.3 million and P0.2 million as of March 31, 2021 and 2020, and were recognized and reported as part of Taxes and licenses under Other Operating Expenses in the condensed consolidated statements of comprehensive income.

As determined by independent and SEC-accredited property appraisers, the total fair market values of these investment properties as of December 31, 2018 amounted to P4.9 billion (see Note 19.3). The Group's management assessed that the latest appraisal made holds the same fair market values as of March 31, 2021 and December 31, 2020. It is the Group's policy to obtain an appraisal from an independent property appraiser every three years; thus, a new appraisal by independent and SEC-accredited property appraiser will be commissioned in 2021.

## 9. TRADE AND OTHER PAYABLES

This account consists of:

	<b>March 31, 2021 (Unaudited)</b>	<b>December 31, 2020 (Audited)</b>
Trust receipts payable	<b>P 121,261,141</b>	P 142,255,338
Accrued expenses and others	<b>18,001,017</b>	17,871,565
Trade payables	<b>26,068,636</b>	14,680,955
Output VAT payable	<b><u>169,914</u></b>	<u>2,919,009</u>
	<b><u>P 165,500,708</u></b>	<u>P 177,726,867</u>



The Group avails of trust receipt facilities with local banks that were used to finance the Group's purchases of inventories. These short-term trust receipts, which are secured by the related inventories whose values equal the amount of outstanding trust receipts, bear interests based on prevailing market interest rates of 2.8% in the periods ended March 31, 2021 and December 31, 2020. Interest expense incurred on these transactions in the periods ended March 31, 2021 and 2020 amounted to P1.0 million and P1.4 million, respectively, and is presented as part of Interest expense under Finance Costs – Net in the condensed consolidated statements of comprehensive income.

Accrued expenses and other payables include the obligations relating to the accrual of professional fees, rentals, employee benefits and other liabilities that are expected to be settled within 12 months from the end of the reporting period.

## 10. LOANS PAYABLE

This account includes the following as at March 31, 2021 and December 31, 2020.

	<b>March 31, 2021 (Unaudited)</b>	<b>December 31, 2020 (Audited)</b>
Current	<b>P 1,789,293,929</b>	P 1,840,140,828
Non-current	<b><u>166,040,884</u></b>	<u>333,040,884</u>
	<b><u>P 1,955,334,813</u></b>	<u>P 2,173,181,712</u>

A reconciliation of the movements in the amount of loans payable at the beginning and end of March 31, 2021 and December 31, 2020 is shown below.

	<b>March 31, 2021 (Unaudited)</b>	<b>December 31, 2020 (Audited)</b>
Cash from financing activities:		
Balance at beginning of the period	<b>P 2,173,181,712</b>	P 2,573,876,996
Settlements during the period	<b>( 217,000,000)</b>	( 400,000,000)
Additional debt issue cost	<b><u>-</u></b>	<u>( 2,137,398)</u>
	<b>1,956,181,712</b>	2,171,739,598
Non-cash transaction		
from financing activities –		
Effect of debt issue cost	<b><u>( 846,899)</u></b>	<u>1,442,114</u>
	<b><u>P 1,955,334,813</u></b>	<u>P 2,173,181,712</u>

Short-term loans are subject to interest rates ranging from 4.0% to 4.3% in 2021 and 4.1% to 4.7% in 2020, and are acquired for working capital requirements. On average, the short-term loans fall due every three to six months and are subject to roll over unless otherwise settled by the Group.

The long-term loan, which was originally acquired in April 2017, is subject to 4.8% interest annually and is payable in 12 equal quarterly payments beginning June 2019.

The details of the non-current loans payable are as follows:

	<b>March 31, 2021 (Unaudited)</b>	December 31, 2020 (Audited)
Principal amount	<b>P 2,000,000,000</b>	P 2,000,000,000
Debt issue cost	<b>( 10,000,000)</b>	( 10,000,000)
Net amount	<b>1,990,000,000</b>	1,990,000,000
Settlements in prior years	<b>( 1,000,000,000)</b>	( 720,000,000)
Reclassification to current portion	<b>( 666,081,769)</b>	( 666,081,769)
Settlements during the period	<b>( 167,000,000)</b>	( 280,000,000)
Debt issue cost on current portion of loan	<b>( 584,898)</b>	( 584,898)
Accumulated amortization of debt issue cost	<b>9,707,551</b>	9,707,551
	<b><u>P 166,040,884</u></b>	<b><u>P 333,040,884</u></b>

Interest expense incurred on these loans in 2021 and 2020, amounted to P28.1 million and P31.2 million, respectively, and is presented as part of Interest expense under Finance Costs – Net in the condensed consolidated statements of comprehensive income.

The long-term loan is secured by a property owned by one of its associates (see Note 12.5). Other outstanding loans were availed using its credit line facility wherein no collateral is needed.

## 11. OTHER OPERATING INCOME

The Group earns rental income from the leasing of property to third party tenants. The leased property is owned by JHC, for which the Group was granted a full right of usufruct to JHC's property (see Note 12.7). Income generated from the property amounted to P1.0 million and P0.3 million for the period ended March 31, 2021 and 2020, respectively (see Note 15.1).

The Group also earns income from consultancy services performed by SBS Holdings.

Other operating income also includes management fees from a service agreement with certain associates (see Note 12.4).

## 12. RELATED PARTY TRANSACTIONS

The Group's related parties include its Parent Company, related parties under common ownership and its key management personnel. The transactions with these related parties are discussed in the succeeding page.

Related Party Category	Note	Amount of Transactions		Receivables (Payables)	
		March 31, 2021	March 31, 2020	March 31, 2021	December 31, 2020
<b>Stockholders</b>					
Lease agreements	12.3	P 632,813	P 632,813	P -	P -
<b>Related Parties Under Common Ownership</b>					
Lease Agreements:					
Right-of-use assets		-	-	18,727,433	42,805,562
Lease agreements		6,821,312	7,557,796	( 7,485,268)	( 10,826,493)
Security deposit	12.3	-	-	6,821,312	6,821,312
Sale of goods	12.1	-	145,089	-	-
Purchase of goods	12.1	126,563	140,304	-	( 111,496)
Refundable deposit	12.5	-	-	315,000,000	315,000,000
<b>Associates</b>					
Lease Agreements:					
Right-of-use assets		-	-	21,385,088	48,880,202
Lease Agreements		3,201,300	3,201,300	( 9,270,137)	11,296,418
Security deposit	12.3	-	-	3,201,300	3,201,300
Refundable deposit	12.5	-	-	456,771,191	456,771,191
Advances for investment					
property purchase	12.7	(116,325,000)	-	519,475,000	635,800,000
Due from associates	12.2	-	26,000,000	-	4,728
Shared business and					
management services	12.4	401,786	8,169,913	21,651,786	21,651,786
Equity investment in associates	4	-	-	2,884,024,569	2,905,295,267
<b>Key Management Personnel –</b>					
Fees paid	12.6	3,312,250	5,103,244	-	-

The Company's outstanding receivables with related parties were subjected to impairment using the requirements of PFRS 9. These receivables have substantially the same risk characteristics as trade receivables. As such, the expected loss rates for trade receivables are a reasonable approximation of the loss rates for receivables from related parties. There were no impairment losses recognized for these receivables from related parties as of March 31, 2021 and December 31, 2020 [(see Note 16.2(b))].

### ***12.1 Sale and Purchase of Goods***

In 2020, the Parent Company sold goods to a certain related party under common ownership in the regular course of business and was reported as part of Sale of Goods in the 2020 condensed consolidated statement of comprehensive income. There are no outstanding balances related from these transactions as of March 31, 2021 and December 31, 2020.

The Group purchased goods from certain related parties which are presented as part of Cost of Goods Sold in the condensed consolidated statements of comprehensive income. There are no outstanding payables as of March 31, 2021 and December 31, 2020.

### ***12.2 Advances from/to Related Parties***

The Group grants advances to associates which is unsecured, non-interest bearing and payable in demand or through offsetting arrangements. The outstanding receivable is also presented as part of Advances to associates under Trade and Other Receivables in the December 31, 2020 condensed consolidated statement of financial position (see Note 3). The amount was fully collected in 2021.

### ***12.3 Lease Agreements***

The Group, as a lessee, entered into operating lease agreements with terms of two to four years, covering certain warehouses owned by certain related parties. The lease is renewable upon mutual agreement by both parties.

Related expenses from these transactions are recorded as part of Depreciation and amortization. There were no outstanding rentals as of March 31, 2021 and December 31, 2020. Deposits made on these lease agreements are presented as part of Refundable deposits under Prepayments and Other Current Assets in the condensed consolidated statements of financial position (see Note 5).

### ***12.4 Shared Business and Management Services***

SBS Holdings entered into a consultancy service agreement with certain related parties wherein the former shall provide certain administrative services for a fee. Such transaction is recognized as part of Consultancy Income in the 2020 condensed consolidated statement of comprehensive income. The outstanding balance as of March 31, 2021 and December 31, 2020, which are unsecured, noninterest-bearing and payable on demand, are presented as part of Trade receivables under Trade and Other Receivables in the consolidated statements of financial position (see Note 3).

The Group entered into a service agreement with certain associates wherein the former shall provide certain operational, management and administrative services for a fee. Management fees charged by the Parent Company are recognized under the Other Operating Income in the 2021 condensed consolidated statement of comprehensive income (see Note 11).

### ***12.5 Memorandum of Agreement***

In 2018, the Group entered into a memorandum of agreement with SPHC, an associate of SBS Holdings, wherein the Parent Company will assist in gathering investors to cover SPHC's increase in capitalization. As part of the agreement, SPHC also used its property as mortgage substitution to continue securing one of the Parent Company's loans (see Note 10). The related performance deposit amounting to P500.0 million is presented as part of Other Non-current Assets in the condensed consolidated statements of financial position (see Note 5). The amount will be refunded once the Parent Company has already gathered the investors. However, in 2019, as agreed by both parties, the performance obligation has been extended for another 12 months. In 2019, a portion of the deposit amounting to P46.3 million was collected and used in acquiring shares in SPHC (see Note 5). The related deposit amounting to P315.0 million, which is also presented under Other Non-current Assets in the condensed consolidated statements of financial position (see Note 5), may be refunded to the Group or may be used to exercise pre-emptive rights to subscribe to new unissued shares at par value upon BHC's application for an increase in authorized capital stock.

### ***12.6 Key Management Personnel***

Payments received by key management personnel pertain to service fees for the periods ended March 31, 2021 and 2020, which is presented under Other Operating Expenses and also as part of Cost of services under Cost of Sales and Services in the condensed consolidated statements of comprehensive income. There was no outstanding balance as of March 31, 2021 and December 31, 2020.

### ***12.7 Others***

In 2018, the Group made certain noninterest-bearing advance payments to a third party on behalf of an associate, representing transactions costs incurred for the associate's purchase of certain property owned by the third party. These costs, amounting to P775.0 million, shall be reimbursed in full to the Group upon completion of the transaction. In 2019, the Group received partial settlement amounting to P139.2 million. However, in 2020, there has been some delay in the processing of the sale of properties due to COVID-19, which had slowed down the document processing of many establishments and government agencies. As agreed by both parties, the settlement has been extended, and the transaction is expected to be completed by June 2021. As a result, the management assessed that the receivable will be collected within twelve months after the end of the reporting period. In March 2021, the Company received additional partial settlement amounting to P116.3 million. The remaining balance is presented as Non-trade receivable under Trade and Other Receivables in the condensed consolidated statements of financial position (see Note 3).

SBS Holdings holds a full right of usufruct over the real estate property of JHC. The usufruct includes collections of fees or service charges from third party tenants for the purpose of upkeep, maintenance, operation and management of such property. Revenue arising from this agreement presented as part Other Operating Income in the condensed consolidated statements of comprehensive income (see Note 11). In relation to such agreement, the Company also received security deposits from the tenants, which are to be returned to the counterparties at the end of the lease term. These security deposits are presented under Non-current liabilities section of the condensed consolidated statements of financial position.

## **13. SEGMENT REPORTING**

### ***13.1 Business Segments***

The Group's operating businesses are organized and managed separately according to the nature of products and services provided. In identifying its reportable operating segments, management generally follows the Group's two main revenue sources, which represent the products and services provided by the Group, namely Sale of Goods and Consultancy Income.

### 13.2 Analysis of Segment Information

The table below presents revenue and profit information regarding business segments of the Group for the periods ended March 31, 2021 and 2020.

	<u>Sale of Goods</u>	<u>Consultancy Income</u>	<u>Total</u>
<b><u>March 31, 2021</u></b>			
Revenues	P 174,084,196	P -	P 174,084,196
Cost	<u>111,346,008</u>	<u></u>	<u>111,346,008</u>
	<u>62,738,188</u>	<u>-</u>	<u>62,738,188</u>
Other operating expenses:			
Rental expense	4,017,857	-	4,017,857
Salaries and wages	8,589,563	-	8,589,563
Outside services	1,580,267	-	1,580,267
Transportation and travel	1,159,530	-	1,159,530
Insurance	1,642,890	-	1,164,890
Advertising and promotions	217,000	-	217,000
Commission	<u>46,939</u>	<u>-</u>	<u>46,939</u>
	<u>17,254,046</u>	<u>-</u>	<u>17,254,046</u>
<b>Segment profit before depreciation and amortization</b>	<b><u>P 45,484,142</u></b>	<b><u>P -</u></b>	<b><u>P 45,484,142</u></b>
<b><u>March 31, 2020</u></b>			
Revenues	P 275,198,881	P 8,169,913	P 283,368,794
Cost	<u>192,459,620</u>	<u>1,923,054</u>	<u>194,382,674</u>
	<u>82,739,261</u>	<u>6,246,859</u>	<u>88,986,120</u>
Other operating expenses:			
Rental expense	1,002,630	-	1,002,630
Salaries and wages	9,675,995	-	9,675,995
Outside services	2,168,564	-	2,168,564
Transportation and travel	185,598	-	185,598
Insurance	901,331	-	901,331
Advertising and promotions	1,439,800	-	1,439,800
Commission	<u>186,311</u>	<u>-</u>	<u>186,311</u>
	<u>15,560,229</u>	<u>-</u>	<u>15,560,229</u>
<b>Segment profit before depreciation and amortization</b>	<b><u>P 67,179,032</u></b>	<b><u>P 6,246,859</u></b>	<b><u>P 73,425,891</u></b>

Presented below is the Group's reconciliation of the components of reportable segments to the condensed consolidated statements of comprehensive income.

	<u>2021</u>	<u>2020</u>
Revenues –		
Total revenue of reportable segments	<b><u>P 174,084,196</u></b>	<u>P 283,368,794</u>
Costs and expenses:		
Total costs and expenses of reportable segments	<b>128,600,054</b>	209,942,903
Other costs and expenses from non-reportable segments	<b>13,674,343</b>	20,049,208
Depreciation and amortization	<b><u>7,854,485</u></b>	<u>12,205,844</u>
	<b><u>150,128,882</u></b>	<u>242,197,955</u>
Other operating income	<b><u>9,847,580</u></b>	<u>951,319</u>
Finance costs – net	<b>(<u>28,970,137</u>)</b>	<b>(<u>20,247,458</u>)</b>
Equity in net losses of associates	<b>(<u>21,270,698</u>)</b>	<b>(<u>9,617,054</u>)</b>
Profit (loss) before tax	<b><u>(P 16,437,941)</u></b>	<u>P 12,257,646</u>

The results of operations from the segments are used by management to analyze the Group's operation and to allow them to control and study the costs and expenses. It is also a management indicator on how to improve the Group's operation. Expenses are allocated through direct association of costs and expenses to operating segments.

## 14. EQUITY

### 14.1 Capital Stock

Capital stock consists of common shares with details shown below.

	<u>Shares</u>		<u>Amount</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Authorized - P1 par value	<b><u>1,550,000,000</u></b>	<u>1,550,000,000</u>	<b><u>P 1,550,000,000</u></b>	<u>P 1,550,000,000</u>
Subscribed, issued, outstanding at the end of the period	<b><u>1,549,999,999</u></b>	<u>1,549,999,999</u>	<b><u>P 1,549,999,999</u></b>	<u>P 1,549,999,999</u>

The authorized capital stock of the Parent Company is P1,550,000,000 consisting of 1,550,000,000 Common Shares with a par value of P1.00 per share. A total of 1,549,999,999 common shares are subscribed and outstanding as of March 31, 2021 and as of December 31, 2020.

On August 10, 2015, a total of 1,200,000,000 common shares of the Parent Company with par value of P1.00 per share were listed under the Main Board of the PSE. In addition, by way of an initial public offering (IPO), the Parent Company sold 420,000,000 shares of its common stock at an offer price of P2.75 per share on the same day. The IPO resulted in a recognition of Additional Paid-in Capital amounting to P698.4 million, net of IPO-related expenses amounting to P36.6 million.

As of March 31, 2021, the total number of registered stockholders based on the records of the Group's Stock and Transfer Agent is eleven (11). Such listed shares closed at P4.25 per share as of March 31, 2021.

#### ***14.2 Retained Earnings***

The Parent Company did not declare any dividends as of March 31, 2021 and December 31, 2020.

#### ***14.3 Earnings (loss) per Share***

Basic earnings (loss) per share are computed as follows:

	<u>2021</u>	<u>2020</u>
Net profit (loss) attributable to Parent Company	(P 15,872,256)	P 11,420,898
Divided by the weighted average number of outstanding common shares	<u>1,549,999,999</u>	<u>1,549,999,999</u>
Basic and diluted earnings (loss) per share from:		
Continuing operations	(P 0.01)	P 0.01
Discontinued operations	( 0.00)	( 0.00)
	<u>(P 0.01)</u>	<u>P 0.01</u>

#### ***14.4 Material Non-controlling Interest***

Non-controlling interest pertains to 24% and 55% ownership of minority stockholders in LHC and SBS Holdings, respectively. Despite loss of majority stockholding in SBS Holdings, the Parent Company determined that it has the ability to influence the majority of SBS Holdings' stockholdings as the next most significant stockholder of the subsidiary as of March 31, 2021 and December 31, 2020 is Anesy Holdings Corporation, the Ultimate Parent Company.



The financial information of LHC and SBS Holdings is presented below.

		<u>Assets</u>		<u>Liabilities</u>		<u>Equity</u>		<u>Net Loss</u>
<b>March 31, 2021:</b>								
LHC	P	548,128,120	P	1,885,757	P	546,242,363	P	4,405,013
SBS Holdings		3,155,946,962		11,188,883		3,144,758,079		7,071,342
<b>December 31, 2020:</b>								
LHC	P	551,177,822	P	530,446	P	550,647,376	P	15,356,858
SBS Holdings		3,166,354,566		14,525,143		3,151,829,423		6,858,544

LHC has authorized capital stock of 137,000,000 shares with a par value of P1, of which the Parent Company and SBS Holdings subscribed 37,055,000 and 14,261,400 common shares, respectively, upon incorporation. In 2018, the Parent Company and SBS Holdings bought additional shares to bring cumulative ownership over LHC to 123,330,000 common shares or 90% ownership interest over LHC. As at March 31, 2021 and December 31, 2020, LHC has total paid-up capital of P598.0 million, including additional paid-in capital amounting to P461.0 million. In 2020, the Group assessed that the investment in LHC will no longer be recovered through continuous operations but rather through sale. Accordingly, the related assets and liabilities of LHC as of March 31, 2021 and December 31, 2020 are presented as Assets Held for Sale and Liabilities Attributable to Assets Held for Sale, respectively, in the condensed statements of financial position while the results of operations of LHC is presented as Net Loss After Tax from Discontinued Operations in the condensed consolidated statements of comprehensive income (see Note 20).

SBS Holdings has original authorized capital stock 5,500,000,000 with a par value of P1. As at December 31, 2018, the Parent Company owns 2,000,311,897 common shares of SBS Holdings, representing 99% ownership of SBS Holdings' outstanding capital stock. In May 22, 2019, SBS Holdings' BOD and stockholders approved the increase in its authorized capital stock o from 5,500,000,000 common shares with a par value of P1 per share to 17,290,000,000 with a par value of P1.0 per share. The increase in authorized capital stock was likewise approved by the SEC on November 18, 2019. As at March 31, 2021 and December 31, 2020, the Parent Company owns 2,255,000,000 of SBS Holdings' outstanding capital stock, representing 45% ownership. There were no dividend declarations made by LHC and SBS Holdings for the periods ended March 31, 2021 and December 31, 2020.

## 15. COMMITMENTS AND CONTINGENCIES

### *15.1 Operating Lease Commitments – Company as Lessor*

Certain real properties held or managed by the Group are leased to third parties under operating lease agreements. Currently, the lease agreements have a remaining lease term of less than one year, with an option to renew under terms and conditions to be agreed upon by the parties. Revenues from these agreements are presented as part of Other Operating Income in the condensed consolidated statements of comprehensive income (see Note 11).

In relation to the lease agreements, the Group also received security deposits from the lessees, which is to be returned to the counterparties at the end of the lease term. The security deposits are presented under Non-current liabilities section in the condensed consolidated statements of financial position even when the current remaining lease term is for one year as management believes a renewal of the lease terms with the lessees is fairly certain.

## 15.2 Others

There are other commitments and contingent liabilities that arise in the normal course of the Group's operations that are not reflected in the condensed consolidated financial statements. As at March 31, 2021 and December 31, 2020, management is of the opinion that losses, if any, from these items will not have a material effect on the Group's condensed consolidated financial statements.

## 16. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which resulted from both its operating, investing and financing activities. The Group's risk exposures are managed in close coordination with the BOD who focuses on actively securing the Group's short to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns. The most significant financial risks to which the Group is exposed to are described below.

### 16.1 Interest Rate Risk

The Group's policy is to minimize interest rate cash flow risk exposures on long-term financing. As at March 31, 2021 and December 31, 2020, the Group is exposed to changes in market interest rates through its loans payable (see Note 10) and cash in banks, which are subject to variable interest rates.

### 16.2 Credit Risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments arising from selling goods to customers, granting advances to related parties and by placing deposits with banks.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties.

The maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the condensed consolidated statements of financial position or the detailed analysis provided in the notes to condensed consolidated financial statements as shown below.

		March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
	Notes		
Cash		P 136,279,524	P 238,420,167
Trade and other receivables	3	627,577,793	723,865,836
Refundable deposits	5	<u>1,371,771,235</u>	<u>1,371,771,235</u>
		<u>P 2,135,628,552</u>	<u>P 2,334,057,238</u>

None of the Group's financial assets are secured by collateral or other credit enhancements, except for cash and cash equivalents as described below.

*a) Cash*

The credit risk for cash in banks is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

As part of the Group's policy, bank deposit is only maintained with reputable financial institutions. Cash in banks which is insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million per depositor per banking institution, as provided for under Republic Act No. 9576, *Amendment to Charter of Philippine Deposit Insurance Corporation*, is still subject to credit risk.

*b) Trade and Other Receivables and Refundable deposits*

The Group applies the simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade and other receivables. Advances to officers and employees have been assessed separately and individually wherein management determined that there is no required ECL to be recognized since collections are made on a monthly basis or through salary deductions within a period of one year or less.

To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due (age buckets). The Group also concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the other receivables as it shares the same credit risk characteristics.

The expected loss rates are based on the payment and aging profiles over a period of 36 months, and the corresponding historical credit losses experienced within such period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the Gross Domestic Product and the inflation rate in the Philippines to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Accordingly, the Group recognized loss allowance equivalent to 0.5% and 0.8% of outstanding trade receivables as of March 31, 2021 and December 31, 2020. Management deems this estimate to be adequate and reflective of the Group's ability to collect from its customers based on a 36-month historical payment profile prior to the adoption of PFRS 9.

The Group's trade receivables are actively monitored to avoid significant concentrations of credit risk. In addition, the Group has adopted a no-business policy with customers lacking an appropriate credit history where credit records are available.

ECL allowance for refundable deposits and non-trade receivables, which are collectible from related parties were assessed based on general liquidity of the respective counterparties. No loss allowance was recognized on these financial assets as the collection is expected to be within the next 12 months based on the current standing of the counterparties and the current status of the related transactions.

### 16.3 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a six-month and one-year period are identified monthly.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash are deposited in banks. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

As at March 31, 2021 and December 31, 2020, the Group's financial liabilities (except for lease liabilities) have contractual maturities as follows:

	Within 6 Months	6 to 12 Months	More than 1 Year
<b>March 31, 2021:</b>			
Loans payable	P 1,524,931,395	P 343,453,655	P 168,288,320
Trade and other payables	164,146,476	-	-
Security deposit	-	-	7,690,253
	<b><u>P 1,689,077,871</u></b>	<b><u>P 343,453,655</u></b>	<b><u>P 175,978,573</u></b>
<b>December 31, 2020:</b>			
Loans payable	P 1,537,976,681	P 347,710,069	P 339,427,083
Trade and other payables	174,567,717	-	-
Security deposit	-	-	7,690,253
	<b><u>P 1,712,544,398</u></b>	<b><u>P 347,710,069</u></b>	<b><u>P 347,117,336</u></b>

The contractual maturities shown above reflect the gross cash flows, which may differ from the carrying values of the liabilities at the end of the reporting periods.

## 17. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern in order to provide adequate returns in the future to its stockholders and benefits for other stakeholders.

The Group monitors capital on the basis of the carrying amount of equity as presented on the condensed consolidated statements of financial position.

The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

The debt-to-equity ratio as of March 31, 2021 and December 31, 2020 is presented below.

	<b>March 31, 2021 (Unaudited)</b>	<b>December 31, 2020 (Audited)</b>
Liabilities	<b>P 2,158,318,799</b>	P 2,394,182,089
Equity	<b><u>6,355,467,499</u></b>	<u>6,376,305,846</u>
Debt-to-equity ratio	<b><u>0.34 : 1.00</u></b>	<u>0.38 : 1.00</u>

## 18. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

### *18.1 Carrying Amounts and Fair Values of Financial Assets and Financial Liabilities*

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the condensed consolidated statements of financial position are shown below.

		<u>March 31, 2021 (Unaudited)</u>		<u>December 31, 2020 (Audited)</u>	
	<u>Notes</u>	<u>Carrying Amounts</u>	<u>Fair Values</u>	<u>Carrying Amounts</u>	<u>Fair Values</u>
<b><i>Financial assets</i></b>					
Financial assets at amortized cost:					
Cash		P 136,279,524	P 136,279,524	P 238,420,167	P 238,420,167
Trade and other receivables	3	627,577,793	627,577,793	723,865,836	723,865,836
Refundable deposits	5	<u>1,371,771,235</u>	<u>1,371,771,235</u>	<u>1,371,771,235</u>	<u>1,371,771,235</u>
		<u>P 2,135,628,552</u>	<u>P 2,135,628,552</u>	<u>P 2,334,057,238</u>	<u>P 2,334,057,238</u>
<b><i>Financial liabilities</i></b>					
Financial liabilities at amortized cost:					
Loans payable	10	P 1,955,334,813	P 1,955,334,813	P 2,173,181,712	P 2,173,181,712
Trade and other payables	9	164,146,476	164,146,476	174,567,717	174,567,717
Lease liabilities	7	18,888,173	18,888,173	26,033,716	26,033,716
Security deposit		<u>7,690,253</u>	<u>7,690,253</u>	<u>7,690,253</u>	<u>7,690,253</u>
		<u>P 2,146,059,715</u>	<u>P 2,146,059,715</u>	<u>P 2,381,473,398</u>	<u>P 2,381,473,398</u>

A description of the Group's risk management objectives and policies for financial instruments is provided in Note 16.

For financial instruments with maturity of more than one year, management consider their carrying values to be equal their fair values as management assesses that the effect of discounting on these instruments is not material.

The Group has no financial instruments carried at fair value. For the Group's financial assets and financial liabilities as of March 31, 2021 and December 31, 2020 that are carried at amortized cost, management determined that the carrying amounts approximate or equal their fair values.

## ***18.2 Offsetting of Financial Assets and Financial Liabilities***

The Group has not set off financial instruments as of March 31, 2021 and December 31, 2020 and does not have relevant offsetting arrangements as of the end of the reporting periods. Currently, financial assets and financial liabilities are settled on a gross basis; however, if applicable, each party to the financial instrument will have the option to settle all such amounts on a net basis in the event of default of the other party through approval by both parties.

## **19. FAIR VALUE MEASUREMENT AND DISCLOSURES**

### ***19.1 Fair Value Hierarchy***

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and liabilities and non-financial asset which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- (a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- (b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- (c) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

### 19.2 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The table below summarizes the fair value hierarchy of the Group's financial assets and financial liabilities which are not measured at fair value as at March 31, 2021 and December 31, 2020 condensed consolidated statements of financial position but for which fair value is disclosed.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>March 31, 2021 (Unaudited)</b>				
<i>Financial assets:</i>				
Cash	P 136,279,524	P -	P -	P 136,279,524
Trade and other receivables	-	-	627,577,793	627,577,793
Refundable deposits	-	-	1,371,771,235	1,371,771,235
	<u><b>P 136,279,524</b></u>	<u><b>P -</b></u>	<u><b>P 1,999,349,028</b></u>	<u><b>P 2,135,628,552</b></u>
<i>Financial liabilities:</i>				
Trade and other payables	P -	P -	P 164,146,476	P 164,146,476
Security deposit	-	-	7,690,253	7,690,253
Lease liabilities	-	-	18,888,173	18,888,173
Loans payable	-	-	1,955,334,813	1,955,334,813
	<u><b>P -</b></u>	<u><b>P -</b></u>	<u><b>P 2,146,059,715</b></u>	<u><b>P 2,146,059,715</b></u>
<b>December 31, 2020 (Audited)</b>				
<i>Financial assets:</i>				
Cash	P 238,420,167	P -	P -	P 238,420,167
Trade and other receivables	-	-	723,865,836	723,865,836
Refundable deposits	-	-	1,371,771,235	1,371,771,235
	<u><b>P 238,420,167</b></u>	<u><b>P -</b></u>	<u><b>P 2,095,637,071</b></u>	<u><b>P 2,334,057,238</b></u>
<i>Financial liabilities:</i>				
Loans payable	P -	P -	P 2,173,181,712	P 2,173,181,712
Trade and other payables	-	-	174,567,717	174,567,717
Lease liabilities	-	-	26,033,716	26,033,716
Security deposit	-	-	7,690,253	7,690,253
	<u><b>P -</b></u>	<u><b>P -</b></u>	<u><b>P 2,381,473,398</b></u>	<u><b>P 2,381,473,398</b></u>

For financial assets and financial liabilities with fair values included in Level 1, management considers that the carrying amounts of those short-term financial instruments approximate their fair values.

As of March 31, 2021 and December 31, 2020, the fair value of investment securities at amortized cost were based on the last transaction price nearest to (either prior or subsequent to) report date. This valuation technique is set out in PFRS 13 as Level 2 inputs.

### 19.3 Fair Value Measurement for Non-financial Assets

As determined by independent and SEC-accredited property appraisers, the total fair market values of these investment properties as of December 31, 2018, which are primarily determined with reference to current and most recent prices for similar properties within the same location and condition, amounted to P4.9 billion. Management determined that the appraisal made in 2018 remains valid; thus, these investment properties continue to hold the same fair market value as of March 31, 2021 and December 31, 2020 (see Note 8). The fair market values of investment properties are classified under Level 2.

## 20. ASSETS HELD FOR SALE

In December 2020, the Group decided to sell its ownership interest in LHC (see Note 4). As a result, the related assets and liabilities of LHC as of March 31, 2021 and December 31, 2020 are presented as Assets Held for Sale and Liabilities Attributable to Assets Held for Sale, respectively, in the condensed consolidated statements of financial position while the results of operations of LHC are presented as Net Loss After Tax from Discontinued Operations in the condensed consolidated statements of comprehensive income.

Management assessed that the carrying amount of Assets Held for Sale is lower than its fair value less costs to sell; thus, the amount recognized as Assets Held for Sale in the 2020 consolidated statement of financial position is equal to the carrying amounts as of December 31, 2020.

The assets and liabilities of LHC classified as held for sale are as follows:

	<b>March 31, 2021 (Unaudited)</b>	December 31, 2020 (Audited)
<i>Assets</i>		
Cash in bank	P 506,898	P 210,713
Prepayments and other current assets	1,006,098	1,188,515
Property and equipment - net	65,919,538	68,377,291
Investment properties - net	301,915,363	303,368,593
Deferred tax asset	20,780,223	20,032,710
Other non-current assets	<u>158,000,000</u>	<u>158,000,000</u>
Assets held for sale	548,128,120	551,177,822
<i>Liabilities</i>		
Accrued expenses and other payables representing liabilities attributable to assets held for sale	( <u>1,885,757</u> )	( <u>530,446</u> )
Net assets directly associated with disposal group	<u>P 546,242,363</u>	<u>P 550,647,376</u>



SBS PHILIPPINES CORPORATION AND SUBSIDIARIES  
(A Subsidiary of Anesy Holdings Corporation)  
LIST OF SEC SUPPLEMENTARY SCHEDULES COVERED BY INDEPENDENT AUDITORS' REPORT  
March 31, 2021

<u>Schedule</u>	<u>Content</u>
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**(1) Schedule Required under Annex 68-J of the Revised Securities Regulation Code Rule 68**

A	Financial Assets
B	Amounts Receivables / Accounts Payables from/to Directors, Officers, Employees, and Principal Stockholders (Other than Related Parties)
	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
C	Amounts Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements
D	Long-term Debt
E	Indebtedness to Related Parties
F	Guarantees of Securities of Other Issues
G	Capital Stock

**(2) Map Showing the Relationship Between the Company and its Related Entities**

**(3) Schedule of Financial Soundness Indicators**

**SBS PHILIPPINES CORPORATION AND SUBSIDIARIES**

*(A Subsidiary of Anesy Holdings Corporation)*

SEC Released Amended SRC Rule 68

**Schedule A - Financial Assets (Financial Assets at Amortized Cost)**

**March 31, 2021**

*(Amounts in Philippine Pesos)*

Description	Number of shares or Principal Amount of Bonds and Notes	Amount Shown in the Statements of Financial Position	Income received and accrued
Cash	-	P 136,279,524	P 47,213
Trade and other receivables	-	627,577,793	-
Refundable deposits	-	<u>1,371,771,235</u>	<u>-</u>
		P <u>2,135,628,552</u>	P <u>47,213</u>

**SBS PHILIPPINES CORPORATION AND SUBSIDIARIES***(A Subsidiary of Anesy Holdings Corporation)*

SEC Released Amended SRC Rule 68

**Schedule A - Financial Assets (Financial Assets at Fair Value Through Profit or Loss)****March 31, 2021***(Amounts in Philippine Pesos)*

Name of issuing entity and association of each issue	Number of shares	Amount shown in the balance sheet	Valued based on market quotation at balance sheet date	Income received and accrued
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**NOT APPLICABLE**

**SBS PHILIPPINES CORPORATION AND SUBSIDIARIES***(A Subsidiary of Anesy Holdings Corporation)*

SEC Released Amended SRC Rule 68

**Schedule A - Financial Assets (Fair Value Through Other Comprehensive Income)****March 31, 2021***(Amounts in Philippine Pesos)*

Name of issuing entity and association of each issue	Number of shares	Amount shown in the balance sheet	Valued based on market quotation at balance sheet date	Income received and accrued
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**NOT APPLICABLE**

**SBS PHILIPPINES CORPORATION AND SUBSIDIARIES**  
*(A Subsidiary of Anesys Holdings Corporation)*  
SEC Released Amended SRC Rule 68

**Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)**

			Deductions		Ending Balance		
Name and Designation of debtor	Balance at beginning of period	Additions	Amounts paid	Amounts reclassified	Current	Non-current	Balance at end of period

**NOTHING TO REPORT**

**SBS PHILIPPINES CORPORATION AND SUBSIDIARIES**

***(A Subsidiary of Anesy Holdings Corporation)***

SEC Released Amended SRC Rule 68

**Schedule C**

**Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements**

**March 31, 2021**

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current
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**NOTHING TO REPORT**

**SBS PHILIPPINES CORPORATION AND SUBSIDIARIES**

*(A Subsidiary of Anesy Holdings Corporation)*

SEC Released Amended SRC Rule 68

**Schedule D - Long Term Debt**

**March 31, 2021**

*(Amounts in Philippine Pesos)*

Title of Issue and type of obligation	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "long-term debt" in related balance sheet
<b>Term Loan</b>	P <u>666,081,769</u>	P <u>166,040,884</u>

**SBS PHILIPPINES CORPORATION AND SUBSIDIARIES**

***(A Subsidiary of Anesy Holdings Corporation)***

SEC Released Amended SRC Rule 68

**Schedule E**

**Indebtedness to Related Parties**

**March 31, 2021**

***(Amounts in Philippine Pesos)***

Name and designation of debtor	Balance at beginning of period	Balance at end of period
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**NOTHING TO REPORT**



**SBS PHILIPPINES CORPORATION AND SUBSIDIARIES*****(A Subsidiary of Anesy Holdings Corporation)***

SEC Released Amended SRC Rule 68

**Schedule F****Guarantees of Securities of Other Issuers****March 31, 2021*****(Amounts in Philippine Pesos)***

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
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**NOTHING TO REPORT**

**SBS PHILIPPINES CORPORATION AND SUBSIDIARIES**

*(A Subsidiary of Anesy Holdings Corporation)*

SEC Released Amended SRC Rule 68

**Schedule G - Capital Stock**

**March 31, 2021**

*(Amounts in Philippine Pesos)*

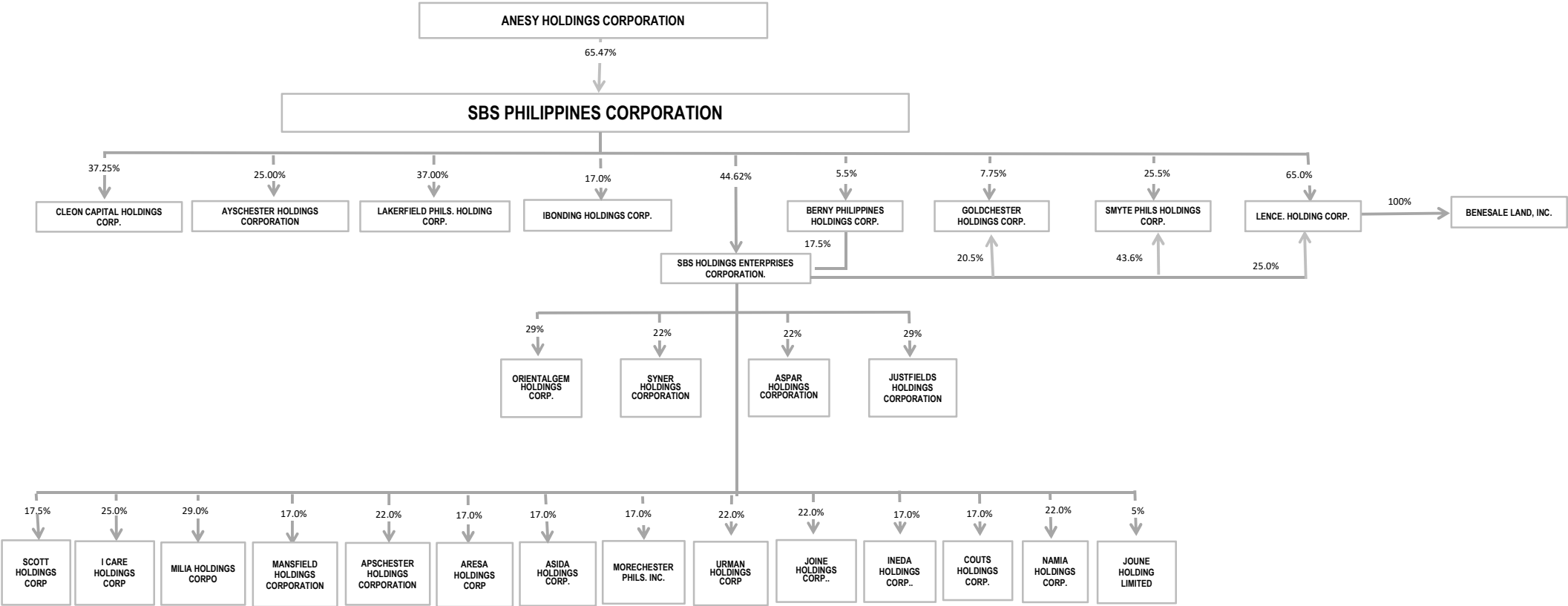
Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
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Common Shares - P1 par value	<u>1,550,000,000</u>	<u>1,549,999,999</u>	<u>-</u>	<u>1,115,792,743</u>	<u>56,709,528</u>	<u>377,497,728</u>
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**SBS PHILIPPINES CORPORATION AND SUBSIDIARIES**

SHOWING THE RELATIONSHIPS BETWEEN AND AMONG COMPANIES IN THE GROUP

ULTIMATE PARENT COMPANY AND SUBSIDIARY



**SBS PHILIPPINES CORPORATION AND SUBSIDIARIES**  
**Schedule of Financial Indicators for March 31, 2021 and 2020**

	2021	2020
<b>Liquidity Ratio <sup>1</sup></b>	<b>115.7%</b>	123.3%
<b>Debt to Equity Ratio <sup>2</sup></b>	<b>34.0%</b>	48.8%
<b>Asset to Equity Ratio <sup>3</sup></b>	<b>134.0%</b>	148.8%
<b>Return on Assets <sup>4</sup></b>	<b>-0.2%</b>	0.1%
<b>Return on Equity <sup>5</sup></b>	<b>-0.3%</b>	0.1%
<b>Cost to Income Ratio <sup>6</sup></b>	<b>22.3%</b>	16.9%
<b>Interest Cost Coverage Ratio <sup>7</sup></b>	<b>28.1%</b>	143.3%
<b>Earnings per Share <sup>8</sup></b>	<b>(PHP 0.01)</b>	PHP 0.01

<sup>1/</sup> *Current Assets over Current Liabilities*

<sup>2/</sup> *Total Liabilities over Equity*

<sup>3/</sup> *Total Assets over Equity*

<sup>4/</sup> *Net Income over Average Assets*

<sup>5/</sup> *Net Income over Average Equity*

<sup>6/</sup> *Cost and Expenses over Revenues*

<sup>7/</sup> *EBIT over Interest Expense*

<sup>8/</sup> *Net Income over Weighted Average Number of Common Outstanding Shares*

**PART II: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS  
AND RESULTS OF OPERATIONS**

*The following discussions should be read in conjunction with the Unaudited Consolidated Interim Financial Statements of the Company as of and for the period 31 March 2021 (with comparative figures as of 31 December 2020 and for the period ended 31 March 2020).*

**Results of Operations (1Q 2021 versus 1Q 2020)**

SBS Philippines Corporation ("SBS" or the "Company") and its subsidiaries generated sales of P174.1 million in the first three months of 2021, down by 38% compared to previous year comparable period of P283.4 million with lower volume sales in feed ingredients and other veterinary inputs. For 1<sup>st</sup> quarter 2021, the feeds and other veterinary and agricultural inputs accounts only for 23% share in the total revenue of the Company as compared to 37% in the same period in 2020.

The Company posted a 29% decline in its gross profit in the first three months of 2021 compared to 1<sup>st</sup> quarter of 2020 as a result of lower sales volume but partially compensated with improvement in gross margin by 4.6 percentage points due to favorable product mix and stable prices.

Operating profit on a consolidated basis declined by 19.8% from P42.1 million to P33.8 million on comparable period year on year with the Group incurring lower operating expenses due to limited business activities. Meanwhile, equity in net losses of associates increased from P9.6 million in 1<sup>st</sup> quarter 2020 to P21.3 million for the first three months of 2021. With lower currency gain posted during the 1<sup>st</sup> quarter 2021, the net finance cost increased by P8.7 million from P20.2 million to P29.0 million even if the interest payment for the quarter had slightly decreased due to lower amount of outstanding loan as compared to the same quarter of the prior year. The net loss for the period amounted to P20.8 million versus a net profit of P6.4 million registered for 2020 comparable period.

**Material Changes to the Statement of Comprehensive Income for the three months ended 31 March 2021 compared to the Statement of Comprehensive Income for the three months ended 31 March 2020.**

Sales for the period decreased by P109.3 million from P283.4 million in 2020 to P174.1 million in 2021. The revenue in core chemical business declined by 36.7% from P275.2 million in 2020 to P174.1 million in 1<sup>st</sup> quarter 2021 significantly affected by the African Swine Flu that hit the swine industry in Luzon and the prevailing community quarantine that limit the business activities in non-essential industries. Meanwhile, no revenue from consultancy services during the 1<sup>st</sup> quarter of 2021 as compared to P8.2 million in 1<sup>st</sup> quarter of 2020.

Cost of goods sold decreased by 42.1% or P81.1 million in the first three months of 2021, from P192.5 million in 2020 comparable period to P111.3 million in 2021, reflecting the decrease in sales volume, favorable product mix and lower average import cost for the quarter due to stronger peso currency. Meanwhile, no cost of services incurred by the Group during the period as compared to P1.9 million in the same period of 2020.

Gross profit from operations decreased by P26.2 million from P89.0 million posted in 2020 to P62.7 million in 2021, although the percentage gross margin improved by 4.6 percentage points.

Other operating expenses decrease by 18.9% or P9.0 million to P38.8 million in 2021 from P47.8 million posted in 2020 as the Group scale down on advertising and promotions and defer non-essential spending due to limited business activities.

Equity in net losses of an associate increased to P21.3 million in 2021 as compared to P9.6 million in the same period of 2020 due to increase in interest payments serviced by the associate companies as they completed the acquisition of certain properties in 2020 funded by long term loans.

In the first three months of 2021, the net finance cost incurred increased by P8.7 million due to lower unrealized foreign currency gain recorded for the period as compared to the prior year.

For the first quarter of 2021, the Group incurred a Net Loss of P20.8 million with a loss of P16.4 million from continuing operations and P4.4 million loss incurred from discontinued operations. In the same period of 2020, the Group posted a Net Profit of P6.4 million with a net profit of P9.9 million from continuing operations while incurring a net loss of P3.5 million from discontinued operations.

## **Material Changes to the Statement of Financial Position as at 31 March 2021 Compared to the Statement of Financial Position as at 31 December 2020**

### **Assets**

As at 31 March 2021, total assets on consolidated basis reached P8,513.8 million, consisting of P2,282.7 million in current assets, P5,683.0 million in non-current assets and P548.1 million in asset held for sale. As at 31 December 2020, total assets reached P8,770.5 million, consisting of P2,516.0 million in current assets, P5,703.3 million in non-current assets and P551.2 million in asset held for sale.

Cash in banks decreased by 42.8% from P238.4 million in 2020 to P136.3 million in 2021. For the first three months ended 31 March 2021, a total collection of P161.2 million were received comprising of P157.6 million from operations and P3.6 million gain in foreign exchange rate. Against this, a total of P263.3 million in disbursement were made consisting of the following: P217.0 million for settlement of loan; P29.7 million for interest payment, P9.7 million for acquisition of property and equipment and P6.9 million for payment of lease liabilities.

Trade and other receivables decreased by 13.3% from P723.9 million in 2020 to P627.6 million in 2021 with the collection of the receivables.

Inventory level decreased by P32.3 million or 3.6% from P894.5 million in 2020 to P862.2 million in 2021 as the stock replenishments are delayed by tight shipping container availability from most of our supplier's country of origin.

Prepayments and other current assets decreased by P2.6 million from P659.3 million in 2020 to P656.7 million as of March 31, 2021 with reduction in input VAT asset.

Investments in associates decreased to P2,884.0 million in the first quarter of 2021 from P2,905.3 million in December 31, 2020 which corresponds to the equity net losses amounted to P21.3 million incurred by the Group on its investments in the associate companies.

Carrying cost of property and equipment increased by P8.3 million or 64.2% to P21.2 million in 2021 from P12.9 million in 2020 as a result of additional acquisition of property and equipment in the amount of P9.7 million and partially offset by depreciation expense of P1.4 million during the period.

Investment properties and Other non-current assets remains the same as at March 31, 2021 and December 31, 2020.

## **Liabilities**

The total liabilities as at 31 March 2021 amounted to P2,158.3 million, comprising of P1,973.7 million in current liabilities, P182.8 million in non-current liabilities and P1.9 million in liabilities attributable to assets held for sale. For 31 December 2020, the total liabilities amounted to P2,394.2 million comprised of P2,043.9 million in current liabilities, P349.8 million in non-current liabilities and P0.5 million in liabilities attributable to assets held for sale.

Current loans payable decreased by 2.8% or P50.8 million from P1,840.1 million in 2020 to P1,789.3 million as of 1<sup>st</sup> quarter 2021 with additional reclassification of P166.2 million in the current portion of the long term debt offset with total settlement of P217.0 million made during the period.

A 5-year term loan of P2,000.0 million availed in 2017 at a fixed interest rate of 4.875% per annum, net of amortized debt issue cost has an outstanding balance of P833 million of which P667 million is reflected as part of the current liabilities and P166 million under non-current liability.

## **Total equity**

The total equity as at 31 March 2021 was P6,355.5 million, comprising of P1,550.0 million in capital stock, P2,242.8 million in additional paid in capital stock, P1,784.6 million in retained earnings, gross of the P4.1 million revaluation reserves and 782.1 million non-controlling interest in the subsidiaries. As of 31 December 2020, the total equity was P6,376.3 million, comprising of P1,550.0 million in capital stock, P2,242.8 million in additional paid in capital stock, P1,800.5 million in retained earnings, gross of P4.1 million revaluation reserves and P787.1 million non-controlling interest in a subsidiary.

Retained earnings decreased by P15.9 million from P1,800.5 million in 2020 to P1,784.6 million in 2021 on account of current period loss of P15.9 million attributable to Company shareholders.

## **Liquidity and Capital Resources**

### *Net cash flows from operating activities*

As at March 31, 2021, the cash flows from operating activities resulted to a net inflow of P157.6 million. The cash collection results from operating profit, decrease in inventories, prepayments, trade and other receivables and partially offset by decrease in trade and other payables.



*Net cash flows from investing activities*

The cash flow in investing activities resulted to a net outflow of P9.6 million mainly due to acquisition of property and equipment.

*Net cash flows used in financing activities*

The cash flow from financing activities resulted in a net outflow of P253.6 million. The cash outflow mainly comprised of loan settlement, interest payment and payment of lease liabilities.

**Key Performance Indicators (31 March 2021 versus 31 March 2020)**

	2021	2020
<b>Liquidity Ratio <sup>1</sup></b>	<b>115.7%</b>	<b>123.3%</b>
<b>Debt to Equity Ratio <sup>2</sup></b>	<b>34.0%</b>	<b>48.8%</b>
<b>Asset to Equity Ratio <sup>3</sup></b>	<b>134.0%</b>	<b>148.8%</b>
<b>Return on Assets <sup>4</sup></b>	<b>-0.2%</b>	<b>0.1%</b>
<b>Return on Equity <sup>5</sup></b>	<b>-0.3%</b>	<b>0.1%</b>
<b>Cost to Income Ratio <sup>6</sup></b>	<b>22.3%</b>	<b>16.9%</b>
<b>Interest Cost Coverage Ratio<sup>7</sup></b>	<b>28.1%</b>	<b>143.3%</b>
<b>Earnings per Share <sup>8</sup></b>	<b>(PHP 0.01)</b>	<b>PHP 0.01</b>

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<sup>1/</sup> *Current Assets over Current Liabilities*

<sup>2/</sup> *Total Liabilities over Equity*

<sup>3/</sup> *Total Assets over Equity*

<sup>4/</sup> *Net Income over Average Assets*

<sup>5/</sup> *Net Income over Average Equity*

<sup>6/</sup> *Cost and Expenses over Revenues*

<sup>7/</sup> *EBIT over Interest Expense*

<sup>8/</sup> *Net Income over Weighted Average Number of Common Outstanding Shares*

### **Other qualitative and quantitative factors**

**(i) Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way. The following conditions shall be indicated: whether or not the registrant is having or anticipates having within the next twelve (12) months any cash flow or liquidity problems; whether or not the registrant is in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments; whether or not a significant amount of the registrant's trade payables have not been paid within the stated trade terms.**

In light of the reimposition of enhanced community quarantine (ECQ) implemented in National Capital Region from March 29, 2021 until April 11, 2021 and modified enhanced community quarantine (mECQ) until May 14, 2021, the Company had to adapt work process and schedule decreasing the productivity level. The impact on sales revenue due to reduction of swine population in Luzon is still affecting the sales revenue of the Company. Based on the risk assessment of the scenarios analyzed by the Company, the projection showed that the Company has liquidity to cope with the current situation. At of this date, the Company is not in default of any financial obligations. The Company has complied with the existing loan covenants and restrictions as of 31 March 2021.

**(ii) Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation:**

None

**(iii) Any 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:**

None

**(iv) Any material commitments for capital expenditures, the general purpose of such commitments, and the expected sources of funds for such expenditures**

The Company is spending up to P50 million in capital expenditure for 2021 in line with its strategic plan to consolidate warehouse operations and the use of renewable energy. This will be funded by internally generated cash from its business operation and/or disposal of non-strategic assets.

**(v) Any known trends, events or uncertainties that have had or that are reasonably expected to have impact on sales/revenues/ income from continuing operations**

The Company's sales revenue had declined from the 4<sup>th</sup> quarter of 2020 due to the African Swine Flu that affected the swine population in Luzon and continue to prevail as of this date. This is projected to affect negatively the result of the Company during the 1st half of 2021.

The logistic costs of the imported chemical products are increasing due to limited availability of shipping containers and will result in higher landed cost that is expected to decrease the gross margin of the Company if unable to pass these increasing cost to the customers in the 2<sup>nd</sup> half of 2021.

**(vi) Any significant elements of income or loss that did not arise from continuing operations**

The Group posted a net loss after tax from discontinued operations of P4.4 million in the 1<sup>st</sup> quarter 2021.

**(vii) Seasonal aspects that had material effect on the financial condition or results of operations**

For some end markets served by the Company, there is a pronounced cyclicity in the level of industrial production due to consumption and weather patterns affecting their processes and products. For the food and beverage business, the low requirement months in general are March-April and November-December while these drier months are generally the peak period for the requirements of the feeds and mining industries. This pronounced cyclicity creates some complexity in inventory management as the Company has to make purchases that would need to correspond to the expected demand for its products.

However, the Company's significant experience in the industry allows it to fairly estimate the supply requirements of its client base. The Company considers historical sales data, customer's rolling production forecasts, market information collected by the sales force and seasonal trends in anticipating future demand for its products. Further, given the Company's presence in a broad range of industries, there is substantially less exposure to the cyclicity of specific industries.