

COVER SHEET

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S.E.C. Registration Number

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(Company's Full Name)

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

Janine G. Manzano

Contact Person/s

(02) 7218-0437

Company Telephone Number

1	2
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Month

3	1
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Day

Fiscal Year

SEC Form 17-Q
September 30, 2020

FORM TYPE

June

Month

Last Friday

Day

Annual Meeting

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Secondary License Type, If Applicable

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Dept. Requiring this Doc.

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Amended Articles Number/Section

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Total No. of Stockholders

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Domestic

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Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

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Document I.D.

Cashier

STAMPS

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the fiscal year ended **September 30, 2020**
2. Commission identification number **25160**
3. BIR Tax Identification No **000-189-138-000**
4. Exact name of issuer as specified in its charter **Millennium Global Holdings, Inc.**
5. Province, country or other jurisdiction of incorporation or organization: **Metro Manila, Philippines**
6. Industry Classification Code: (SEC Use Only)
7. **Lot 9 Block 2 John St., Multinational Village, Paranaque City** **1708**
Address of issuer's office Postal Code

Issuer's telephone number, including area code **(632) 8551-2575**
8. **2nd Floor Senses Spa Building, MIA Road corner Pildera Street, Tambo, Paranaque City**
Former name, former address and former fiscal year, if changed since last report
9. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common	2,500,000,000 shares

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

Yes [☒] No [☐]

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

Philippine Stock Exchange; Common Shares

11. Indicate by check mark whether the registrant:

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

Yes ☒ No ☐

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

Yes ☒ No ☐

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

The aggregate market value of the voting stock held by non-affiliates of the Company as of September 30, 2020 is Php229,513,710.636 (1,130,609,412 shares @ Php0.203/share)

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

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

Yes ☐ No ☐ **(N/A)**

DOCUMENTS INCORPORATED BY REFERENCE

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

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

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

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

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

*Our discussions in the succeeding sections of this report pertain to the results of our company's operations for the nine (9) months ended **September 30, 2020**. References are going to be made on results of operations for the same period of the previous year 2019.*

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

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

PART I. BUSINESS AND GENERAL INFORMATION

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

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

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

On February 6, 2020, the Board of Directors of the Company approved the change of the principal office of the Company to Lot 9 Block 2 John St., Multinational Village, Paranaque City.

Status of Operations

To date, the Company has two subsidiaries—the MOSC and C3.

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

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

Transaction with and/or Dependence on Related parties

In 2013, the stockholders approved the investment in and/or acquisition of various businesses and operating companies, including 51% controlling interest in MOSC, majority-owned by the Company's Chairman and President, Yang Chi Jen. A Subscription Agreement acquiring 51% controlling interest in MOSC was consequently executed on January 10, 2014.

In 2014, the stockholders approved the issuance and listing of 9.125 Million shares at par value of Php1.00/share which were subscribed by the Company's Chairman/President and CEO, Yang Chi Jen.

In 2017, the Company made additional subscription to 117,091,837 primary shares of its subsidiary, MOSC, at par value of Php1.00 per share, to maintain the Company's 51% ownership in MOSC.

In 2017, Yang Chi Jen, subscribed to the remaining 365,785,000 unissued shares of the Company at Php0.20 per share, double the lowered par value of Php0.10 per share, equivalent to a total amount of Php73,157,000 with premium of Php36,578,500. The BOD likewise approved the subscription by Yang Chi Jen to at least 25% of the increase in authorized capital stock of the Company at Php0.20 per share. The increase in authorized capital stock of the Company was initially pegged from Php250,000,000 to Php750,000,000 but was later amended during the year to an amount as may be determined by the BOD but not exceeding Php10 Billion.

Effect of Existing or Probable Government Regulations on the Business

The Company experienced a significant irregularity of operations and slowdown in resourcing and revenue as a result of the ECQ implemented Luzon wide from March 17, 2020 and this scenario may continue in the coming months.

While the irregularity is currently considered to be temporary, management anticipates the prolonged suspension of businesses and restrictions on the movement of workers could negatively impact the Group's financial condition and operations – specifically in its resourcing, production and distribution channels.

Development Activities

The Company has not engaged in significant development activities.

Cost and Effects of Compliance with Environmental Laws

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

Employees

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

Description of Properties

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

Legal Proceedings

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

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

Submission of Matters to a Vote of Security Holders

On December 12, 2019, the stockholders of the Company representing 1,575,739,419 issued and outstanding shares, or 63.03% thereof, elected the following members of the Board of Directors for the ensuing year:

1. Yang Chi Jen (a.k.a Michael Yang)
2. Hsin –Jan Wan
3. Hsien-Tzu Yang
4. Willy O. Dizon
5. Maria Soledad C. Lim
6. Nancy T. Golpeo
7. Ernesto S. Go
8. Amelia T. Tan

9. Aracelli G. Co
10. Maria Luisa T. Wu (Independent)
11. Cristina Hiltrude L. Aganon (Independent)

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

1. Minutes of the Annual Meeting of the Stockholders held on December 18, 2018;
2. Audited Financial Statements for the calendar year ended December 31, 2018, as contained in the Annual Report;
3. All prior acts and proceedings of the Board of Directors, Corporate officers and Management; and
4. Appointment of Valdes Abad & Company, CPAs as external Auditor for the calendar year 2019.

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

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

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

PART II. RESULTS OF OPERATIONS

Financial Highlights and Key Performance Indicators					
Consolidated Balance Sheet					
	As at September 30	As at December 31	Increase (Decrease)		
	2020	2019	Amount	%	
Total Assets	₱ 1,878,801,463	₱ 1,895,615,743	₱ (16,814,280)	(0.89%)	
Current Assets	1,455,125,246	1,498,157,266	(43,032,020)	(2.87%)	
Property and Equipment	298,054,200	336,990,098	(38,935,898)	(11.55%)	
Total Liabilities	1,477,484,656	1,491,727,039	(14,242,383)	(-0.95%)	
Current Liabilities	1,392,743,970	1,394,150,779	(1,406,809)	(-0.10%)	
Interest-bearing Loans	1,042,479,181	1,093,714,092	(51,234,911)	(-4.68%)	
Equity	401,316,807	403,888,704	(2,571,897)	(-0.64%)	
Consolidated Statements of Comprehensive Income					
	For the 9 months ended September 30		Increase (Decrease)		
	2020	2019	Amount	%	
Revenues (gross)	₱ 482,004,562	₱ 770,275,980	₱ (288,271,418)	(37.42%)	
Gross Profit	60,211,557	45,491,562	14,719,995	32.36%	
General & administrative expenses	79,880,093	80,504,749	(624,656)	(0.78%)	
Earnings Before Interest, Taxes, Dep'n. & Amort.	4,720,463	(8,925,042)	13,645,505	152.89%	
Profit / (Loss) before tax	(2,294,778)	182,795	(2,477,573)	(1355.38%)	
Profit / (Loss) after tax	(2,571,897)	(105,777)	(2,466,120)	(2331.43%)	
Total Comprehensive Income (loss)	(2,571,897)	(105,777)	(2,466,120)	(2331.43%)	
Consolidated Cash Flows					
	For the 9 months ended September 30		Increase (Decrease)		
	2020	2019	Amount	%	
Net Cash from Operating Activities	₱ 17,693,986	₱ (92,223,156)	₱ 109,917,142	119.19%	
Net Cash from Investing Activities	14,546,899	(17,570,151)	32,117,050	182.79%	
Net Cash from Financing Activities	(112,811,156)	14,283,821	(127,094,977)	(889.78%)	

	For the 9 months ended September 30	As at December 31
Key Performance Indicators	2020	2019
Current Ratio	1.04	1.04
Quick Ratio	0.62	0.65
Solvency Ratio	1.27	1.27
Debt Ratio	0.79	0.79

Debt-to-Equity Ratio	3.68	3.69
Interest coverage ratio	0.89	0.85
Asset to Equity Ratio	4.68	4.69
Gross Profit Margin	0.12	0.09
Net Profit Margin	-0.01	-0.007
Return on Assets	-0.001	-0.004
Return on Equity	-0.006	-0.020
Price/Earnings Ratio	-170.45	-45.85
Book value per share	0.160527	0.064807
	2020	2019
Issued & Outstanding Shares	2,500,000,000	2,500,000,000
Number of Employees	248	248
Ave. Exchange Rates (\$ to Peso)	48.50	52.72
<i>Please refer to Financial Statement Notes</i>		

Ratios

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

As of September 30, 2020, the financial results reflect the consolidated financial statements of the Company and its subsidiaries, MOSC and C3.

Discussion on Financial Results

Assets

Cash as of September 30, 2020 is Php46.3 Million as compared to Php126.8 Million on December 31, 2019.

Accounts receivables as of September 30, 2020 amounting to Php616.4 Million represents trade and other receivables of MOSC and nil for the Company. Accounts receivable increased by ₱27.8 Million as compared to ₱588.6 Million as of Dec. 31, 2019.

Liabilities

Liabilities as of September 30, 2020 amount to ₱1.477 Billion as compared to ₱1.492 Billion as of December 31, 2019. The decrease of ₱14.2 Million is mainly due to decrease in borrowings and lease liability.

Equity

Decrease in equity to ₱401.3 Million as of September 30, 2020 pertains to the increase in the deficit.

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

Revenues

Revenue generated for the period ended September 30, 2020 is ₱482 Million. The revenues are attributable to MOSC's import/export and processing of marine goods and other related products.

Other Income (charges) as of September 30, 2020 is ₱39.4 Million. The revenues are attributable to Rental income and Miscellaneous income for storage.

Expenses

Comparing the nine (9) months ended September 30, 2020 against nine (9) months ended September 30, 2019, the top expenses in Peso terms are as follows:

- **Cost of Sales**

Total cost of sales for ₱421.8 Million in 2020 represents cost of 88% of gross sales of ₱482 Million.

- **Salaries and Benefits**

The Company as of September 30, 2020 has made no hiring. As of September 30, 2020, total salaries increased by ₱2.6 Million, from ₱10 Million as of September 30, 2019 to ₱12.6 Million as of September 30, 2020. Salaries represent MOSC and C3 manpower cost and employee's benefits. This accounts for 23% of total operating expenses as of September 30, 2020.

Below is the headcount summary for each of the quarter ended September 30, 2020 and preceding four (4) periods:

Headcount Summary	Sep-19	Dec-19	Mar-20	June-20	Sep-20
MGHI	-	-	-	-	-
MOSC					
Managerial	9	9	9	9	9
Rank and File	215	215	215	215	215
Consultants	-	-	-	-	-
C3					
Managerial	1	1	1	1	1
Rand and File	23	23	23	23	23
Consultants					
Total	248	248	248	248	248

- **Interest expense** for the year 2020 amounted to Php22 Million. This accounts for about 40% of the group's total operating expenses.
- **Utilities expense** for the year 2020 amounted to Php12.8 Million. This accounts for about 23% of groups' total operating expenses. For the year 2019 it amounted to Php12.2 Million.
- **Shipping and handling cost** for the year 2020 amounted to Php11.5 Million. This accounts for about 21% of groups' total operating expenses. For the year 2019 it amounted to Php12 Million.

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

Liquidity and Capital Resources

The following table shows the consolidated cash flows as of September 31, 2020 and 2019:

Consolidated Cash Flows	For the 9 months ended September 30		Increase (Decrease)	
	2020	2019	Amount	%
Net Cash from Operating Activities	₱ 17,693,986	₱ (92,223,156)	₱ 109,917,142	119.19%
Net Cash from Investing Activities	14,546,899	(17,570,151)	32,117,050	182.79%
Net Cash from Financing Activities	(112,811,156)	14,283,821	(127,094,977)	(889.78%)

Operating Activities

Net cash from operating activities of Php17.7 Million as of September 30, 2020 are mainly for MOSC operations as of September 30, 2020.

Investing Activities

Net cash used for investing activities of ₱14.5 Million as of September 30, 2020 was mainly from the acquisition of property and equipment of MOSC.

Financing Activities

Net cash used for financing activities of ₱112.9 Million as of September 30, 2020 represents ₱51.2 Million payment of borrowings and ₱61.6 Million for payment of lease liability and finance cost.

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

The Company experienced a significant irregularity of operations and slowdown in resourcing and revenue as a result of the ECQ implemented Luzon wide from March 17, 2020 and this scenario may continue in the coming months.

While the irregularity is currently considered to be temporary, management anticipates the prolonged suspension of businesses and restrictions on the movement of workers could negatively impact the Group's financial condition and operations – specifically in its resourcing, production and distribution channels.

Requirements under SRC Rule 17 and 68.1

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

Financial Risk Assessment

The Company and its operating subsidiaries face various categories and levels of risk. Inherent in all of the businesses is Counterparty risk, or the risk that clients may stop or delay payments of their service invoices, and that suppliers may fail to deliver the goods and services. Each company is addressing these issues through continuous dialogue with, and management of, the specific counterparty at risk. We do not see, at this point, that any failure on the part of our customers, our suppliers, or a group thereof, would materially affect the financial conditions and results of the company.

Currency Risk

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

Disclosure on Financial Instruments

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

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

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

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

The Company experienced a significant irregularity of operations and slowdown in resourcing and revenue as a result of the ECQ (and its variations) implemented Luzon wide beginning March 17, 2020 and this scenario may continue in the coming months.

While the irregularity is currently considered to be temporary, management anticipates the prolonged suspension of businesses and restrictions on the movement of workers could negatively impact the Group's financial condition and operations – specifically in its sourcing, production and distribution channels.

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

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

The Company experienced a significant irregularity of operations and slowdown in resourcing and revenue as a result of the ECQ (and its variations) implemented Luzon wide beginning March 17, 2020 and this scenario may continue in the coming months.

While the irregularity is currently considered to be temporary, management anticipates the prolonged suspension of businesses and restrictions on the movement of workers could negatively impact the Group's financial condition and operations – specifically in its sourcing, production and distribution channels.

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

The Company experienced a significant irregularity of operations and slowdown in resourcing and revenue as a result of the ECQ (and its variations) implemented Luzon wide beginning March 17, 2020 and this scenario may continue in the coming months.

While the irregularity is currently considered to be temporary, management anticipates the prolonged suspension of businesses and restrictions on the movement of workers could negatively impact the Group's financial condition and operations – specifically in its sourcing, production and distribution channels.

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

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

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

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

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

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

Disclosures not made under SEC Form 17-C.

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

Other subsequent events disclosed under SEC Form 17-C.

None.

PART III. CONTROL AND COMPENSATION INFORMATION**DIRECTORS & EXECUTIVE OFFICERS**

Name	Age	Citizenship	Position	Term of Office*
Yang Chi Jen (a.k.a Michael Yang)	50	Filipino	Chairman/ President & CEO/ Alternate Corporate Information Officer and Alternate Compliance Officer	December 12, 2019 – present
Hsin – Jan Wan	56	Taiwanese	Director	December 12, 2019 – present
Hsien – Tzu Yang	78	Taiwanese	Director	December 12, 2019 – present
Willy O. Dizon	64	Filipino	Director	December 12, 2019 – present
Maria Soledad C. Lim	60	Filipino	Director	December 12, 2019 – present
Nancy T. Golpeo	59	Filipino	Director	December 12, 2019 – present
Amelia T. Tan	54	Filipino	Director	December 12, 2019 – present
Aracelli G. Co	55	Filipino	Director	December 12, 2019 – present
Ernesto S. Go	68	Filipino	Director	December 12, 2019 – present
Maria Luisa T. Wu (Independent)	65	Filipino	Independent Director	December 12, 2019 – present
Cristina Hitruide L. Aganon (Independent)	54	Filipino	Independent Director	December 12, 2019 – present
Lyra Gracia Y. Lipae-Fabella	44	Filipino	Corporate Secretary/ Corporate Information Officer and Alternate Compliance Officer	December 12, 2019 – present
Janine G. Manzano	27	Filipino	Compliance Officer and Alternate Corporate Information Officer	December 12, 2019 – present

*Since date of last election

PROFILES**YANG CHI JEN (a.k.a Michael Yang)**

Chairman, President & CEO, Alternate Corporate Information and Alternate Compliance Officer

Mr. Yang has 3 decades of extensive experience in the export/import business as he has been immersed in the day to day operations of various businesses owned by his family. Mr. Yang is the controlling shareholder of Millennium Ocean Star Corporation; ShieJie Corporation, a company engaged in the

business of seafood processing, packing, and import/export trading; Jomark Food Corporation, a company engaged in fish and squid ball, kikiyam, crab nuggets processing and serves as the local distributor of Millennium products; and Lion Head Int'l Corporation, a company engaged in spa business. He was educated in Taiwan where he attended Kweishan Junior High School.

HSIN – JAN WAN

Director, Deputy Chairman

Mr. Wan has served as Finance Vice President of the Manhattan International Co., Ltd (Cambodia) from September 2013 until October 2014; Acting CFO & MBOS Director of Nippecraft Limited (Singapore) from November 2006 until July 2013; Finance & Administration Director of Jinxing Paper Industry Co. (China) from September 2005 – November 2006; Verification Deputy Manager of PT Pabrik Kertas Tjiwi Kimia Tbk (Indonesia) from August 2000 - November 2004; Finance & Administration Manager of Context Textile Co. (Philippines), Logimas Manufacturing Co. (Philippines) and Markwins Cosmetics Co. (China) from 1996-2004. He received his BA (Accounting) degree from Chong Yuan Christian University (Taiwan) and MBA (Finance Major) degree from the George Washington University (USA).

HSIEN-TZU YANG

Director

Mr. Yang has had more than three (3) decades of experience in the areas of seafood processing, packing, canning, and manufacturing of marine products. For a number of years, he ran ShieJie Corporation, South Sea Marine Products, Tawi-Tawi King Fisher Incorporated and South Phil. Marine Products, Incorporated. He was educated in Taiwan where he attended Taichung Elementary School.

WILLY O. DIZON

Director

Mr. Dizon is the Chairman/President of Timbercity Jetty Gas Station and De Luxe Construction Supply Co., Inc. He is a seasoned businessman with more than 22 years track experience in sales and marketing. He took up BS Chemical Engineering at Mapua Institute of Technology.

MARIA SOLEDAD C. LIM

Director

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

NANCY T. GOLPEO

Director

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

AMELIA T. TAN

Director, Treasurer

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

ARACELLI G. CO

Director

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

ERNESTO S. GO

Director

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

MARIA LUISA T. WU

Independent Director

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

CRISTINA HILTRUDE L. AGANON

Independent Director

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

LYRA GRACIA Y. LIPAE-FABELLA

Corporate Secretary, Corporate Information Officer and Alternate Compliance Officer

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

JANINE G. MANZANO

Compliance Officer and Alternate Corporate Information Officer

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

Family Relationship

Yang Chi Jen (a.k.a. Michael Yang) is the son of Hsien-Tzu Yang.

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

PART IV. CORPORATE GOVERNANCE

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

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

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

THE BOARD OF DIRECTORS

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

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

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

COMMITTEES

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

Nomination, Compensation and Election Committee

The Nomination, Compensation and Election Committee is composed of three (3) members of the Board of Directors and at least one of who is an independent director. The members of the Committee are as follows:

1. Hsin – Jan Wan - Chairman
2. Yang Chi Jen – Member
3. Ernesto S. Go – Member

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

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

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

Audit Committee

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

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

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

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

Corporate Governance Committee/Risk Management and Oversight Committee

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

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

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

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

Executive Committee

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

1. Yang Chi Jen – Chairman
2. Amelia T. Tan – Member
3. Atty. Ernesto S. Go – Member
4. Maria Luisa T. Wu (Independent Director) – Member
5. Hsin – Jan Wan – Member

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

Compliance Officer

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

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

Content and Timing of Disclosures

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

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

PART V. EXHIBITS AND SCHEDULES

No relevant reports on SEC Form 17-C were filed during the third quarter of 2020.

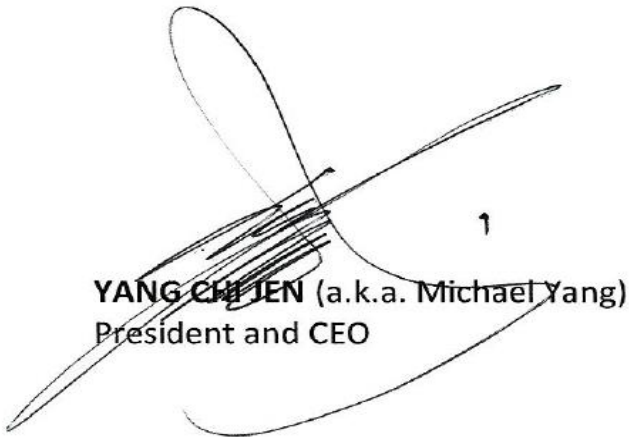
SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has caused this report to be signed on its behalf by the undersigned thereunto duly authorized, in Paranaque City on NOV 06 2020.

MILLENNIUM GLOBAL HOLDINGS, INC.

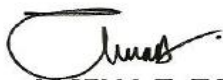
Issuer

By:



1

YANG CHIEN (a.k.a. Michael Yang)
President and CEO



AMELIA T. TAN
Treasurer

**MILLENNIUM GLOBAL HOLDINGS, INC.
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
September 30, 2020 (Unaudited) AND DECEMBER 31, 2019 AND 2018 (Audited)**

(In Philippine Peso) AS AT	30 Sep-20 (Unaudited)	31 Dec-19 (Audited)	31 Dec-18 (Audited)
ASSETS			
Current Assets			
Cash	46,273,604	126,843,875	138,609,049
Trade and other receivables, net	616,425,212	588,607,353	612,181,280
Inventories	500,549,131	507,756,362	684,084,065
Other current assets	92,158,880	87,086,183	64,426,794
Due from related parties	199,718,419	187,863,493	31,505,509
Total Current Assets	1,455,125,246	1,498,157,266	1,530,806,697
Noncurrent Assets			
Property, plant and equipment, net	298,054,200	336,990,098	359,226,597
Investment in associate	28,102,734	28,102,734	35,120,653
Deferred tax assets	17,463,907	17,463,907	16,349,057
AFS financial asset, net	50,000	50,000	50,000
Goodwill	14,521,202	14,521,202	14,521,202
Other noncurrent assets	65,484,174	330,536	330,536
Total Noncurrent Assets	423,676,217	397,458,477	425,598,045
TOTAL ASSETS	1,878,801,463	1,895,615,743	1,956,404,742
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	162,505,765	98,131,684	167,142,772
Due to a related party	148,519,587	136,668,506	177,366,262
Lease liability, current portion	40,506,044	69,724,825	70,506,301
Borrowings	1,041,212,574	1,089,625,764	1,030,000,137
Total Current Liabilities	1,392,743,970	1,394,150,779	1,445,015,472
Noncurrent Liabilities			
Lease liability, net of current portion	-	10,308,042	5,464,091
Borrowings, net of current portion	1,266,607	4,088,328	7,113,453
Retirement benefits obligations	45,837,144	45,542,955	44,297,274
Deposit for future share subscription	37,636,935	37,636,935	37,636,935
Total Noncurrent Liabilities	84,740,686	97,576,260	94,511,753
TOTAL LIABILITIES	1,477,484,656	1,491,727,039	1,539,527,225

Equity (capital deficiency)			
Attributable to equity holders of the parent			
Share capital	250,000,000	250,000,000	250,000,000
Share premium	36,578,500	36,578,500	36,578,500
Remeasurement of retirement benefits obligation	(7,455,587)	(7,455,587)	(7,455,587)
AFS reserve	(300,000)	(300,000)	(300,000)
Deficit	(118,713,323)	(116,806,569)	(105,922,591)
Total	160,109,590	162,016,344	172,900,322
Equity attributable to non-controlling interests			
	241,207,217	241,872,360	243,977,195
TOTAL EQUITY	401,316,807	403,888,704	416,877,517
TOTAL LIABILITIES & EQUITY			
	1,878,801,463	1,895,615,743	1,956,404,742

MILLENNIUM GLOBAL HOLDINGS, INC.**AND ITS SUBSIDIARIES****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)****FOR THE 9 MONTHS PERIOD ENDED SEPTEMBER 30, 2020, 2019 AND 2018 (Unaudited)**

	9 mos.	9 mos.	9 mos.
	30-Sept-20	30-Sept-19	30-Sept-18
(In Philippine Peso)	(Unaudited)	(Unaudited)	(Unaudited)
REVENUES			
Gross sales	482,004,562	770,275,980	1,127,176,842
	482,004,562	770,275,980	1,127,176,842
Less: COST OF SALES	421,793,005	724,784,418	1,052,534,828
GROSS PROFIT	60,211,557	45,491,562	74,642,014
OPERATING EXPENSES			
Taxes and licenses	1,590,648	2,266,223	2,324,134
Salaries and other employees' benefits	12,639,255	10,022,474	11,317,782
Transportation and Travel	421,145	940,018	742,862
Representation expenses	208,317	383,481	367,834
Communication, light& water expense	12,846,163	12,197,710	12,539,461
Commission	986,221	1,889,930	1,312,147
Brokerage fees	202,709	113,241	274,199
Rental expenses	3,072,044	2,407,742	1,993,797
Repair and maintenance	2,509,115	2,075,669	2,299,774
Management & Professional fees	1,084,498	1,385,013	1,458,490
Retirement benefits	532,439	176,110	-
Security and janitorial services	1,350,434	1,084,054	1,051,838
Supplies & other Office expense	987,023	1,315,682	978,505
Insurance	218,387	434,987	426,009
Membership dues	272,264	250,000	251,624
Warehousing services	1,564,374	1,883,591	1,561,284
Shipping and handling cost	11,518,954	12,090,214	12,597,233
Information technology services	187,451	201,016	94,447
Documentary stamps	509,907	464,207	121,422
Fuel and lubricants	632,598	861,323	456,637
Donations and contributions	24,899	130,550	40,798
Trainings and seminars	10,874	81,840	68,761
Product testing and analysis fee	121,429	393,154	282,277
Sanitation	386,482	561,467	382,702
Fines, penalties & other charges	648,811	264,621	72,260
Litigation	-	7,000	-
Reprocessing	85,568	81,165	11,274
Advertising and promotions	-	50,000	400,082
Miscellaneous	879,085	404,122	190,998
Total Operating Expenses	55,491,094	54,416,604	53,618,631
EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization)	4,720,463	(8,925,042)	21,023,383
Total Depreciation and Amortization	24,388,999	26,088,144	29,101,010

Other Income/Expenses			
Bank charges	(275,808)	(409,774)	(1,428,013)
Foreign exchange (gain) or loss	170,550	716,794	29,898
Rental income	8,439,492	10,873,111	8,109,877
Gain on finance lease-sale and leaseback	2,710,772	5,226,869	4,239,834
Gain on sale of fixed asset	-	-	-
Provision on losses / actual losses	-	-	-
Miscellaneous income(loss)	28,340,996	37,007,099	18,795,940
Other income (loss), net	39,386,002	53,414,099	29,747,536
Profit (loss) from operations	19,717,466	18,400,913	21,669,909
Finance Income	33,333	193,917	192,981
Finance costs	(22,045,577)	(18,412,035)	(17,901,597)
Profit (Loss) before income tax	(2,294,778)	182,795	3,961,293
Provision for Income Tax	277,119	288,572	441,988
Profit (Loss) after income tax	(2,571,897)	(105,777)	3,519,305
Share in net losses (income of consolidated subsidiaries in excess of investments	-	-	-
TOTAL COMPREHENSIVE INCOME (LOSS)	(2,571,897)	(105,777)	3,519,305

MILLENNIUM GLOBAL HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE 3 MONTHS PERIOD ENDED SEPTEMBER 30, 2020, 2019 AND 2018 (Unaudited)

	3 mos. July-Sept, 2020 (Unaudited)	3 mos. July-Sept, 2019 (Unaudited)	3 mos. July-Sept, 2018 (Unaudited)
(In Philippine Peso)			
REVENUES			
Gross sales	114,132,047	220,532,665	411,120,987
	114,132,047	220,532,665	411,120,987
Less: COST OF SALES	108,259,361	223,237,548	388,493,825
GROSS PROFIT	5,872,686	(2,704,883)	22,627,162
OPERATING EXPENSES			
Taxes and licenses	118,360	361,343	442,780
Salaries and other employees' benefits	2,762,177	2,953,414	4,129,691
Transportation and Travel	37,214	277,527	195,085
Representation expenses	26,836	145,861	45,912
Communication, light& water expense	2,744,438	3,492,625	3,885,189
Commission	290,763	908,924	359,050
Brokerage fee	-	33,738	181,494
Rental expenses	735,889	676,488	320,975
Repair and maintenance	141,159	248,158	414,947
Management & Professional fees	482,148	376,814	287,200
Retirement benefits	129,900	9,899	-
Security and janitorial services	327,294	283,028	272,435
Supplies & other Office expense	582,796	561,136	110,762
Insurance	47,838	215,345	85,944
Membership dues	-	-	-
Warehousing services	321,163	586,237	349,605
Shipping and handling cost	2,476,080	4,291,413	4,119,119
Information technology services	42,853	66,848	13,044
Documentary stamps	51,184	54,835	42,895
Fuel and lubricants	200,417	353,195	110,163
Donations and contributions	6,094	14,500	27,970
Training and seminar	10,874	81,840	1,605
Litigation	-	7,000	-
Product testing and analysis	9,865	162,902	87,366
Sanitation	55,881	236,409	75,999
Advertising and promotion	-	50,000	-
Fines, penalties & other charges	40,964	142,096	17,604
Reprocessing	42,853	40,471	3,465
Miscellaneous	15,161	178,029	26,992
Total Operating Expenses	11,700,201	16,810,075	15,607,291
EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization)	(5,827,515)	(19,514,958)	7,019,871
Total Depreciation and amortization	5,594,357	6,288,756	8,943,452
Other Income/Expenses			

Bank charges	(66,391)	(184,112)	(749,439)
Foreign exchange (gain) or loss	(164,730)	77,828	102,141
Rental income	2,886,419	5,284,901	2,805,284
Gain on finance lease-sale and leaseback	1,921,643	2,947,919	2,177,643
Loss on sale of Fixed asset	-	-	-
Provision on losses / actual losses	-	-	-
Miscellaneous income (loss)	15,574,189	22,870,440	5,250,818
Other income (loss), net	20,151,130	30,996,976	9,586,447
Profit (loss) from operations	8,729,258	5,193,262	7,662,866
Finance Income	16,761	93,512	99,684
Finance costs	(7,563,878)	(6,677,562)	(6,285,225)
Profit (Loss) before income tax	1,182,141	(1,390,788)	1,477,325
Provision for Income Tax	100,069	288,572	441,988
Profit (Loss) after income tax	1,082,072	(1,679,360)	1,035,337
Share in net losses (income of consolidated subsidiaries in excess of investments	-	-	-
TOTAL COMPREHENSIVE INCOME (LOSS)	1,082,072	(1,679,360)	1,035,337

**MILLENNIUM GLOBAL HOLDINGS, INC.
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CAPITAL DEFICIENCY)
FOR THE PERIOD ENDED SEPTEMBER 30, 2020, 2019 AND 2018 (Unaudited)**

AS AT	30-Sept-20	30-Sept-19	30-Sept-18
CAPITAL STOCK			
Share capital			
Balance at beginning of year	250,000,000	250,000,000	250,000,000
Issuance of shares	-	-	-
Equity Restructuring	-	-	-
Balance at end of period	250,000,000	250,000,000	250,000,000
Subscribed Capital			
Balance at beginning of the year	-	-	-
Additions during the year	-	-	-
Balance at the end of the period	-	-	-
Share premium			
Balance at beginning of year	36,578,500	36,578,500	36,578,500
Additions during the year	-	-	-
Application against deficit	-	-	-
Balance at end of period	36,578,500	36,578,500	36,578,500
AFS Reserves			
Balance at beginning of year	(300,000)	(300,000)	(300,000)
Other comprehensive income	-	-	-
Balance at end of period	(300,000)	(300,000)	(300,000)
Remeasurement of retirement benefits obligation			
Balance at beginning of year	(7,455,587)	(7,455,587)	(7,455,587)
Other comprehensive income	-	-	-
Balance at end of period	(7,455,587)	(7,455,587)	(7,455,587)
Deficit			
Balance at beginning of year	(116,806,569)	(105,922,591)	(96,512,829)
Net income (loss) during the period	(1,906,754)	(560,017)	1,213,390
Prior period adjustment	-	-	28,488,159
Equity restructuring (Wipeout)	-	-	-
Balance at end of period	(118,713,323)	(106,482,608)	(66,811,280)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	160,109,590	172,340,305	212,011,633
NON-CONTROLLING INTERESTS			
Changes in ownership interest	241,207,217	244,431,435	181,083,382
	241,207,217	244,431,435	181,083,382
TOTAL EQUITY (CAPITAL DEFICIENCY)	401,316,807	416,771,740	393,095,015

**MILLENNIUM GLOBAL HOLDINGS, INC.
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED SEPTEMBER 30, 2020, 2019 and 2018 (Unaudited)**

	9 mos. 30-Sept-20 (Unaudited)	9 mos. 30-Sept-19 (Unaudited)	9 mos. 30-Sept-18 (Unaudited)
(In Philippine Peso)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (loss) before tax	(2,294,778)	182,795	3,961,293
Adjustments for:			
Depreciation and amortization	24,388,999	26,088,144	29,101,010
Prior period adjustment	-	-	28,488,159
Retirement benefits expense	532,438	955,342	154,941
Finance costs	22,045,577	18,412,035	18,056,538
Finance income	(33,333)	(193,917)	(192,981)
Operating loss before working capital changes	44,638,903	45,444,399	79,568,960
Decrease (increase) in:			
Trade and other receivables, net	(27,817,859)	(165,357,408)	(214,771,251)
Inventories	7,207,231	116,830,125	(26,580,905)
Prepayment and other current assets	(5,072,697)	(20,594,911)	(28,336,902)
Other noncurrent assets	(65,153,638)	(117,559,829)	(117,807,657)
Deferred tax asset	-	-	(9,609)
Increase (decrease) in:			
Accounts payable and accrued expenses	64,374,081	49,109,123	146,673,296
Cash provided by (used in) operations	18,176,021	(92,128,501)	(161,264,068)
Finance income received	33,333	193,917	192,981
Benefits paid	(238,249)	-	1,153,487
Income taxes paid	(277,119)	(288,572)	(330,871)
Cash provided by (used in) Operating activities	17,693,986	(92,223,156)	(160,248,471)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions(disposal) to:			
Property & equipment	14,546,899	(17,570,151)	-
Investment in associates	-	-	-
Proceeds from disposal of property & equipment	-	-	65,417,881
Change in available-for-sale investment	-	-	50,000
Cash from investing activities	14,546,899	(17,570,151)	65,467,881
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in subscribed share	-	-	-
Collection of subscriptions receivable	-	-	-
Proceeds(payment) from availment of Borrowings	(51,234,911)	68,528,556	46,898,976
Proceeds from availment (repayments) of Obligation under Finance lease	(39,526,823)	(42,742,659)	11,797,792
Finance cost paid	(22,045,577)	(18,412,035)	(18,056,538)
Advances to (from) related parties during the period	(3,845)	6,909,959	(30,589,690)
Net cash provided by financing activities	(112,811,156)	14,283,821	10,050,540
Net Increase / (Decrease) in Cash and cash equivalents	(80,570,271)	(95,509,486)	(84,730,050)
Cash at beginning of year	126,843,875	138,609,049	150,450,265
Cash at end of year	46,273,604	43,099,563	65,720,215

MILLENNIUM GLOBAL HOLDINGS, INC.

AND ITS SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS AND INDICATORS

FOR THE PERIOD ENDED SEPTEMBER 30, 2020 (Unaudited) and DECEMBER 31, 2019 and 2018 (Audited)

(In Philippine Peso)	September 30, 2020 (Unaudited)	Dec. 31, 2019 (Audited)	Dec. 31, 2018 (Audited)
Current/Liquidity ratio			
Current assets	1,455,125,246	1,498,157,266	1,530,806,697
Current liabilities	1,392,743,970	1,394,150,779	1,445,015,472
Current Ratio	1.045	1.075	1.059
Quick ratio			
Current assets-Inventory-prepayments	862,417,235	903,314,721	782,295,838
Current liabilities	1,392,743,970	1,394,150,779	1,445,015,472
Quick Ratio	0.619	0.648	0.541
Solvency ratio			
Total Assets	1,878,801,463	1,895,615,743	1,956,404,742
Total Liabilities	1,477,484,656	1,491,727,039	1,539,527,225
Solvency Ratio	1.272	1.271	1.271
Debt ratio			
Total Debts	1,477,484,656	1,491,727,039	1,539,527,225
Total Assets	1,878,801,463	1,895,615,743	1,956,404,742
Debt Ratio	0.786	0.787	0.787
Debt to Equity Ratio			
Debt	1,477,484,656	1,491,727,039	1,539,527,225
Equity	401,316,807	403,888,704	416,877,517
Debt/Equity Ratio	3.682	3.693	3.693
Assets to Equity ratio			
Assets	1,878,801,463	1,895,615,743	1,956,404,742
Equity	401,316,807	403,888,704	416,877,517
Assets to Equity Ratio	4.682	4.693	4.693
Net Profit margin ratio			
Net Income (loss)-continuing operation	(2,571,897)	(8,053,675)	(558,192)
Revenue	482,004,562	1,098,210,712	1,547,645,874
Net Profit Margin Ratio	(0.0053)	(0.0073)	(0.0004)

Gross margin ratio

Gross profit	60,211,557	102,376,532	113,611,684
Revenue	482,004,562	1,098,210,712	1,547,645,874
Gross Margin Ratio	0.1249	0.0932	0.0734

Interest coverage

EBIT (Earnings before Interest income (charges) and taxes)	19,717,466	44,026,206	47,527,036
Interest Charges	22,045,577	52,080,650	46,891,262
Interest coverage Ratio	0.894	0.845	1.014

Return on Assets

Profit (loss)	(2,571,897)	(8,053,675)	(558,192)
Total Assets	1,878,801,463	1,895,615,743	1,956,404,742
Return on Assets Ratio	(0.0013)	(0.0042)	0.000

Return on Equity

Profit (loss)	(2,571,897)	(8,053,675)	(558,192)
Equity	401,316,807	403,888,704	416,877,517
Return on Equity Ratio	(0.006)	(0.020)	0.000

Price/Earnings Ratio

Price per share	0.13	0.153	0.176
Per common share	(0.000763)	(0.003337)	(0.000903)
Price/Earnings Ratio	(170.45)	(45.85)	(194.87)

**MILLENNIUM GLOBAL HOLDINGS, INC.
AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2020 (Unaudited) and December 31, 2019 and 2018 (Audited)**

NOTE 1 - GENERAL INFORMATION

1.1 Corporate information

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

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

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

On February 6, 2020, the Board of Directors of the Company approved the change of the principal office of the Company to Lot 9 Block 2 John St., Multinational Village, Paranaque City.

1.2 Company updates

Millennium Ocean Star Corporation (MOSC)

On January 10, 2014, the Parent Company entered into a subscription agreement with MOSC (the "Subsidiary") wherein the Parent Company agreed to subscribe to 137,908,163 common shares of the subsidiary at ₱1 par value per share or ₱137,908,163, representing a 51 % stake in the equity shareholdings of the Subsidiary.

On June 29, 2017, the BOD approved the additional subscription of 117,091,837 primary shares of its subsidiary, MOSC, at par value of ₱1.00 per share, to maintain Company's 51% ownership in MOSC.

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

The primary purpose of the Subsidiary is to engage in the business of trading, import/export and processing of goods such as but not limited to marine and other related products including squid balls/seafood on wholesale, operation of cold storage and conduct of similar activities related to the foregoing.

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

Cebu Canning Corporation (C3)

On October 14, 2014, the Parent Company approved the acquisition of Cebu Canning Corporation (the "Subsidiary") through a combined acquisition of primary and secondary shares, to make it a wholly-owned subsidiary of the Parent Company. This was approved by the stockholders of the Parent Company on November 28, 2014.

Pursuant thereto, on March 6, 2015, the Parent Company entered into Subscription Agreements with the Subsidiary for the Parent Company to subscribe to a total of 67,000 primary common shares at par value of ₱100 per share, equivalent to a total amount of ₱6.7 Million. Out of the 67,000 primary common shares subscribed, 30,000 primary common shares thereof worth P3.0 Million were subsequently taken from the increase in authorized capital stock of the Subsidiary, approved by the SEC on April 17, 2015. This completed the Parent Company's acquisition of 51% stake in the Subsidiary.

As of March 31, 2020, the Parent Company's acquisition of the remaining 49% of the Subsidiary, through purchase of secondary shares from existing shareholders of the Subsidiary, is yet to be completed.

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

The primary purpose of the Subsidiary is to engage in manufacturing, processing, buying, selling and exporting pasteurized canned crab meat, frozen marine products, dried fruit and other food products.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) approved by the Philippine Financial Reporting Standards Council (PFRSC) and the SEC.

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

2.2 Basis of consolidation

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

	Percentage of Ownership
Operating subsidiaries:	
Millennium Ocean Star Corporation	51%
Cebu Canning Corporation	51%

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

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

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

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Parent Company's voting rights and potential voting rights

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

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

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

- derecognizes the assets (including goodwill) and liabilities of the subsidiary
- derecognizes the carrying amount of any non-controlling interest
- derecognizes the cumulative transaction differences recorded in equity
- recognizes the fair value of the consideration received

- recognizes the fair value of any investment retained
- recognizes any surplus or deficit in profit or loss
- reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

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

Non-controlling Interests

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

2.3 Business combination and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

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

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

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

Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess

of the aggregate consideration transferred, the Group re-assess whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in the consolidated statements of income.

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

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

2.4 Use of judgment and estimates

The preparation of the consolidated financial statements in compliance with PFRS requires the use of certain critical accounting estimates. It also requires the Company's management to exercise judgment in applying the Company's accounting policies. The areas where significant judgments and estimates have been made in preparing the separate financial statements and their effects are disclosed in Note 3.

2.5 Adoption of new and revised accounting standards

New and Revised Accounting Standards Effective in 2019

PFRS 16 Leases - The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with PFRS 16's approach to lessor accounting substantially unchanged from its predecessor, PAS 17.

The Group has initially adopted all the requirements of PFRS 16 Leases from January 1, 2019.

PFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

Effect on the opening balance

The Group has applied PFRS 16 using the modified retrospective approach, under which the cumulative effect of the initial application is recognized in retained earnings at January 1, 2019. Accordingly, the comparative information presented for 2018 has not been restated.

On the transition to PFRS 16, the Group recognized right-of-use assets and lease liabilities, recognizing the difference in retained earnings. The impact on transition is summarized below.

	<u>January 1, 2019</u>
Right-of-use assets	21,066,215
Lease liability	26,001,354
Retained earnings	(4,935,139)

Transition

For any new contracts entered on or after January 1, 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as ‘a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration’. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

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

As a lessee

As a lessee, the Group previously classified leases as operating, or finance lease based on its assessment of whether the lease transferred substantially all the risks and rewards of ownership. Under PFRS 16, the Group recognizes right-of-use assets and lease liabilities for its leases.

On the statement of financial position, right-of-use assets have been included in property and equipment amounting to ₱21,066,215 while the accumulated depreciation amounted to ₱5,433,104 as of December 31, 2019.

While the carrying amount of lease liability on the statement of financial position amounted to ₱26,001,354 as of December 31, 2019.

In 2019, the liability was reduced by interest payments amounting to ₱7,183,493 and principal payments amounting to ₱29,544,347.

PFRS 9 Financial Instruments (Amendments) - Prepayment Features with Negative Compensation – The amendments allow entities to measure particular financial assets with negative compensation at amortized cost or at fair value through other comprehensive income (instead of at fair value through profit or loss) if a specified condition is met. It also clarifies the requirements in PFRS 9, *Financial Instruments* for adjusting the amortized cost of a financial liability when a modification or exchange does not result in its derecognition (as opposed to adjusting the effective interest rate).

The Group has adopted all the requirements of PFRS 9 Financial Instruments except for hedge accounting.

PAS 28 Long-term Interests in Associates and Joint Ventures (Amendments) - The amendment clarifies that an entity applies PFRS 9 *Financial Instruments* to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

The standard has no significant impact to the Group.

Annual Improvements to IFRS Standards 2015–2017 Cycle - The amendments to the following standards:

- PFRS 3 and PFRS 11 - The amendments to PFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to PFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- PAS 12 - The amendments clarify that the requirements in the former paragraph 52B (to recognize the income tax consequences of dividends where the transactions or events that generated distributable profits are recognized) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits.
- PAS 23 - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

The amendments have no significant impact to the Group.

IFRIC 9 Prepayment Features with Negative Compensation (Amendments) - The standard amends the existing requirements in PFRS 9 regarding termination rights in order to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

The standard is not applicable to the Group.

IFRIC 23 Uncertainty over Income Tax Treatments (New) - The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under PAS 12. It specifically considers:

- Whether tax treatments should be considered collectively
- Assumptions for taxation authorities' examinations
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- The effect of changes in facts and circumstances

IFRIC 23 has no impact on the financial statements of the Group.

New and Revised Accounting Standards Effective in 2021

IFRIC 17 Insurance Contracts - requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts.

The Group is still assessing the impact of the adoption of IFRIC 17.

2.6 Current versus non-current classification

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

An asset as current when:

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

All other assets are classified as noncurrent.

A liability is current when:

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

The Group classifies all other liabilities as noncurrent.

2.7 Foreign currency transactions and translation

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

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

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

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

2.8 Fair value measurement

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

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

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

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

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

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

2.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Initial recognition

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

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

Classification and measurement

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

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

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

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

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

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

As of December 31, 2019, and 2018, the Group has no financial assets at FVTPL.

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

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

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

As of December 31, 2019, and 2018, the Group's equity investments are carried at FVOCI.

Financial liabilities – Classification and measurement

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

As of December 31, 2019, and 2018, the Group has no financial liabilities classified under FVTPL.

The other financial liabilities of the Group as of December 31, 2019 and 2018, includes trade and other payables, due to related parties, borrowings, and obligations under finance lease.

Derecognition***Financial assets***

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

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

Financial liabilities

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

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

Offsetting

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

Impairment

Impairment of financial assets are recognized in stages as follows:

- Stage 1 - as soon as a financial instrument is originated or purchased, 12-month expected credit losses are recognized in profit or loss and a loss allowance is established. This serves as a proxy

for the initial expectations of credit losses. For financial assets, interest revenue is calculated on the gross carrying amount (without deduction for expected credit losses).

- Stage 2 - if the credit risk increases significantly and is not considered low, full lifetime expected credit losses are recognized in profit or loss. The calculation of interest revenue is the same as for Stage 1.
- Stage 3 - if the credit risk of a financial asset increases to the point that it is considered credit-impaired, interest revenue is calculated based on the amortized cost (the gross carrying amount less the loss allowance). Financial assets in this stage will generally be assessed individually. Lifetime expected credit losses are recognized on these financial assets.

2.10 Cash

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

2.11 Trade and other receivables

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

2.12 Inventories, net

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

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

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

2.13 Prepayments and other current assets

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

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

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

2.14 Investment in associates

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

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

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

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

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

<u>Associate</u>	<u>Percentage of Ownership</u>
Pacific Seafoods Company (PASECO)	49%

2.15 Property, plant and equipment, net

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

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

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

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

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

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

The estimated useful lives and depreciation and amortization method are reviewed periodically, and adjusted prospectively, if necessary, to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property, plant and equipment. The lease term includes assumption of lease renewals when such have been determined to be reasonably assured. The lease renewal is reasonably assured when failure to renew the lease imposes a penalty to the lessee. In 2016, the Company reviewed and accordingly revised the estimated useful life of leasehold improvements from twenty-five (25) to fifteen (15). The revision is accounted for prospectively as a change in accounting estimate with effect at the beginning of the year.

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

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

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts and any resulting gain or loss

arising on the disposal or retirement of an asset, determined as the difference between the sales proceeds and the carrying amount of the asset, is recognized in the consolidated statement of income.

Government dues and remittances include withholding income taxes which represent taxes retained by the Group for an item of income required to be remitted to the BIR within one (1) month. The obligation of the Group to deduct and withhold the taxes arises at the time an income payment is paid or payable, or the income payment is accrued or recorded as an expense or asset, whichever comes first. The term “payable” refers to the date the obligation becomes due, demandable or legally enforceable.

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

2.16 Refundable security deposits

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

2.17 Impairment of non-financial assets other than inventories

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

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

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

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

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

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

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

2.18 Trade and other payables

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

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

Government dues and remittances include withholding income taxes which represent taxes retained by the Group for an item of income required to be remitted to the BIR within one (1) month. The obligation of the Group to deduct and withhold the taxes arises at the time an income payment is paid or payable, or the income payment is accrued or recorded as an expense or asset, whichever comes first. The term “payable” refers to the date the obligation becomes due, demandable or legally enforceable.

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

2.19 Borrowings

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

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

2.20 Borrowing costs

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

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

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

2.21 Provisions and contingencies

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

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

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

2.22 Due to (from) related parties

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

2.23 Deposit for future share subscription

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

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

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

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

2.24 Equity

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

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

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

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

2.25 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably. Revenue is measured at the fair value of consideration received or receivable for goods sold and services rendered in the normal course of the business, excluding value-added tax (VAT) and trade discounts.

Sale of goods

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

- a. The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

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

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

Rental income

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

Finance income

For financial instrument measured at amortized cost and interest-bearing assets classified as AFS, interest income is recorded using the EIR which is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. Interest income is included in “finance income” in the consolidated statements of income.

2.26 Employee benefits

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

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

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

Defined benefit costs comprise the following:

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

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

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

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

2.27 Costs and expense recognition

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

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

2.28 Leases

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

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

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

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

The Group as a lessee

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

(a) Right-of-use asset

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

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

(b) Lease liability

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

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

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

2.29 Taxes

Current income tax

Current income tax assets and liabilities for the current period is measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

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

Deferred tax

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

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

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, when timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- When the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination; and at the time of the transaction, affects neither the accounting profit nor taxable profit (or loss).
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted at the reporting date.

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to income taxes

levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle the liabilities simultaneously.

Value-added Tax (VAT)

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

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

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

2.30 Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. The key management personnel of the Group and post-employment benefit plans for the benefit of the Group's employees are also considered to be related parties.

2.31 Earnings per share (EPS)

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

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

2.32 Segment reporting

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

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

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

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

2.33 Events after the reporting date

Post year-end events up to the date when the consolidated financial statements were authorized for issue by the BOD that provide additional information about the Group's position at reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

NOTE 3 - SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

3.1 Judgments

Going concern

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

Determination of functional currency

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

Classification of financial statements

The Group classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual agreement and the guidelines set by PAS 39 on the definitions of a financial asset, a financial liability or an equity instrument. In addition, the Group also determines and evaluates its intention and ability to keep the investments until its maturity date.

The substance of a financial instrument, rather than its legal form, and the management's intention and ability to hold the financial instrument to maturity generally governs its classification in the consolidated statements of financial position.

Determination whether an agreement contains a lease

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is assessed for whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the assets or assets, even if that right is not explicitly specified in the arrangement.

3.2 Estimates

Impairment of trade and other receivables and due from related parties

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

Impairment of financial asset at FVOCI

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

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

Estimation of net realizable values and impairment of inventories

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

Estimation of useful lives of property, plant and equipment

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

The estimated useful lives of property, plant and equipment are discussed in Note 2.15.

Impairment of goodwill

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

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

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

Impairment of non-financial assets other than inventories

The Group assesses at each reporting date whether there is an indication that the carrying amount of all non-financial assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. At the reporting date, the Group assesses whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

Realizability of deferred tax

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

Estimation of retirement benefits

The determination of the Group's obligation and cost for retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. The assumptions include, among others, discount rates, average remaining working lives and rates of compensation increase. While

management believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect pension and other retirement obligations.

NOTE 4 - CASH

This account consists of the following:

	30-Sep-20	31-Dec-19	31-Dec-18
Cash	₱ 46,273,604	₱ 126,843,875	₱ 138,609,049
Total	₱ 46,273,604	₱ 126,843,875	₱ 138,609,049

NOTE 5 – TRADE AND OTHER RECEIVABLES

This account consists of the following:

	30-Sep-20	31-Dec-19	31-Dec-18
Accounts receivable-trade	₱ 616,187,000	₱ 521,398,293	₱ 544,043,733
Accounts receivable-others	891,983	83,848,759	84,777,246
Allowance for impairment loss	(653,772)	(16,639,699)	(16,639,699)
Total	₱ 616,425,211	₱ 588,607,353	₱ 612,181,280

NOTE 6 - AGING OF ACCOUNTS RECEIVABLE TRADE AND OTHER RECEIVABLES

This account as of September 30, 2020 consists of the following:

	Total	<u>Neither past due nor impaired</u>	<u>31-60 days</u>	<u>61-90 days</u>	<u>Over 90 days</u>
A/R-Trade	616,187,000	439,527,227	85,569,788	90,436,212	653,772

NOTE 7 – PREPAYMENTS AND OTHER CURRENT ASSETS

This account consists of the following:

	30-Sep-20	31-Dec-19	31-Dec-18
Prepayments & other current assets	₱ 6,268,268	₱ 6,464,660	₱ 19,965,619
Input tax	68,756,797	65,160,027	43,304,087
Factory supplies	15,808,536	14,185,025	1,402,615
Prepaid tax & creditable withholding tax	1,576,838	1,528,030	6,032
Guaranty deposits	259,979	259,979	259,979
Allowance for impairment	(511,538)	(511,538)	(511,538)
Total	₱ 92,158,880	₱ 87,086,183	₱ 64,426,794

NOTE 8 – TRADE AND OTHER PAYABLES

This account consists of the following:

	30-Sep-20	31-Dec-19	31-Dec-18
Trade payables	₱ 129,900,967	₱ 71,051,293	₱ 123,235,877
Income tax payable	-	-	775,347
Government payables	373,211	106,100	150,444
Accrued expenses	24,370,087	11,473,287	11,855,063
Others	7,861,500	15,501,004	31,126,041
Total	₱ 162,505,765	₱ 98,131,684	₱ 167,142,772

-END OF REPORT-