Balai Ni Fruitas Inc.
(Incorporated in the Republic of the Philippines)

Offer of 325,000,000 Primary Common Shares and 50,000,000 Secondary Common Shares
With an Over-Allotment Option of 37,500,000 Common Shares
to be listed and traded on the Small, Medium, and Emerging Board of The Philippine Stock Exchange, Inc.

Offer Price: ₱0.70 per share

Issue Manager, Bookrunner, and Underwriter

First Metro Investment Corporation
Metrobank Group

Selling Agents

The Trading Participants of
The Philippine Stocks Exchange, Inc.

The date of the Final Prospectus is June 15, 2022

THE PHILIPPINE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE AND SHOULD BE REPORTED IMMEDIATELY TO THE PHILIPPINE SECURITIES AND EXCHANGE COMMISSION.

Balai Ni Fruitas Inc.

68 Data St.,
Barangay Don Manuel, Quezon City,
Metro Manila, 1113 Philippines

Telephone Number: +63 2 8712-8361
Corporate Website: www.balainifruitas.com

This Prospectus relates to the offer and sale of 325,000,000 primary common shares and 50,000,000 secondary common shares (the "**Firm Shares**"), with an Overallotment Option (as defined below) of 37,500,000 secondary common shares (the "**Option Shares**" (collectively, the Firm Shares and the Option Shares are referred to as the "**Offer Shares**"), each common share with a par value of ₱0.05 per common share of Balai Ni Fruitas Inc., a corporation organized under Philippine law ("**BALAI**", the "**Company**", or the "**Issuer**") as further described below.

As of the date of this Prospectus, the Company has an authorized capital stock of ₱75,000,000.00 divided into 1,500,000,000 common shares with a par value of ₱0.05 per share, of which 1,170,005,000 common shares are issued and outstanding.

The Firm Shares shall be offered at a price of ₱0.70 per Share (the "**Offer Price**"). The determination of the Offer Price is described on page 46 of this Prospectus and was based on a book-building process and discussion between the Company, and **First Metro Investment Corporation** ("**First Metro**", the "**Issue Manager, Bookrunner, and Underwriter**"). A total of 1,495,005,000 shares will be outstanding after the Offer (as defined below). The Offer Shares (as defined below) will represent approximately 27.59% of the issued and outstanding capital stock of the Company after completion of the Offer.

The Offer Shares will be listed and traded on the Small, Medium, and Emerging Board of The Philippine Stock Exchange, Inc. (the "**PSE**") under the trading symbol "BALAI."

Fruitas Holdings, Inc. (the "Selling Shareholder") has granted First Metro an option, exercisable not later than the listing of the Offer Shares on the PSE (the "**Listing Date**"), to sell the Option Shares to eligible investors at the Offer Price (the "**Over-allotment Option**"). The Option Shares are not fully underwriten unlike the Firm Shares; consequently, the Option Shares may not be fully sold and taken up. Subject to the approval of the Securities and Exchange Commission (the "**Philippine SEC**"), the "Selling Shareholder" has appointed First Metro Securities Brokerage Corporation ("FirstMetroSec") to act as stabilizing agent (the "**Stabilizing Agent**") in relation to the Offer. In the event of full or partial exercise of the Over-allotment Option, the Selling Shareholder shall cause the delivery to the Stabilizing Agent of the proceeds of the Option Shares that were sold not later than the Listing Date (the "**Option Proceeds**"). The Stabilizing Agent may use the Option Proceeds to effect price stabilization transactions. The Stabilizing Agent has an option exercisable in whole or in part for a period beginning on or after the initial listing of the Offer Shares on the PSE and, if exercised, ending on a date no later than 30 calendar days from and including the Listing Date, to purchase common shares in the open market with a view to supporting the market price of the Offer Shares at a level higher than that which might otherwise prevail during such period (the "**Price Stabilization**"). Any stabilization activities may begin on or after the date on which adequate public disclosure of the final price of the Offer Shares is made and, if begun, may be ended at any time, but must not end no later than 30 calendar days from and including the Listing Date. Any stabilization activities shall be done in compliance with all applicable laws, rules and regulations. The total number of Shares which the Stabilizing Agent or any person acting in its behalf may purchase to undertake stabilization activities shall not exceed 10% of the aggregate number of the Firm Shares. The Stabilizing Agent or any person acting on behalf of the Stabilizing Agent has the sole discretion whether to undertake stabilization activities, and there is no assurance that the same will be undertaken. There is also no assurance that the price of the Shares will not decline significantly after any such stabilizing activities end. In the event that the Stabilizing Agent does not conduct Stabilization Activities, the Stabilizing Agent shall deliver to the Selling Shareholder the Option Proceeds.

Based on an Offer Price of ₱0.70 per Offer Share, the total gross proceeds from the sale of the Primary Shares will be ₱227.5 million. The estimated net proceeds to be raised from the offer of the Primary Shares (after deducting fees and expenses payable by the Company) will be approximately ₱203.8 million. The Company intends to use the net proceeds from the sale of the Primary Shares (i) for store network expansion, (ii) for the commissary set-up, and (iii) for introduction of new concepts and potential acquisitions. For a more detailed discussion on the use of proceeds from the Offer, see

"*Use of Proceeds*" beginning on page 41 of this Prospectus. The Selling Shareholder's total proceeds and estimated net proceeds (after deducting fees and expenses payable by the Selling Shareholder) to be raised from the sale of the Secondary Shares will be approximately ₱35.0 Million and ₱33.3 Million respectively. The Selling Shareholder's total proceeds and estimated net proceeds (after deducting fees and expenses payable by the Selling Shareholder) to be raised from the sale of the Secondary Shares and Option Shares will be approximately ₱61.3 Million and ₱58.3 Million respectively, assuming full exercise of the Over-allotment Option. The Company will not receive any proceeds from the sale of Shares by the Selling Shareholder.

The Issue Manager, Bookrunner, and Underwriter will receive an underwriting fee from the Company and the Selling Shareholder equivalent to 4.2% of the gross proceeds from the sale of the Offer Shares. The underwriting fee includes the amounts to be paid to the selling agents, if any and where applicable, and the commissions and fees to be paid to the trading participants of the PSE ("PSE Trading Participants"), and the Underwriter's legal counsel. For a more detailed discussion on the fees to be received by the Issue Manager, Bookrunner, and Underwriter, see "*Plan of Distribution*" beginning on page 162 of this Prospectus.

The Company's board of directors may declare dividends, but any stock dividends must be approved by shareholders holding at least two-thirds of our total outstanding capital stock. The Company's current dividend policy provides for an annual dividend payment from 20% to 30% of net income after tax of the preceding fiscal year, payable in cash, property or shares, subject to the requirements of applicable laws and regulations, and circumstances which restrict the payment of dividends. See "*Dividends and Dividend Policy*" beginning on page 44 of this Prospectus.

At least 262,500,000 Firm Shares (or 70% of the Firm Shares) are being offered and sold by the Issue Manager, Bookrunner, and Underwriter to qualified institutional buyers ("**QIBs**") in the Philippines. 75,000,000 Firm Shares (or 20% of the Firm Shares) are being offered to all of the trading participants of the PSE (the "**PSE Trading Participants**") and 37,500,000 Firm Shares (or 10% of the Firm Shares) are being offered to local small investors ("**Local Small Investors**" or "**LSIs**") in the Philippines. Offer Shares not taken up by the QIBs, PSE Trading Participants, and LSIs, during the Offer Period shall be distributed by the Issue Manager, Bookrunner, and Underwriter to their clients, retail investors or the general public. Offer Shares, consisting of Firm Shares, not taken up by the PSE Trading Participants, LSIs, the Issue Manager, Bookrunner, and Underwriter's clients or the general public shall be purchased by the Issue Manager, Bookrunner, and Underwriter, on a firm commitment basis, pursuant to the terms and conditions of the Underwriting Agreement.

All of the Shares issued and to be issued or sold pursuant to the Offer have identical rights and privileges. The Shares may be owned by any person or entity regardless of citizenship or nationality, subject to the nationality limits under Philippine law. The Philippine Constitution and related statutes set forth restrictions on foreign ownership for companies engaged in certain activities.

The information contained in this Prospectus relating to us and our operations has been supplied by us, unless otherwise stated herein. Our Company, which has taken reasonable care to ensure that such is the case, confirm that the information contained in this Prospectus relating to us and our operations is correct, and that there is no material misstatement or omission of fact which would make any statement in this Prospectus misleading in any material respect and that the we hereby accept full and sole responsibility for the accuracy of the information contained in this Prospectus with respect to the same.

Unless otherwise indicated, all information in this Prospectus is as of the date of this Prospectus. Neither the delivery of this Prospectus nor any sale of Shares made pursuant to this Prospectus shall, under any circumstances, create any implication that the information contained herein is correct as of any date subsequent to the date hereof or that there has been no change in our affairs since such date.

The Issue Manager, Bookrunner, and Underwriter and the Company have exercised the required due diligence to the effect that, and, the Company confirms that to the best of its knowledge and belief after having taken reasonable care to ensure that such is the case, in ascertaining that all material representations, including its amendments and supplements, if any, contained in this Prospectus are true and correct as of the date of this Prospectus and that no material information was omitted, which was necessary in order to make the statements contained herein as of the Listing Date not misleading. The Company and the Issue Manager, Bookrunner, and Underwriter hereby accept responsibility under and in accordance with the Securities Regulation Code for the accuracy of the material information contained in this Prospectus relating to the Company and its operations.

Before making an investment decision, investors should carefully consider the risks associated with an investment in the Shares. These risks include:

- Risks relating to the business;
- Risks relating to the Philippines;
- Risks relating to the Offer and the Offer Shares; and,
- Risk relating to certain statistical information in this Prospectus.

Please refer to the section entitled "*Risk Factors*" beginning on page 26 of this Prospectus, which, while not intended to be an exhaustive enumeration of all risks, must be considered in connection with a purchase of the Offer Shares.

The PSE's approval of the Company's application to list the Offer Shares as well as the rest of our issued and outstanding Shares was received by the Company on May 26, 2022. The PSE assumes no responsibility for the correctness of any statements made or opinions expressed in this Prospectus. The PSE makes no representation as to its completeness and expressly disclaims any liability whatsoever for any loss arising from reliance on the entire or any part of this Prospectus. Such approval for listing is permissive only and does not constitute a recommendation or endorsement of the Offer Shares by the PSE or the Philippine SEC. Prior to the Offer, there has been no public market for the Shares. Accordingly, there has been no market price for the Shares derived from day-to-day trading. An application has been made with the Philippine SEC to register the Offer Shares under the provisions of the Securities Regulation Code of the Philippines (Republic Act No. 8799) (the "**SRC**").

The Offer Shares are offered subject to receipt and acceptance of any order by us and subject to our right to reject any order in whole or in part. It is expected that the Offer Shares will be delivered in book-entry form against payment thereof to the Philippine Depository and Trust Corporation (the "**PDTC**") on or about June 27, 2022.

ALL REGISTRATION REQUIREMENTS HAVE BEEN MET AND ALL INFORMATION CONTAINED HEREIN ARE TRUE AND CURRENT.

By:

Lester C. Yu
President

SUBSCRIBED AND SWORN to before me this JUN 15 2022 in MAKATI CITY, affiant personally appeared and exhibited to me the following identification as competent evidence of identity.

Name	Identification	Date and Place of Issuance/Expiry
Lester C. Yu	[redacted]	DFA NCR NORTHEAST/MAY 6, 2029

Doc No. 94
Page No. 20
Book No. VIII
Series of 2022.

PAOLO DANIEL ROLANDO R. ANONUEVO
Appointment No. M-198
Notary Public for Makati City
Until December 31, 2022
Liberty Center-Picazo Law
104 H.V. Dela Costa Street, Makati City
Roll of Attorney's No. 75352
PTR No. 8855518/Makati City/01-04-2022
IBP No. 171541/RSM/01-03-2022
MCLE Exempted-Admitted to the bar in 2020

No representation or warranty, express or implied, is made by us or the Issue Manager, Bookrunner, and Underwriter regarding the legality of an investment in the Offer Shares under any legal, investment or similar laws or regulations. No representation or warranty, express or implied, is made by the Issue Manager, Bookrunner, and Underwriter as to the accuracy or completeness of the information herein and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation by the Issue Manager, Bookrunner, and Underwriter. The contents of this Prospectus are not investment, legal or tax advice. Prospective investors should consult their own counsel, accountant and other advisors as to legal, tax, business, financial and related aspects of a purchase of the Offer Shares. In making any investment decision regarding the Offer Shares, prospective investors must rely on their own examination of us and the terms of the Offer, including the merits and risks involved. Any reproduction or distribution of this Prospectus, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Offer Shares is prohibited. Each offeree of the Offer Shares, by accepting delivery of this Prospectus, agrees to the foregoing.

THE OFFER SHARES ARE BEING OFFERED IN THE PHILIPPINES ON THE BASIS OF THIS PROSPECTUS ONLY. ANY DECISION TO PURCHASE THE OFFER SHARES IN THE PHILIPPINES MUST BE BASED ONLY ON THE INFORMATION CONTAINED HEREIN.

No person has been authorized to give any information or to make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorized by us or the Issue Manager, Bookrunner, and Underwriter. This Prospectus does not constitute an offer to sell or the solicitation of an offer to purchase any securities other than the Offer Shares or an offer to sell or the solicitation of an offer to purchase such securities by any person in any circumstances in which such offer or solicitation is unlawful. Neither the delivery of this Prospectus nor any sale of the Offer Shares offered hereby shall, under any circumstances, create any implication that there has been no change in our affairs since the date hereof or that the information contained herein is correct as of any time subsequent to the date hereof.

Market data used throughout this Prospectus has been obtained from market research, reports and studies, publicly available information, and industry publications. Industry publications generally state that the information that they contain have been obtained from sources believed to be reliable but that the accuracy and completeness of that information is not guaranteed. Similarly, industry forecasts, market research and the underlying economic assumptions relied upon therein, while believed to be reliable, have not been independently verified, and none of us nor the Issue Manager, Bookrunner, and Underwriter makes any representation as to the accuracy of that information. The information related to the Philippine baked goods industry and food and beverage kiosk industry in this Prospectus reflects estimates of market conditions based on publicly available sources and trade opinion surveys. Forecasts were made on the assumption that the Philippine economy is expected to maintain a steady growth and that the social, economic, and political environment is expected to remain stable.

The operating information used throughout this Prospectus has been calculated by us on the basis of certain assumptions. As a result, this operating information may not be comparable to similar operating information reported by other companies.

The distribution of this Prospectus and the offer and sale of the Offer Shares in certain jurisdictions may be restricted by law. The Company and the Issue Manager, Bookrunner, and Underwriter require persons into whose possession this Prospectus comes to inform themselves about and to observe any such restrictions. This Prospectus does not constitute an offer of, or an invitation to purchase, any of the Offer Shares in any jurisdiction in which such offer or invitation would be unlawful. Each prospective purchaser of the Offer Shares must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers, sells or resells the Offer Shares or possesses and distributes this Prospectus and must obtain any consents, approvals or permissions required for the purchase, offer, sale or resale by it of the Offer Shares under the laws, rules and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or resales, and none of the Issue Manager, Bookrunner, and Underwriter or us shall have any responsibility therefor.

Balai Ni Fruitas Inc., together with Fruitas Holdings, Inc., reserves the right to withdraw the offer and sale of the Offer Shares at any time before the commencement of the Offer Period, and the Issue Manager, Bookrunner, and Underwriter reserve the right to reject any commitment to subscribe for the Offer Shares in whole or in part and to allot to any prospective purchaser less than the full amount of the Offer Shares sought by such purchaser. If the Offer is withdrawn or discontinued, the Company shall subsequently notify the Philippine SEC and the PSE. The Issue Manager, Bookrunner, and Underwriter and certain related entities may acquire for their own account a portion of the Offer Shares. Balai Ni Fruitas Inc., Fruitas Holdings, Inc. and the Issue Manager, Bookrunner, and Underwriter may also withdraw the offer and sale of the Offer Shares at any time on or after the commencement of the Offer Period and prior to Listing, if any of the customary termination events set out under "Summary of the Offer" and "Plan of Distribution – Withdrawal of Offer" of this Prospectus occur.

Each offeree of the Offer Shares, by accepting delivery of this Prospectus, agrees to the foregoing.

Conventions Used in this Prospectus

In this Prospectus, unless otherwise specified or the context otherwise requires, all references to the "Company", the "Issuer", are to Balai Ni Fruitas Inc., as the context requires. All references to the "BSP" are references to *Bangko Sentral ng Pilipinas*, the central bank of the Philippines. All references to "Philippine Peso," "Pesos" and "₱" are to the lawful currency of the Philippines, and all references to "U.S. dollars" and "US$" are to the lawful currency of the United States. We publish our financial statements in Pesos.

Presentation of Financial Information

The Company's financial statements are reported in Philippine Pesos and are prepared based on our accounting policies, which are in accordance with the Philippine Financial Reporting Standards ("**PFRS**") issued by the Financial Reporting Standards Council of the Philippines.

Unless otherwise stated, all financial information relating to us contained herein is stated in accordance with PFRS.

Figures in this Prospectus have been subject to rounding adjustments. Accordingly, figures shown in the same item of information may vary, and figures which are totals may not be an arithmetic aggregate of their components.

Our fiscal year begins on January 1 and ends on December 31 of each year. Reyes Tacandong & Co. ("**RT&Co.**") has audited the financial statements as at for the years ended December 31, 2021, 2020, 2019, and 2018.

Forward-Looking Statements

This Prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- known and unknown risks;
- uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from expected future results; and,
- performance or achievements expressed or implied by forward-looking statements.

Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause some or all of the assumptions not to occur or cause actual results, performance or achievements to differ materially from those in the forward-looking statements include, among other things:

- The Company's ability to successfully implement its strategies;
- The Company's ability to anticipate and respond to economic and market trends, including changes in the Philippines, Asian or global economies;
- Changes in interest rates, inflation rates and foreign exchange rates of the Peso against other currencies; and,
- Changes in the laws, rules and regulations, including tax laws and licensing requirements, in the Philippines.

Additional factors that could cause our actual results, performance or achievements to differ materially from forward-looking statements include, but are not limited to, those described under "*Risk Factors*" and elsewhere in this Prospectus, including:

- risks relating to the business;

- risks relating to the Philippines;
- risks relating to the Offer and the Offer Shares; and,
- risks relating to Certain Statistical Information in this Prospectus

These forward-looking statements speak only as of the date of this Prospectus. The Issuer and the Issue Manager, Bookrunner, and Underwriter expressly disclaim any obligation or undertaking to release, publicly or otherwise, any updates or revisions to any forward-looking statement contained herein to reflect any change in our expectations with regard thereto or any change in events, conditions, assumptions or circumstances on which any statement is based.

This Prospectus includes statements regarding our expectations and projections for future operating performance and business prospects. The words “believe,” “plan,” “expect,” “anticipate,” “estimate,” “project,” “intend,” “seek,” “target,” “aim,” “may,” “might,” “will,” “would,” “could,” and similar words identify forward-looking statements. In addition, all statements other than statements of historical facts included in this Prospectus are forward-looking statements. Statements in this Prospectus as to our opinions, beliefs and intentions accurately reflect in all material respects the opinions, beliefs and intentions of its management as to such matters as of the date of this Prospectus, although we give no assurance that such opinions or beliefs will prove to be correct or that such intentions will not change. This Prospectus discloses, under the section “Risk Factors” and elsewhere, important factors that could cause actual results to differ materially from our expectations. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on the Company’s behalf are expressly qualified in their entirety by the above cautionary statements.

In light of the risks and uncertainties associated with forward-looking statements, prospective investors should be aware that the forward-looking events and circumstances in this Prospectus may or may not occur. The Company’s actual results could differ significantly from those anticipated in the Company’s forward-looking statements.

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GLOSSARY OF TERMS

In this Prospectus, unless the context otherwise requires, the following terms shall have the meanings set forth below.

Affiliate	A corporation that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under the common control of, another corporation
Applicant	A person, whether natural or juridical, who seeks to subscribe for the Offer Shares
Application	An application to subscribe for Offer Shares pursuant to the Offer
BIR	The Philippine Bureau of Internal Revenue
BALAI or the Company	Balai Ni Fruitas Inc., formerly known as Buko Ni Fruitas Inc.
BNF	Buko Ni Fruitas
BP	Balai Pandesal
Board	The board of directors of the Company.
BSP	Bangko Sentral ng Pilipinas, the central bank of the Philippines
CBD	Central Business District
DENR	The Philippine Department of Environment and Natural Resources
DOLE	The Philippine Department of Labor and Employment
FHI or Parent Company or Selling Shareholder	Fruitas Holdings, Inc.
FHOD	Fruitas House of Desserts
FGI	Fruitasgroup Incorporated
Firm Offer	The offer and sale of 375,000,000 Shares of the Company
Firm Shares	325,000,000 primary Shares and 50,000,000 secondary Shares to be offered pursuant to the Firm Offer
Government	The government of the Republic of the Philippines
Group	Fruitas Holdings, Inc., its subsidiaries, and other indirect subsidiaries
Issue Manager, Bookrunner, and Underwriter	First Metro Investment Corporation
Listing Date	The date on which trading of the Shares on the PSE begins, expected to be on June 30, 2022
LSIs	Local Small Investors
Lock-up Period	A period of 365 days from the Listing Date
Metro Manila	The metropolitan area comprising the city of Manila, the cities of Caloocan, Las Piñas, Makati, Malabon, Mandaluyong, Marikina, Muntinlupa, Navotas, Parañaque, Pasay, Pasig, Quezon City, San Juan, Taguig, and Valenzuela and the municipality of Pateros
NTI	Negril Trading, Inc.
Offer	The offer and sale of the Offer Shares on, and subject to, the terms and conditions stated herein
Offer Price	₱0.70 per Offer Share
Offer Shares	The Firm Shares and the Option Shares
Option Shares	37,500,000 shares to be sold by the Selling Shareholder and purchased by the Stabilizing Agent upon exercise of the Over-allotment Option

PCD	Philippine Central Depository
PCD Nominee	PCD Nominee Corporation, a corporation wholly owned by the PDTC.
PDS	The Philippine Dealing System
PDTC	The Philippine Depository and Trust Corporation.
Permit to Sell	The permit issued by the Philippine SEC granting the effectiveness of the registration statement filed in relation to the Offer Shares
Pesos or ₱	The lawful currency of the Philippines
PFRS	Philippine Financial Reporting Standards
Philippine Corporation Code	Republic Act. No. 11232 otherwise known as the Revised Corporation Code of the Philippines
Philippine National	As defined under the Foreign Investment Act of 1991, means a citizen of the Philippines, or a domestic partnership or association wholly-owned by citizens of the Philippines, or a corporation organized under the laws of the Philippines of which at least 60% of the capital stock outstanding and the entitlement to vote is owned and held by citizens of the Philippines, or a corporation organized abroad and registered to do business in the Philippines under the Philippine Corporation Code, of which 100% of the capital stock outstanding and the entitlement to vote is wholly-owned by Filipinos or a trustee of funds for pension or other employee retirement or separation benefits, where the trustee is a Philippine national and at least 60% of the fund will accrue to the benefit of Philippine nationals; provided, that where a corporation and its non-Filipino stockholders own stocks in a SEC-registered enterprise, at least 60% of the capital stock outstanding and entitled to vote of each of both corporations must be owned and held by citizens of the Philippines, in order that the corporation shall be considered a Philippine national. Pursuant to SEC Memorandum Circular No. 8, Series of 2013, which generally applies to all corporations engaged in identified areas of activities or enterprises specifically reserved, wholly or partly, to Philippine nationals by the Philippine Constitution, the Foreign Investments Act of 1991 and other existing laws, amendments thereto, and implementing rules and regulations of the said laws, for purposes of determining compliance with the constitutional or statutory ownership requirement, the required percentage of Filipino ownership shall be applied to both: (i) the total number of outstanding shares of stock entitled to vote in the election of directors; and (ii) the total number of outstanding shares of stock, whether or not entitled to vote in the election of directors.
Philippine SEC	The Philippine Securities and Exchange Commission
Philippines	Republic of the Philippines
Primary Shares	325,000,000 primary Shares which form part of the Firm Shares
PSE	The Philippine Stock Exchange, Inc.
PSE SME Board	The Small, Medium, and Emerging Board (“SME”) of the PSE
PSE Trading Participants	Duly licensed securities brokers who are trading participants of the PSE
QIBs	Persons or entities identified as Qualified Buyers under Section 10.1 (I) of the SRC, namely, (i) bank; (ii) registered investment house; (iii) insurance company; (iv) pension fund or retirement plan maintained by the Government or any political subdivision thereof or manage by a bank or other persons authorized by the BSP to engage in trust functions; (v) investment company or; (vi) Such other person as the Philippine SEC may rule by determine as qualified buyers, on the basis of such factors as financial sophistication, net worth, knowledge, and experience in financial and business matters, or amount of assets under management.
Secondary Shares	50,000,000 secondary Shares which form part of the Firm Shares

Settlement Date	June 23, 2022
Shares	The common shares of the Company with a par value ₱0.05each.
SKU	Stock Keeping Unit
SRC	Securities Regulation Code of the Philippines (Republic Act No. 8799), as amended, and its implementing rules and regulations.
Stabilizing Agent	First Metro Securities Brokerage Corporation
Underwriting Agreement	Agreement between the Company and the Issue Manager, Bookrunner, and Underwriter to underwrite, on a firm commitment basis, the Institutional Offer Shares and the Trading Participants and Retail Offer Shares.
VAT	Value-added tax.

EXECUTIVE SUMMARY

The following summary is qualified in its entirety by, and is subject to, the more detailed information presented in this Prospectus, including our audited financial statements and the notes thereto, included elsewhere in this Prospectus. Because it is a summary, it does not contain all of the information that a prospective purchaser should consider before investing. Prospective investors should read the entire Prospectus carefully, including the section entitled "Risk Factors" and the audited financial statements and the related notes to those statements included in this Prospectus.

Overview

Balai Ni Fruitas Inc. ("BALAI"), formerly known as Buko Ni Fruitas Inc., is a wholly-owned subsidiary of Fruitas Holdings, Inc. ("FHI"). It was incorporated on May 17, 2005 and started its operations in August 2005 when it opened its first Buko Ni Fruitas kiosk in Robinsons Manila serving fresh coconut-based beverages and desserts. Since then, the Company has expanded to create and acquire new brands, in turn, enabled BALAI to become a reputable player in the Philippine food and beverage kiosk industry. Currently, it has three (3) active brands namely *Buko Ni Fruitas* ("BNF"), *Fruitas House of Desserts* ("FHOD"), and *Balai Pandesal* ("BP"). Each brand offers specialized products such as fruit-based beverages and desserts and freshly-baked goods.

Balai Ni Fruitas Inc. distinguishes itself from the Group's other offerings through its baked products. The Company's operations and business aim to complement the products of the Group which are fresh fruit shakes and juices, lemonade, coolers, desserts, meat-filled pastries, and lechon (roasted pig), among other.

As of December 31, 2021, the Company has a total of 77 stores across the Philippines, operating in three (3) store formats – community store, kiosk, and inline store. Currently, there are 37 BNF, 9 FHOD, and 31 BP stores, 92% (71 stores) of which are company-owned stores. Out of the 77 stores, 36 stores are kiosks, 10 are inline and 31 are community stores. These are all located in high-foot traffic areas and easily accessible by public transport such as malls, markets, and central business districts. Our products are also available through the Group's e-commerce website, www.BabotsMart.com, and through online delivery platforms such as Foodpanda and Grabfood.

Corporate Structure Pre-IPO

BALAI's primary purpose as stated in its latest Amended Articles of Incorporation dated 06 January 2022 is to engage in business of processing, manufacturing, packaging, servicing, repacking, marketing, buying, selling, trading, or otherwise dealing in (on wholesale and/or to the extent allowed under Philippines law, on retail basis) wet and dry goods such as fresh fruit drinks, baked goods and other related products, and conduct, maintain, and carry on the general business of bakery, restaurant, cafeteria, kiosk, supermarket, and any articles of food products, to engage in such other activities as may be reasonably incidental to or necessary in connection with the conduct of the business of the corporation as aforementioned. As of date of the Prospectus, the Company has no subsidiaries.

For about 17 years, the Company has been steadily growing in scale and has been aiming to maximize its value, with its launch of the FHOD brand in 2012 and the acquisition of the BP brand in 2021.

Buko Ni Fruitas (BNF)

BNF started in August 2005, when it opened its first kiosk in Robinsons Manila. It serves fresh coconut-based beverages and desserts. As of December 31, 2021, it has a total of 37 kiosks and inline stores located across the Philippines.

Fruitas House of Desserts (FHOD)

Following the success of the BNF Brand, the Company launched the FHOD brand to expand its product portfolio to healthy desserts, fresh fruit shakes and juices, boba shakes, and milk tea. For the past nine (9) years, the FHOD brand has grown to nine (9) kiosk and inline store as of the end of December 2021.

Balai Pandesal (BP)

In June 2021, BALAI further expanded its brand portfolio with the acquisition of BP brand and assets which allowed the Company to venture into the baked goods industry. The BP acquisition included initial inventories, technical know-how, equipment and vehicle, and trademark. The Company entered into separate and distinct franchise agreements with Balai Pandesal Corp. and JAD Signature Breads Inc. for five (5) franchised stores within a month after the asset acquisition. The Company was able to grow the BP store network to 31 community stores as of the end of December 2021, which includes 25 company-owned and 6 franchised stores within 6 months after the acquisition.

The Company owns vehicles to deliver various materials, supplies, and products to its stores. The brands across its portfolio allows BALAI to serve a wide array of products to the local market. The several store formats enable the Company to be flexible and expand faster, as it believes that the business model is highly scalable.

Moving forward, the Company will mainly focus on expanding the network of BP stores. The Company may continue to open additional BNF and FHOD stores as opportunities arise.

The Company generated total revenues of ₱233.2 million, ₱110.1 million and ₱148.9 million for the years ended December 31, 2019, 2020, and 2021 respectively, and net income (loss) ₱7.0 million, (₱0.9 million), and of ₱8.5 million, for the same periods.

The Company intends to raise funds from the IPO to expand its BP store network from 31 stores in December 2021 to 200 stores by 2026 and to establish commissaries to serve more customers. These funds will also be utilized to explore the possibility of acquiring other baked goods firms in the Philippines in order to broaden the Company's current product offerings.

As a subsidiary of FHI, the Company contributes around 14% of the total revenues of FHI as of 31 December 2021.

	Dec 2017	**Dec 2018**	**Dec 2019**	**Dec 2020**	**Dec 2021**
Revenue Contribution	17%	13%	12%	12%	14%

Competitive Strengths

The Company believes that it has the following strengths:

- *A strong brand portfolio*
- *Multiple store formats as a sales channel, which provides flexibility to tailor stores to suit the needs of different local markets*
- *Scalable and sustainable business model*
- *Proven track record on brand introduction*
- *Ideally positioned to take advantage of the growing Philippine middle class*
- *Highly experienced and nimble management team*

For a full discussion of our competitive strengths, please refer to page 77 of this Prospectus.

Key Strategies, Future Plans, and Projects

The Company's goal is to expand its BP store network from 31 stores in December 31, 2021 to 200 BP stores by 2026 and to establish commissaries for its brand portfolio. In order to pursue this, BALAI will implement the following:

- *Pursue aggressive network expansion to take advantage of Philippine economic expansion as well as rapid urbanization of regions outside Metro Manila*
- *Increase same store and e-commerce sales growth*
- *Innovate and introduce new products to satisfy evolving consumer tastes and preferences*
- *Diversify distribution channels*

For a full discussion of BALAI's key strategies, future plans, and projects, please refer to page 79 of this Prospectus.

Risks of Investing

Before making an investment decision, prospective investors should carefully consider the risks associated with an investment in the Offer Shares. Certain of these risks are discussed in the section entitled "*Risk Factors*" and include risks relating to the Company's business, risks relating to the Philippines, risks relating to the Offer and the Offer Shares and risks relating to certain statistical information in this Prospectus. Prospective investors should consider such risks in investing in the Offer.

Company Information

BALAI is a Philippine corporation with a registered office located at 68 Data St., Barangay Don Manuel, 1113 Quezon City, Metro Manila, Philippines. The Company's telephone number is +63 2 8712-8361. The website of the Company is www.BalaiNiFruitas.com. The information on the website is not incorporated by reference into and does not form a part of, this Prospectus.

Investor Relations Office

The Investor Relations Office will be tasked with (a) the creation and implementation of an investor relations program that reaches out to all shareholders and informs them of corporate activities and (b) the formulation of a clear policy for accurately, effectively and sufficiently communicating and relating relevant information to our stakeholders as well as to the broader investor community.

The investor relations office will be responsible for receiving and responding to investor and shareholder queries and ensuring that investors and shareholders have easy and direct access to the official and designated spokespersons of the Company.

Juneil Dominic P. Torio will head the Investor Relations Office and serve as the designated Investor Relations Officer ("**IRO**").

The IRO will also be responsible for ensuring that the shareholders have timely and uniform access to official announcements, disclosures, and market-sensitive information relating to the Company. As the officially designated spokesperson, the IRO will be responsible for receiving and responding to investor and shareholder queries. The IRO will also be responsible for conveying information such as our policy on corporate governance and corporate social responsibility, as well as other qualitative aspects of our operations and performance. In addition, the IRO will oversee most aspects of our shareholder meetings, press conferences, investor briefings, management of the investor relations portion of our website, including but not limited to:

a. Company information (organizational structure, board of directors, and management team);
b. Company news (analyst briefing report, press releases, latest news, newsletters (if any);
c. Financial report (annual and quarterly reports for the past two (2) years);
d. Disclosures (recent disclosures to PSE and SEC for the past two (2) years);
e. Investor FAQs (commonly asked questions of stockholders);
f. Investor Contact (email address and phone numbers for feedback/comments, shareholder assistance, and service); and
g. Stock Information (key figures, dividends, and stock information).

Ralph Hector P. Adricula will serve as the Compliance Officer with respect to disclosures and continuing requirements of the Philippine SEC and the PSE.

The e-mail address of the IRO is investor.relations@balainifruitas.com and contact number is +63 2 8712-8361. The IRO website can be accessed through www.BalaiNiFruitas.com.

SUMMARY OF THE OFFER

The following does not purport to be a complete listing of all the rights, obligations, and privileges attaching to or arising from the Offer Shares. Some rights, obligations, or privileges may be further limited or restricted by other documents and subject to final documentation. Prospective investors are enjoined to perform their own independent investigation and analysis of the Company and the Offer Shares. Each prospective investor must rely on its own appraisal of the Company and the Offer Shares and its own independent verification of the information contained herein and any other investigation it may deem appropriate for the purpose of determining whether to invest in the Offer Shares and must not rely solely on any statement or the significance, adequacy, or accuracy of any information contained herein. The information and data contained herein are not a substitute for the prospective investor's independent evaluation and analysis.

Issuer	Balai Ni Fruitas Inc.
Selling Shareholder	Fruitas Holdings, Inc.
Issue Manager, Bookrunner, and Underwriter	First Metro Investment Corporation
Selling Agents	PSE Trading Participants
Stock Transfer Agent	PNB acting through its Trust Banking Group
Receiving Agent	PNB acting through its Trust Banking Group
Escrow Agent	PNB acting through its Trust Banking Group
Independent Auditors	Reyes Tacandong & Co.
Legal Counsel to the Issuer	Picazo Buyco Tan Fider & Santos Law
Legal Counsel to the Issue Manager, Bookrunner, and Underwriter	Martinez Vergara & Gonzalez Sociedad
The Offer	Offer and sale of 375,000,000 Firm Shares and 37,500,000 Option Shares pursuant to the Over-allotment Option
Plan of Distribution	262,500,000 Firm Shares (or 70% of the Firm Shares) are being allocated to qualified institutional buyers "QIBs" and the general public in the Philippines at the Offer Price. 75,000,000 Firm Shares (or 20% of the Firm Shares) are being allocated to all of the PSE Trading Participants. Each PSE Trading Participant shall initially be allocated 600,000 Firm Shares and subject to reallocation as may be determined by the PSE. Based on the initial allocation for each trading participant, there will be no residual Firm Shares. 37,500,000 Firm Shares (or 10% of the Firm Shares) are being offered to Local Small Investors at the Offer Price through the PSE Electronic Allocation System or PSE EASy. A Local Small Investor is defined as a subscriber to the Offer who is willing to subscribe to a minimum board lot or whose subscription does not exceed ₱100,000.00. In the case of this Offer, the minimum subscription of LSIs shall be 10,000 shares or ₱7,000.00, while the maximum subscription shall be 142,000 shares or ₱99,400.00. There will be

	no discount on the Offer Price. The procedure in subscribing to Offer Shares via PSE EASy is indicated in the Company's Implementing Guidelines for Local Small Investors to be announced through the PSE EDGE website. Should the total demand for the Offer Shares in the LSI program exceed the maximum allocation, the Underwriter shall prioritize the subscriptions of small investors with amounts lower than the maximum subscription. In the event that the total demand for the LSI Offer Shares is five times or more than the initial allocation of 37,500,000 Offer Shares, the LSI Offer Shares shall be increased by an additional five percent (5%) from the initial LSI tranche. In the event that the total demand for the LSI Firm Shares exceeds the maximum increased allocation of fifteen percent (15%) under the clawback mechanism, the Underwriter shall allocate the shares by balloting. Offer Shares, consisting of Firm Shares, not taken up by the PSE Trading Participants or the LSIs shall be distributed by the Issue Manager, Bookrunner, and Underwriter to its clients or to the general public. Offer Shares not taken up by the QIBs, PSE Trading Participants and the LSIs, the Issue Manager, Bookrunner, and Underwriter's clients, or the general public shall be purchased by the Issue Manager, Bookrunner, and Underwriter, on a firm commitment basis, pursuant to the terms and conditions of the Underwriting Agreement and as set out under the section "*Plan of Distribution"* in the Prospectus, which is subject to certain conditions and may be subject to termination by the Underwriter if a force majeure or fortuitous event occurs on or before the Offer Shares are listed on the PSE. After the commencement of the Offer Period, the Offer shall not be withdrawn, cancelled, suspended or teminated solely by reason of the Company's or the Issue Manager, Bookrunner, and Underwriter's inability to sell or market the Offer Shares or refusal or failure to comply with any undertaking or commitment by the Company, the Issue Manager, Bookrunner, and Underwriter or any other entity to take up any share remaining after the Offer Period. In undertaking the firm commitment to purchase, the Issue Manager, Bookrunner, and Underwriter manifests its conformity with and be bound by the applicable listing ang disclosure rules of the PSE.
Offer Price	₱0.70 per Offer Share. The Offer Price was determined through a book-building process and discussions between the Company and the Issue Manager, Bookrunner and Underwriter.
Over-allotment Option	Subject to the approval of the SEC, the Selling Shareholder has granted the Stabilizing Agent, First Metro Securities Brokerage Corporation, an option, exercisable in whole or in part, to purchase the Option Shares to be sold by the Selling Shareholder at the Offer Price, on the same terms and conditions as the Firm Shares as set out in this Prospectus, to cover over-allotments, if any. The Over-allotment Option is exercisable for a period beginning on the Listing Date and ending on a date no later than 30 calendar days from and including the Listing Date.
Offer Period	The Offer Period shall commence at 9:00 a.m., Manila time, on June 17, 2022 and end at 12:00 p.m., Manila time, on June 23, 2022. The Company, the Issue Manager, Bookrunner, and Underwriter reserve the right to extend or terminate the Offer Period with the approval of the SEC and the PSE. Applications must be received by the Receiving Agent by 12:00 p.m., Manila time on June 23, 2022, whether filed through a participating Selling Agent or through PSE EASy for LSI applications or filed directly with the Issue

	Manager, Bookrunner and Underwriter. Applications received thereafter or without the required documents will be rejected. Applications shall be considered irrevocable upon submission to a participating Selling Agent or PSE EASy or the Issue Manager, Bookrunner, and Underwriter, and shall be subject to the terms and conditions of the Offer as stated in this Prospectus and in the application. The actual purchase of the Offer Shares shall become effective only upon the actual listing of the Offer Shares on the PSE and upon the obligations of the Issue Manager, Bookrunner, and Underwriter under the Underwriting Agreement becoming unconditional and not being suspended, terminated or cancelled on or before the Listing Date in accordance with the provisions of such agreement.
Eligible Investors	The Offer Shares may be purchased by any natural person of legal age regardless of nationality, or any corporation, association, partnership, trust account, fund or entity subject to limits under Philippine law and restrictions set out in this Prospectus, and without predujuce to the right of the Company to reject an application, including the right to reject if the same will cause the Company to be in breach of the Philippine ownership requirements under relevant Philippine laws. Foreign investors interested in subscribing or purchasing the Offer Shares should inform themselves of the applicable legal requirements under the laws and regulations of the countries of their nationality, residence or domicile, and as to any relevant tax or foreign exchange control laws and regulations affecting them personally. Foreign investors, both corporate and individual, warrant that their purchase of the Offer Shares will not violate the laws of their jurisdiction and that they are allowed to acquire, purchase and hold the Offer Shares.
Use of Proceeds	The Company intends to use the net proceeds from the Offer for the store network expansion, commissary set-up and potential acquisition opportunities of the Company. See “Use of Proceeds” of the Prospectus for details of how the total net proceeds are expected to be applied.
Minimum Subscription	Each application must be for a minimum of 10,000 Offer Shares, and thereafter, in multiples of 1,000 Offer Shares. Applications for multiples of any other number of Shares may be rejected or adjusted to conform to the required multiple, at the Company’s discretion.
Lock-up	The PSE Consolidated Listing and Disclosure Rules (the “PSE Listing Rules”) require an applicant company for the SME Board to cause its existing non-public shareholders and their related parties to refrain from selling, assigning, encumbering or in any manner disposing of their shares for a period of one (1) year after the listing of such shares. All other stockholders shall not be subject to mandatory lock-up under this provision. In addition, if there is any issuance or transfer of shares or securities such as private placements, assets for shares swap or a similar transaction or instruments which lead to issuance of shares or securities such as convertible bonds, warrants or a similar instrument done and fully paid for within six (6) months prior to the start of the Offer Period, and the transaction price is lower than the Offer Price in the initial public offering, all such shares subscribed or acquired shall be subject to a lock-up period of at least one (1) year from listing of the aforesaid shares. In accordance with the foregoing, the Shares held by the following shareholders will be subject to the lock-up periods specified below:

Shareholder	No. of Shares Held Subject to Lock-up Period	Period of Lock-up (in days)
Fruitas Holdings, Inc.	1,119,988,000*	365
Lester C. Yu	4,000	365
Roselyn A. Legaspi	2,000	365
Marvin C. Yu	2,000	365
Madelene T. Sayson	2,000	365
Calvin F. Chua	1,000	365
Rogelio M. Guadalquiver	1,000	365
Lee Ceasar S. Junia	1,000	365
David Jonathan Y. Bayot	1,000	365
Bernardino M. Ramos	1,000	365
TOTAL	**1,120,003,000***	**365**

* Shares Held by Fruitas Holdings, Inc. Subject to Lock-Up Period and Total Shares Subject to Lock-Up Period reduces to 1,082,488,000 and 1,082,503,000, respectively, if Over-allotment Option is fully exercised.

To implement the foregoing lock-up requirements, the PSE requires the applicant company to lodge the locked-up shares with the PDTC through a Philippine Central Depository ("PCD") participant for the electronic lock-up of the shares or enter into an escrow agreement with the trust department or custodian unit of an independent and reputable financial institution.

Registration, Listing and Trading

The Company has filed an application with the Philippine SEC for the registration and an application with the PSE for the listing of all its issued and outstanding stock (including the Offer Shares). The Philippine SEC is expected to issue an Order of Effectivity and Permit to Sell on June 15, 2022. The Company received the notice of approval from the PSE on May 26, 2022 and is subject to compliance with certain listing conditions.

All of the Offer Shares are expected to be listed on the SME Board of the PSE under the symbol "BALAI." See "*Description of the Shares*." All of the Offer Shares are expected to be listed on the PSE on June 30, 2022. Trading of the Offer Shares that are not subject to lock up is expected to commence on June 30, 2022.

Dividends

The current dividend policy provides for an annual dividend payment from 20% to 30% of our net income after tax for the preceding fiscal year, payable primarily in cash, and subject to the Board's discretion, property or shares, subject to the requirements of applicable laws and regulations, and circumstances which restrict the payment of dividends.

Form, Title and Registration of the Offer Shares

The Offer Shares will be issued in scripless form through the electronic book-entry system of PNB Trust and Banking Group as Registrar for the Offer, and lodged with the PDTC as Depository Agent on Listing Date through PSE Trading Participants respectively nominated by the applicants. For this purpose, applicants shall indicate in the proper space provided for in the Application Form the name of a PSE Trading Participant under whose name their shares will be registered.

After Listing Date, shareholders may request the Registrar, through their respective nominated PSE Trading Participants, to (a) open a scripless registry account and have their holdings of the Offer Shares registered under their name, or (b) issue stock certificates evidencing their investment in the Offer Shares. Any expense that will be incurred in relation to such

	registration or issuance shall be for the account of the requesting shareholder. Legal title to the Offer Shares will be shown in an electronic register of shareholders ("Registry of Shareholders") which shall be maintained by the Registrar. The Registrar shall send a transaction confirmation advice confirming every receipt or transfer of the Offer Shares effected in the Registry of Shareholders (at the cost of the requesting shareholder). The Registrar shall send (at the cost of the Company) at least once every year a statement of account to all shareholders named in the Registry of Shareholders, except certificated shareholders and depository participants, confirming the number of shares held by each shareholder on record in the Registry of Shareholders. Such statement of account shall serve as evidence of ownership of the relevant shareholder as of the given date thereof. Any costs and expenses with respect to the request by shareholders for certifications, reports or other documents from the Registrar, except as provided herein, shall be for the account of the requesting shareholder.
Restrictions on Ownership	The Offer Shares may be purchased and owned by any person or entity regardless of citizenship or nationality, subject to the nationality limits under Philippine law. The Philippine Constitution and related statutes set forth restrictions on foreign ownership for companies engaged in certain activities. In particular, if and to the extent that we acquire land in the Philippines, foreign ownership in our capital stock will be limited to a maximum of 40% of our issued and outstanding capital stock. Nevertheless, because our Articles of Incorporation authorizes our Company to acquire land, which may include land in the Philippines, foreign shareholdings in our Company may not exceed 40% of our total issued and outstanding capital stock.
Registration of Foreign Investments	The BSP requires that investments in shares of stock funded by inward remittance of foreign currency be registered with the BSP only if the foreign exchange needed to service capital repatriation or dividend remittance will be sourced from the Philippine banking system. The registration with the BSP of all foreign investments in the Offer Shares shall be the responsibility of the foreign investor.
Selling and Transfer Restrictions	Existing shareholders who are non-public stockholders and their related parties are to refrain from selling, assigning, encumbering or in any manner disposing of their shares for a period of one (1) year after the listing of such shares. For purposes of this section, "non-public shareholders" shall mean the Company's: (i) principal stockholders, (i.e., the owner of ten percent (10%) or more of the issued and outstanding shares); (ii) subsidiaries or affiliates; (iii) directors; (iv) principal officers; and (v) any other person who has substantial influence on how the Company is being managed. The term "related parties" shall mean the non-public stockholder's (i) principal stockholders (i.e., the owners of ten percent (10%) or more of the issued and outstanding shares); (ii) subsidiaries or affiliates; (iii) directors; (iv) principal officers; and (v) members of the immediate families sharing the same household or any of its principal stockholders, directors, or principal officers. In addition, if there is any issuance or transfer of Shares (i.e., private placements, asset for shares swap or a similar transaction) or instruments which lead to issuance of Shares (i.e., convertible bonds, warrants or a similar instrument) done and fully paid for within six (6) months prior to the start of the Offer, and the transaction price is lower than that of the Offer

	Price, all such Shares issued or transferred shall be subject to a lock-up period of at least one (1) year from listing the aforesaid shares. Except for the issuance of the Offer Shares or shares for distribution by way of stock dividends and certain option grants and issuances under employee incentive schemes, the PSE is expected to require the Company, as a condition to the listing of the Shares, not to issue new shares in capital or grant any rights to or issue any securities convertible into or exchangeable for, or otherwise carrying rights to acquire or subscribe to, any shares in its capital or enter into any arrangement or agreement whereby any new shares or any such securities may be issued for a period of 180 days after the Listing Date.
Tax Considerations	See "Philippine Taxation" on the Prospectus for further information on the Philippine tax consequences of the purchase, ownership and disposal of the Offer Shares.
Procedure for Application of the Offer	**For PSE Trading Participants** Application forms to purchase and signature cards may be obtained from the Issue Manager, Bookrunner, and Underwriter. Application forms will also be made available for download on the Company's website. Applicants shall complete the application form, indicating all pertinent information such as the applicant's name, address, taxpayer's identification number, citizenship and all other information as may be required in the application form. Applicants shall undertake to sign all documents and to do all necessary acts to enable them to be registered as holders of Offer Shares. Failure to complete the application form may result in the rejection of the application. Applications must be received by the Receiving Agent not later than 12:00 p.m. on June 23, 2022. Applications received thereafter or without the required documents will be rejected. Applications shall be considered irrevocable upon submission to a PSE Trading Participant, and shall be subject to the terms and conditions of the Offer as stated in this Prospectus and in the application. The actual purchase of the Offer Shares shall become effective only upon the actual listing of the Offer Shares on the PSE and upon the obligations of the Issue Manager, Bookrunner and Underwriter under the Underwriting Agreement becoming unconditional and not being suspended, terminated or cancelled on or before the Listing Date in accordance with the provisions of such agreement. If the applicant is a corporation, partnership or trust account, the application must be accompanied by the following documents: • a certified true copy of the Applicant's latest articles of incorporation and by-laws (or articles of partnership in the case of a partnership) and other constitutive documents (each as amended to date) duly certified by its corporate secretary (or managing partner in the case of a partnership), • a certified true copy of the Applicant's SEC certificate of registration or certificate of filing amended articles of incorporation or by-laws, as the case may be, duly certified by its corporate secretary (or managing partner in the case of a partnership), and, • a duly notarized corporate secretary's certificate (or certificate of the managing partner in the case of a partnership) setting forth the

resolution of the applicant's board of directors or equivalent body authorizing the purchase of the Offer Shares indicated in the application, identifying the designated signatories authorized for the purpose, including his or her specimen signature, and certifying the percentage of the applicant's capital or capital stock held by Philippine Nationals.

Foreign corporate and institutional applicants who qualify as Eligible Investors, in addition to the documents listed above, are required to submit in quadruplicate, a representation and warranty stating that their purchase of the Offer Shares to which their application relates will not violate the laws of their jurisdictions of incorporation or organization, and that they are allowed, under such laws, to acquire, purchase and hold the Offer Shares.

- An application should be submitted in quadruplicate (4) copies, one (1) of which shall be returned to the applicant) and accompanied by the following documents (complete)

  - Duly accomplished Applications submitted in quadruplicate (4 copies), one (1) of which will be returned to the TP;
  - The required attachments as enumerated in the Applications;
  - Two (2) specimen signature cards fully completed and signed by the applicant's designated signatories, and certified by its corporate secretary (or equivalent officer)
  - Four (4) hard copies of the Sales Report duly certified by the representative authorized of the TPs; and
  - Soft copy of the accomplished Sales Report must be sent to balai_ipo@pnb.com.ph and equities@firstmetro.com.ph with subject BALAI IPO Sales Report

This should be read in conjunction with the Offer Implementing Guidelines which will be published on the PSE EDGE website prior to the start of the Trading Participants and Retail Offer.

For Local Small Investors

- With respect to the LSIs, applications to subscribe for the Offer Shares must be done online through PSE EASy (https://myeasy.pse.com.ph). The system will generate a reference number and payment instruction. LSI applications and payments must be completed and settled, respectively, by 12:00 p.m., Manila time, on June 23, 2022.

- Further information about the Company, details about the Offer, instruction for subscribing through PSE EASy, payment terms and the list of the PSE Trading Participants where LSI applicants may open trading accounts for the lodgment of the LSI applicant's shares will be made available in the Offer Implementing Guidelines which will be published on the PSE EDGE website prior to the start of the Trading Participant and Retail Offer.

- LSI applications will be processed on a first-come, first-served basis and prioritized from the lowest to the highest orders; while final allocation of Offer Shares will be determined pursuant to allocation mechanics wherein fully paid allocations will be allotted in ascending orderand upon the Receiving Agent's validation or confirmation of complete payment of the purchased Retail Offer Shares.

	• This section should be read in conjunction with the Offer Implementing Guidelines which will be published on the PSE EDGE website.
Payment Terms for the PSE Trading Participants	The purchase price must be paid in full in Philippine Pesos upon the submission of the duly completed and signed application form and signature card together with the requisite attachments. Payments for the PSE Trading Participants Offer Shares must be cleared on or before June 23, 2022. The modes of payment and instructions will be specified in the Offer Implementing Guidelines which will be published on the PSE EDGE website prior to the start of the Offer Period.
Acceptance or Rejection of Applications for the Offer	Application forms are subject to confirmation by the Underwriter and the final approval of the Company. The Company and the Underwriter reserve the right to accept, reject or scale down the number and amount of Offer Shares covered by any application. The Company and the Issue Manager, Bookrunner, and Underwriter have the right to reallocate available Offer Shares in the event that the Offer Shares are insufficient to satisfy the total applications received. The Offer Shares will be allotted in such a manner as the Company and the Issue Manager, Bookrunner, and Underwriter may, in their sole discretion, deem appropriate, subject to distribution guidelines of the PSE. Applications with checks dishonored upon first presentation and Application forms which do not comply with terms of the Offer will be automatically rejected. Notwithstanding the acceptance of any Application form, the actual subscription of the Offer Shares by the applicant will be effective only upon the listing of the Offer Shares at the PSE. If such condition is not fulfilled on or before the periods provided, all application paments will be returned to the applicants without interest. The Company reserves the right to withdraw the offer and sale of the Offer Shares at any time before the commencement of the Offer Period and the Company shall make the necessary disclosures to the SEC and the PSE. An Application, when accepted, shall constitute a binding and effective agreement between the Applicant and the Issuer for the subscription to the Offer Shares notwithstanding any provision to the contrary as may be found in the Application, Prospectus, and other offer-related document.
Withdrawal of the Offer	The Company may also withdraw the offer and sale of the Offer Shares at any time on or after the commencement of the Offer Period and prior to Listing, if there is a supervening force majeure or fortuitous event, such as: a. An outbreak or escalation of hostilities or acts of terrorism involving the Philippines or a declaration by the Philippines of a state of war; or occurrence of any event or change (whether or not forming part of a series of events occurring before, on and/or after the date hereof) of a political, military, economic or other nature; or occurrence of any change in local, national or international financial, political, economic or stock market conditions which renders it impracticable or inadvisable to continue with the Offer and/or listing of the Offer Shares in the manner contemplated by the Prospectus, or would have a material adverse effect on the distribution, offer and sale of the Offer Shares in the Philippines, rendering it impracticable or inadvisable to proceed with the Offer in the manner contemplated by the Prospectus, or the Philippine economy or on the securities or other financial or currency markets of the Philippines, provided that for the avoidance of doubt, the

Offer shall not be withdrawn, cancelled, suspended or terminated solely by reason of the Issuer's or underwriters' inability to sell or market the Offer Shares or refusal or failure to comply with any undertaking or commitment by the Issuer, the underwriter, or any other entity/ person to take up any shares remaining after the Offer Period;

b. Issuance of an order revoking, cancelling, suspending, preventing or terminating the offer, sale, distribution or listing of the Offer Shares by any court or governmental agency or authority with jurisdiction on the matter, the SEC or the PSE;

c. Cancellation, revocation or termination of the PSE Notice of Approval, the SEC pre-effective clearance, the SEC Order of Registration, or the SEC Permit to Sell;

d. Cancellation or suspension of trading in the PSE for at least three (3) consecutive trading days, or in such manner or for such period as will render impracticable the listing and trading of the Offer Shares on the Listing Date or such other date as may be approved by PSE;

e. A change or impending change in the law, rule, regulation, policy or administrative practice, or a ruling, interpretation, decree or order which (i) materially and adversely affects: (a) the ability of the Company to engage in the business it is presently engaged in; or (b) the capacity and due authorization of the Issuer to offer and issue the Offer Shares and enter into the transaction documents in connection with the Offer, or (ii) would render illegal the performance by the Issue Manager, Bookrunner, and Underwriter of its underwriting obligations hereunder;

f. Any significant, adverse, and unforeseeable change or development in the Company's long-term financial condition, assets, liabilities, results of operations, business, properties, or profitability, which renders the Offer Shares unsuitable for offering to the public;

g. The Company decides to or is compelled to stop its operations which is not remedied within five (5) Banking Days;

h. The Company shall be adjudicated bankrupt or insolvent, or shall admit in writing its inability to pay its debts as they mature, or shall make or threaten to make an assignment for the benefit of, or a composition or assignment with, its creditors or any class thereof, or shall declare or threaten to declare a moratorium on its indebtedness or any class thereof; or (ii) the Company shall apply for or consent to the appointment of any receiver, trustee or similar officer for it or for all or any substantial part of its property; or (iii) such receiver, trustee or similar officer shall be appointed; or (iv) the Company shall initiate or institute (by petition, application or otherwise howsoever), or consent to the institution of any bankruptcy, insolvency, reorganization, rehabilitation, arrangement, readjustment of debt, suspension of payment, dissolution, liquidation or similar proceeding relating to it under the laws of any jurisdiction; or (v) any such proceeding shall be instituted against the Company; or any judgment, writ, warrant of attachment or execution or similar process shall be issued or levied against any material asset, or material part thereof, of the Company; or (vi) any event occurs which under the laws of the Philippines or to other jurisdictions, or any applicable political subdivision thereof, has an effect equivalent to any of the foregoing;

i. A general banking moratorium is declared in the Philippines or a material disruption in commercial banking or securities settlement or clearance services occurs in the Philippines;

j. Any court proceeding, litigation, arbitration or other similar proceeding is commenced or threatened against the Issue Manager, Bookrunner, and Underwriter in connection with or with respect to the issuance or sale by the Company of the Offer Shares or the Offer in general which renders the performance of its underwriting commitment impossible or impracticable;

k. Any event occurs which makes it impossible for the Issue Manager, Bookrunner, and Underwriter to perform its underwriting obligations due to conditions beyond its control, such as issuance by any court, arbitral tribunal, or government agency which has jurisdiction on the matter of an order restraining or prohibiting the Issue Manager, Bookrunner, and Underwriter, or directing it to cease, from performing its underwriting obligations;

l. Unavailability of PDTC and PSE facilities used for the Offer and/or Listing and such unavailability impacts the ability of the Issuer and the Issue Manager, Bookrunner, and Underwriter to fully comply with the listing requirements of PSE;

m. Any representation, warranty or statement of the Company in the Prospectus shall prove to be untrue or misleading in any material respect or Company shall be proven to have omitted a material fact necessary in order to make the statements in the Prospectus not misleading, which untruth or omission: (a) was not known and could not have been known to the Issue Manager, Bookrunner, and Underwriter on or before commencement of the Offer Period despite the exercise of due diligence, and (b) has a material and adverse effect on the Company's long-term financial condition, assets, liabilities, results of operations, business, properties, or profitability; and

n. Any force majeure event, other than the ones enumerated above, that has material and adverse effect on the Company's long-term financial condition, assets, liabilities, results of operations, business, properties, or profitability.

After the commencement of the Offer Period, the Offer shall not be withdrawn, cancelled, suspended or terminated solely by reason of (1) the Company's or Issue Manager, Bookrunner, and Underwriter's inability to sell or market the Offer Shares or (2) the refusal or failure to comply with any undertaking or commitment by the Company, the Issue Manager, Bookrunner, and Underwriter or any other entity or person to comply with any undertaking or commitment to take up any shares remaining after the Offer Period.

	Notwithstanding the foregoing, the Company and the Issue Manager, Bookrunner, and Underwriter recognize and acknowledge that the PSE is a self-regulatory organization with a mandate to maintain a fair and orderly market, and, in relation thereto, the PSE may impose appropriate sanctions and reasonable penalties on the Issuer and/or any of the Issue Manager, Bookrunner and Underwriiter if the PSE determines that the cancellation or termination of the Underwriting Commitment or the Underwriting Agreement was not warranted based on the facts gathered and properly evaluated by the PSE and after due and proper proceedings initiated by the PSE not later than five (5) Banking Days after such cancellation or termination. Notwithstanding the acceptance of any Application, the actual issuance of the Offer Shares to an Applicant shall take place only upon the listing of the Offer Shares on the PSE. The PSE issued its Notice of Approval on May 26, 2022, subject to compliance by the Company with certain conditions. Subject to the right of the Company to withdraw or cancel the offer and sale of the Offer Shares prior to Listing Date pursuant to Section" Plan of Distribution – Withdrawal of Offer" and this section of the Prospectus, the Company and any of its agents involved in the Offer undertake to comply with all conditions that are within the control of the Company and any of its agents involved in the Offer, to ensure the listing of the Offer Shares on Listing Date. If the Offer Shares and the entire outstanding capital stock of the Company are not listed on the PSE on Listing Date, all application payments made for the Offer Shares will be returned to the Applicants without interest starting on the fifth (5^{th}) Banking Day from the end of the Offer Period.
Refunds of the Trading Participants and Retail Offer	Except for rejection on the ground that the check submitted by the applicant as payment is dishonored, in the event that the number of Offer Shares to be received by an applicant, as confirmed by the Issue Manager, Bookrunner, and Underwriter, is less than the number covered by its application, or if an application is rejected by the Company, then the Receiving Agent shall refund, without interest, within five (5) banking days from the end of the Offer Period, all or a portion of the payment corresponding to the number of Offer Shares wholly or partially rejected. *Refunds of the Trading Participants* All refunds shall be made through the Receiving Agent at the applicant's risk. Subject to final mechanics to be included in the Implementing Guidelines for Trading Participants, check refunds shall be available for pick-up at the office of the Receiving Agent on the fifth (5^{th}) Business Day after the end of the Offer Period. If such check refunds are not claimed after thirty (30) calendar days following the beginning of the refund period, such checks shall be mailed to the the applicant's registered address at the applicant's risk. *Refunds of the Local Small Investors* Refunds applicable to LSIs may be made to the LSI's nominated Trading Participant by transferring immediately available funds to the relevant bank account of, or via check to, each relevant nominated Trading Participant in such amount representing the total refund due to all affected LSI clients of the relevant nominated Trading Participants is subject to the latter's consent to receive the refund on behalf of its LSI clients and submission of the Letter Confirmation and Undertaking pursuant to the Company's Implementing Guidelines for LSIs.

Check refunds may also be made directly to the LSI for pick-up at the office of the Receiving Agent starting on the fifth (5th) Business Day after the end of the Offer Period. If such check refunds are not claimed after thirty (30) calendar days following the beginning of the refund period, such checks shall be mailed to the applicant's registered address at the applicant's risk.

Expected Timetable

The timetable of the Offer is expected to be as follows:

Price setting date	June 14, 2022
Notice of final Offer Price to the Philippine SEC and PSE	June 14, 2022
Receipt of Permit to Sell from the Philippine SEC	June 15, 2022
Start of Offer Period for PSE Trading Participants and the general investing public	June 17, 2022
Submission of Firm Order and Commitments by PSE Trading Participants	June 21, 2022
End of Offer Period for PSE Trading Participants and the general investing public	June 23, 2022
Institutional Offer Settlement Date	June 23, 2022
Listing Date and Commencement of Trading on the PSE	June 30, 2022

The dates included above are subject to the approval of the PSE and the Philippine SEC, market and other conditions, and may be changed at the discretion of the Company and the Issue Manager, Bookrunner, and Underwriter, subject to the approval of the Philippine SEC and PSE.

Risks of Investing

Before making an investment decision, prospective investors should carefully consider the risks associated with an investment in the Offer Shares. Certain of these risks are discussed in the section entitled "Risk Factors" and include risks relating to the Company's business, risks relating to the Philippines risks relating to the Offer and the Offer Shares, and risks relating to certain statistical information in this Prospectus.

SUMMARY HISTORICAL FINANCIAL AND OPERATING INFORMATION

The following tables set forth the summary financial information derived from the Company's audited financial statements for the years ended December 31, 2021, 2020, 2019, 2018, and 2017 which were prepared in accordance with PFRS and were audited by RT&Co. in accordance with the PSA, and should be read in conjunction with the financial statements, including the notes thereto, included elsewhere in this Prospectus, and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations on page 55 and other financial information included herein."

The Company's audited financial statements for the years ended December 31, 2021, 2020, 2019, 2018 and 2017 were prepared in accordance with PFRS and were audited by RT&Co. in accordance with the Philippine Standards on Auditing ("PSA"). The summary financial information below is not necessarily indicative of the results of future operations.

STATEMENTS OF COMPREHENSIVE INCOME
(All amounts in Philippine Pesos '000s, except per share data)

	For the years ended December 31,				
	Audited				
	2017	**2018**	**2019**	**2020**	**2021**
Net Sales	₱193,350	₱210,162	₱233,192	₱110,144	₱148,933
Cost of Sales	(108,418)	(112,076)	(120,212)	(56,298)	(71,227)
Gross Profit	**84,932**	**98,086**	**112,980**	**53,846**	**77,707**
Selling and Distribution Expenses	(54,820)	(70,069)	(78,643)	(38,933)	(45,335)
General and Administrative Expenses	(10,436)	(21,241)	(24,648)	(15,875)	(24,597)
Interest Expense	(118)	(529)	(1,012)	(1,334)	(1,725)
Other Income	251	591	1,365	1,323	5,727
Income Before Income Tax	**19,810**	**6,838**	**10,043**	**(973)**	**11,777**
Provision for (Benefit From) Income Tax					
Current	5,885	2,339	2,948	1,081	3,092
Deferred	18	(13)	60	(1,132)	143
	5,902	2,325	3,009	(51)	3,235
NET INCOME	**₱13,907**	**₱4,513**	**₱7,036**	**(₱922)**	**₱8,542**
Other Comprehensive Loss (Retirement loss on retirement benfits - net of effect in change in tax rate)	**(19)**	–	–	–	**(357)**
TOTAL COMPREHENSIVE INCOME	**₱13,889**	**₱4,513**	**₱7,033**	**(₱922)**	**₱8,185**

STATEMENTS OF FINANCIAL POSITION
(All amounts in Philippine Pesos '000s)

	As of December 31,				
	Audited				
	2017	**2018**	**2019**	**2020**	**2021**
ASSETS					
Current Assets					
Cash and Cash Equivalents	₱129,814	₱105,304	₱33,843	₱13,300	₱48,337
Trade and Other Receivables	–	1,012	2,046	3,082	2,405
Note Receivable	–	–	–	–	60,000
Merchandise Inventories	1,600	1,577	1,629	1,551	2,664
Due from Related Parties	8,031	26,246	106,530	122,294	7,582
Other Current Assets	9,989	12,648	14,496	14,036	13,074
Total Current Assets	**149,434**	**146,787**	**158,545**	**154,263**	**134,062**
Noncurrent Assets					
Property and Equipment	1,104	5,171	10,105	8,908	40,073
Intangible Assets	–	–	–	–	3,000
Right of Use of Assets	–	–	15,115	12,519	23,435
Security Deposits	–	–	405	405	–
Deferred Tax Assets	71	84	96	1,156	378
Total Noncurrent Assets	**1,175**	**5,255**	**25,722**	**22,989**	**66,886**
TOTAL ASSETS	**₱150,609**	**₱152,042**	**₱184,266**	**₱177,252**	**₱200,948**
LIABILITIES AND EQUITY					
Current Liabilities					
Trade and Other Payables	1,800	₱3,263	₱6,999	₱3,538	₱8,936
Current Portion of Lease Liabilities		–	1,550	1,781	8,471
Current Portion of Mortgage Payable	275	299	131	–	–
Due to Related Parties	800	–	50		
Note Payable	9,750	8,500	–	–	–
Income Tax Payable	2,240	–	1,218	167	2,225
Total Current Liabilities	**14,865**	**12,062**	**9,948**	**5,487**	**19,632**
Noncurrent Liabilities					
Lease Liabilities – Net of Current Portion	–	–	13,325	11,544	15,216
Mortgage Payable – Net of Current Portion	452	131		–	
Retirement Benefits Liability	236	281	319	542	1,261
Deferred Tax Liability	–	–	72	–	–
Total Noncurrent Liabilities	688	412	13,716	12,086	16,477
Total Liabilities	₱15,554	₱12,474	₱23,665	₱17,572	₱36,108

(Forward)
(Carryforward)

Equity attributable to Equity Holders of the Parent Company					
Capital Stock	47,500	47,500	53,500	53,500	58,500
Additional Paid in Capital	84,533	84,533	96,533	96,533	96,533
Retained Earnings	3,041	7,555	10,588	9,666	10,182
Other Comprehensive Loss	(19)	(19)	(19)	(19)	(376)
Total Equity	**135,055**	**139,568**	**160,602**	**159,679**	**164,840**
TOTAL LIABILITIES & EQUITY	**₱150,609**	**₱152,042**	**₱184,266**	**₱177,252**	**₱200,948**

STATEMENTS OF CASH FLOWS
(All amounts in Philippine Pesos '000s)

	For the years ended December 31,				
	Audited				
	2017	**2018**	**2019**	**2020**	**2021**
CASH FLOWS FROM OPERATING ACTIVITIES					
Income Before Income Tax	**₱19,809**	**₱6,838**	**₱10,042**	**(₱973)**	**₱11,777**
Adjustments for:					
Depreciation and Amortization	451	1,352	4,665	6,265	11,774
Interest Expense	118	528	1,012	1,334	1,725
Gain on:					
Sale of property and equipment	–	–	–	–	(3,285)
Termination of lease	–	–	–	–	(1,463)
Rent Concessions				(1,103)	–
Interest Income	(27)	(36)	(20)	(6)	(773)
Retirement Benefit Expense	(59)	44	39	223	245
Gain on Sale of Available for Sale Financial Assets	(120)	–	–	–	–
Operating Income before Working Capital Changes	**20,172**	**8,727**	**15,738**	**5,740**	**19,999**
Decrease (Increase) in:					
Trade and Other Receivables	951r	(1,012)	(219)	(1,036)	677
Merchandise Inventories	(145)	23	(52)	78	(1,113)
Other Current Assets	(1,704)	(1,312)	(4,820)	460	(1,449)
Security Deposit	–	–	(405)	–	(825)
Increase (Decrease) in:					
Trade and Other Payables	(8,549)	1,463	3,736	(3,461)	2,592
Net Cash Generated from Operations	**10,724**	**7,890**	**13,978**	**1,781**	**19,880**
Income Tax Paid	(12,231)	(5,926)	(383)	(2,132)	(282)
Interest Paid	(118)	(529)	(644)	(3)	–
Interest Received	27	36	20	6	773
Net Cash Flows from/(used) Operating Activities	**(₱1,597)**	**₱1,471**	**₱12,971**	**(₱348)**	**₱20,370**

(Forward)
(Carryforward)

CASH FLOWS FROM INVESTING ACTIVITIES					
Advances to Related Parties	(12,598)	(149,745)	(233,657)	(15,764)	(31,181)
Acquisitions of Property and Equipment	(1,152)	(5,419)	(7,867)	(2,472)	(43,230)
Collection of Advances to Related Parties	7,566	131,530	153,373	–	98,387
Proceeds from Sale of AFS Financial Assets	26,120	–	–	–	–
Net Cash Flows from/(used) Investing Activities	**19,936**	**(23,634)**	**(88,151)**	**(18,236)**	**23,977**
CASH FLOWS FROM FINANCING ACTIVITIES					
Payments of:					
Cash Dividends	(52,262)	–	(4,000)	–	(8,025)
Lease Liabilities	–	–	(1,531)	(1,779)	(6,285)
Mortgage Payable	(138)	(297)	(299)		–
Due to related parties	–	(3,621)	–	(50)	–
Notes payable	(250)	(1,250)	(8,500)	–	–
Deposit for future subscription	–	–	–	–	–
Proceeds from issuance of shares	117,682	–	18,000	–	5,000
Issuance of promissory note	10,000	–	–	–	–
Availment of mortgage loan	865	–	–	–	–
Collection of subscription receivable	9,750	–	–	–	–
Advances from related parties	800	2,821	50	–	–
Net Cash Flows from/(used) Financing Activities	**86,448**	**(2,347)**	**3,720**	**(1,960)**	**(9,310)**
NET INCREASE (DECREASE) IN CASH	**104,787**	**(24,510)**	**(71,461)**	**(20,543)**	**(35,037)**
CASH AT BEGINNING OF PERIOD	**25,027**	**129,814**	**105,304**	**33,843**	**13,300**
CASH AT END OF PERIOD	**₱129,814**	**₱105,304**	**₱33,843**	**₱13,300**	**₱48,337**

KEY PERFORMANCE INDICATORS

Key Performance Indicators

The Company uses a range of financial and operational key performance indicators ("KPIs") to help measure and manage its performance. These KPIs reflect the Company's continuous focus on efficiency, cost control and profitability across all its operations. The management considers the following as KPIs:

	For the years ended December 31			
	2018	**2019**	**2020**	**2021**
Revenue Growth	8.7%	11.0%	-52.8%	35.2%
Gross Profit Margin	46.7%	48.4%	48.9%	52.2%
Net Income Margin	2.1%	3.0%	-0.8%	5.7%
EBITDA (₱ thousands)	8,683	15,699	6,620	24,502
EBITDA Margin	4.1%	6.7%	6.0%	16.5%
Return on Average Assets	3.0%	4.2%	-0.5%	4.3%
Return on Average Equity	3.3%	4.7%	-0.6%	5.3%
Current Ratio	12.17	15.94	28.12	6.83
Debt to Equity Ratio	8.9%	14.7%	11.0%	21.9%
Solvency Ratio	0.47	0.49	0.30	0.55
Assets-to Equity Ratio	1.09	1.15	1.11	1.22
Interest Rate Coverage Ratio	16.41	15.51	4.96	14.20
Debt Service Coverage Ratio	0.78	5.97	-0.55	1.39
Earnings Per Share	9.50	13.93	-1.72	0.01
Book Value Per Share	293.83	318.02	298.47	0.28

[1] *Gross Profit Margin is gross profit as a percentage of revenues*
[2] *Net Income Margin is net income as a percentage of revenues*
[3] *EBITDA is defined as earnings before interest, tax, depreciation and amortization*
[4] *EBITDA margin is EBITDA as a percentage of revenues*
[5] *Return on Average Assets is net income as a percentage of the average of the assets as at year-end and assets as at end of the immediately preceding year*
[6] *Return on Average Equity is net income as a percentage of the average of the equity as at year-end and equity as at end of the immediately preceding year*
[7] *Current Ratio is current assets divided by current liabilities*
[8] *Debt to Equity Ratio is total liabilities over total equity*
[9] *Solvency Ratio is net income plus depreciation divided by total liabilities*
[10] *Assets to Equity Ratio is total assets over total equity*
[11] *Interest Rate Coverage Ratio is EBITDA over Interest Expense*
[12] *Debt Service Coverage Ratio is net operating income over total debt service*
[13] *Earnings Per Share is net income over average outstanding shares*
[14] *Book Value Per Share is total equity over average outstanding shares*

RISK FACTORS

An investment in the Offer Shares involves a number of risks. You should carefully consider the risk factors described below, in addition to other information contained in this Prospectus, including our financial statements and notes relating thereto, before deciding to invest in the Offer Shares. The price of securities can and does fluctuate, and any individual security is likely to experience upward or downward movements and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. Our past performance is not a guide to our future performance. There may be a large difference between the buying price and the selling price of the Offer Shares and there is an additional risk of loss of investment when securities are purchased from smaller companies. For investors that deal in a range of investments, each investment carries a different level of risk.

Investors should carefully consider all the information contained in this Prospectus, including the risk factors described below, before deciding to invest in the Offer Shares. The occurrence of any of the following events, or other events not currently anticipated, could have an adverse effect on our business prospects, financial condition, results of operation, the market price of the Offer Shares and our ability to make dividend distributions to our shareholders. All or part of an investment in the Offer Shares could be lost.

The means by which we intend to address the risk factors discussed herein are principally presented under "Business" beginning on page 75, "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on page 55, and "Board of Directors and Senior Management— Corporate Governance" on page 126 of this Prospectus. We believe that our efforts to manage the risks relating to our business will help to alleviate the risks relating to the Philippines that our Company has not specifically addressed.

This risk factors discussion does not purport to disclose all of the risks and other significant aspects of investing in the Offer Shares. Investors should undertake independent research and study the trading of securities before commencing any trading activity. Investors may request publicly available information about our Company from the Philippine SEC. An investor should seek professional advice if he or she is uncertain of, or has not understood, any aspect of this Offer or the nature of risks involved in purchasing, holding and trading the Shares. Each investor should consult his or her own counsel, accountant and other advisors as to the legal, tax, business, financial and related aspects of an investment in the Shares.

The risk factors discussed in this section are of equal importance and are separated into categories for ease of reference only.

Risks Relating to Our Business

The Company's business and operations are adversely affected by the COVID-19 global pandemic.

In March 2020, the World Health Organization declared the COVID-19 infectious disease as a pandemic. The first COVID-19 disease was reported to have been transmitted to humans during late 2019, and has spread globally over the course of 2020. In line with this, the Philippine Government has taken measures to contain the spread of the virus through varying degrees of community quarantine. This includes travel restrictions, social distancing measures, and suspension of operations of non-essential businesses. On December 2021, Metro Manila was placed under General Community Quarantine – Alert Level 2 ("GCQ"). The level of community quarantine for every area has no assurance and may be made more stringent or more relaxed. This continues to challenge the Philippines as mobility and commercial activities are restricted.

The Philippine government commenced the vaccination for high-risk individuals in February 2021. This includes senior citizens, individuals with comorbidities, and healthcare workers. In June 2021, the vaccination drive was expanded to the private sector workers, government sector workers, informal sector workers, and self-employed.

During the peak of the community quarantine in March 2020, the Company was forced to temporarily cease operations of 93% of its stores due to various limitations brought by government health protocols.

As the community quarantine eased, the Company was able to open as much as 70% of its stores in June 2020 and 86% of its stores in December 2020. In June 2021, the Company acquired certain assets of Balai Pandesal, which allowed the Company to have a brand viable for roadside operations. The Company operates 25 BP company-owned stores and 6 BP franchised stores as of December 31, 2021.

The Company believes this risk can be managed through the Company's strengths and strategies to ensure competitiveness in the market. The Company strictly observes safety protocols and frequent disinfection of its stores. BALAI follows the guidelines of the Inter-Agency Task Force (IATF) to ensure the safety and health of the customers and employees. As of December 31, 2021, it has onboarded 53.2% of its store network on online delivery platforms such as Grabfood and Foodpanda to cater to the demand of customers accessing online channels throughout the quarantine period. The Company has also made available its Balai Pandesal products on the Group's website www.BabotsMart.com.

For a more detailed discussion please refer to the Company's Competitive Strengths on page 77 of the Prospectus.

Financial performance may be materially and adversely affected by an increase in the costs of goods and disruption in the supply of key raw materials and key products.

The Company relies on its relationship with key suppliers for raw materials and key products. Its top two (2) suppliers are FGI and NTI, both affiliates of the Company. For the years 2019 and 2020, the Company sourced substantially all of its raw materials from FGI and NTI, while for 2021, about 87.6% of the Company's raw material purchases came from both the affiliate companies. These transactions are in arms' length as the prices of goods supplied to BALAI are at par with goods supplied to the affiliates' respective franchise operators. Any material interruptions, including failure or delays in delivering the products, such as, poor infrastructure or delays in third party transit can affect the timeliness of the supply operation. These can be detrimental to the distribution channel which may cause a shortage in products thus affecting sales and growth prospects. Furthermore, the Company may not be able to find alternative distributors or suppliers on time or at all which will affect the stores. Insolvency of key suppliers or losing a relationship with key suppliers may be detrimental to the Company's competitive position. Further, considering that the Company provides affordably priced goods, it may opt to not pass along the price increase of its supplies to the consumers thus affecting its profit margins. On the other hand, any price increase passed to the consumers may adversely affect our sales and those of our franchise owners.

The Company's business is susceptible to natural phenomena, such as weather disturbances and other natural disasters. The Philippines, which is located along the Pacific Ring of Fire and a typhoon belt, has experienced a number of major natural catastrophes over the past years, including typhoons, volcanic eruptions, earthquakes, tsunamis, mudslides, fires, droughts and floods related to El Niño and La Niña weather event, which may adversely affect the Company's business operations.

The Company hopes to lessen the negative impact of fluctuations in the cost of goods and disruption in supply by continuing to maintain a strong relationship with its suppliers as this allows the Company to have consistent supply of its raw materials at competitive costs. The Company also leverages on the wide network of suppliers of its affiliates to maintain an optimal level of raw material purchases.

Increase in operating and other expenses could lead to a material impact on our financial results.

The ability to control expenses is integral to the Company's financial results. Rent and Salaries and Wages are the Company's most significant operating expense. The Company generally leases its store sites from lessors on a short-term basis which usually ranges from six (6) months to one (1) year. However, the Company has been able to consistently renew its leases. Despite rent contracts being renewed regularly, constant communication with the lessors takes place to assess the sustainability and profitability of the outlets at their respective locations. Not being able to rent space at a suitable price or find space that will satisfy operations may lead to increase in operating expenses or lead to closure of stores which can materially affect the financial results of the Company. Apart from rent, salaries and wages contribute the most in our expenses. Typically, each store has one (1) crew assigned apart from the support from the head office. An increase in the daily wages could materially impact our financial results.

The Company believes maintaining a good relationship with its lessors can help mitigate this risk. The Company has a dedicated team, the Operations Support Group, which handles all lessor-related activities including store-network expansion. The Group has already established strong relationships with its network of lessors to maintain a pipeline for its store network expansion. On a regular basis, the Company evaluates the major expenses relative to its operations. BALAI takes necessary actions to ensure operational efficiency.

The conflict between Russia and Ukraine can adversely affect the financial results and performance of the Company. Russia is the third-largest producer of petroleum and is a major exporter of natural gas while Ukraine's farms feed millions around the world. As the conflict continues, prices of commodities are expected to increase and supply is expected to reduce. The operational and financial disruptions brought by global confilicts can materially affect the operations and expenses of the Company.

The Company believes that its regular operational and product assessments can mitigate the risk brought by global conflicts to reduce impact in the Company's financial results. The Company continues to explore strategic alternatives to be more flexible and efficient in its operations and product offerings.

The baked goods and food and beverage kiosk industries are highly competitive, and competition could lower the Company's revenues. The industry in which the Company belongs to is affected by consumer preferences and perceptions. Changes in these preferences and perceptions may lessen the demand for the products, which could reduce sales of all stores, whether owned or franchised.

The baked goods and food and beverage kiosk industries in the Philippines are highly competitive with relatively low barriers to entry. As such, there are many well-established food services that compete directly and indirectly with the Company. The Company's competitors are located domestically. The domestic competitors in the Baked Goods category include *The French Baker, BreadTalk, Pan De Manila, Julie's Bakeshop* and *Panaderia All Day Hot Pandesal,* although the Company currently targets the same customer segments as the latter three; in the Fruit-based Desserts category, *Iceberg's, Kabigting's, Maxi Mango,* and *Avocadoria.* These competitors may not be the only ones in the industry as there can be other major or minor players in each category. If the Company will not be able to compete with them, this could adversely affect the financial conditions and operations of the Company.

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

The Company has a dedicated Research and Development ("R&D") team which plays a major role in mitigating the said risk. The R&D team assesses the competition and implements necessary strategies that can help its brands become more relevant in the industry. The team continues to innovate the product offerings and ensures the quality of goods is maintained.

There may be direct competition between the Company and the Selling Shareholder.

The Selling Shareholder is a holding company of food and beverage kiosk operators with multiple active brands across its portfolio, including that of BALAI. These operators serve Philippine consumers daily with fresh fruit shakes and juices, lemonade, coolers, milk tea, desserts, meat-filled pastries, and lechon (roasted pig), among other products. The multiple brands across its portfolio allows the Group to serve a wide array of products to the local market. Though there may be circumstances where products are sold across the subsidiaries of the Selling Shareholder, the Company believes that there will be no conflict with the Company as direct competition will be seen on the subsidiary level. However, there can be no assurance that the interests of the Company will not conflict with, or be subordinated to those of the Selling Shareholder's subsidiaries in such circumstances.

While the Company may be operating in the same industry, it distinguishes itself from the Selling Shareholder's other offerings through its baked products, while the Selling Shareholder is a holding company of food and beverage kiosk operators. The Company recently acquired Balai Pandesal in June 2021, allowing the entry of BALAI into the baked goods industry. The acquisition included initial inventories, technical know-how, equipment and vehicle, and trademark. The Company entered into separate and distinct franchise agreements with Balai Pandesal Corp. and JAD Signature Breads Inc. for five (5) franchised stores within a month after the asset acquisition. The Company was able to grow the store network to 31 community stores, which includes 25 company-owned and 6 franchised stores within 6 months after the acquisition. The Company intends to use part of the proceeds of the Offer to open stores carrying the Balai Pandesal brand, aimed to complement the products of the Group.

The Company's day-to-day operations may be affected by failures, interruptions, damage, unavailability and delays of physical operating infrastructure (logistics/distribution network)

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

If the day-to-day operations are affected, then there is a risk of franchised stores not receiving the supplies needed for daily operations. This could lead to complaints and litigations against the Company that could sever relationships with franchise owners and could severely affect the Company's growth prospects.

The Company believes this risk can be mitigated as a part of the Company's Use of Proceeds on page 41 of the Prospectus. This includes strengthening the logistics of BALAI, ongoing hiring of personnel, investing on equipment and vehicles, and the Company's store expansion plans. However, there is no assurance that the Company can provide an effective mitigation to such risk.

The Company is a party to a number of related party transactions.

In the ordinary course of the Company's business, it has transactions with related parties, which include FHI and its subsidiaries. The agreements and the Company's other related party transactions are described in greater detail in the section "Related Party Transactions" in page 136 of this prospectus and the notes to the Company's financial statements. Such independence may mean that any material adverse changes in the operations or financial condition of related parties could adversely affect the Company's operational results.

On July 8, 2020, the BIR issued Revenue Regulations No. 19-2020 to ensure the effective implementation of Philippine Accounting Standards (PAS) 24 on Related Party Disclosures for tax purposes. In order to ensure that proper disclosures of related party transactions are made and that these transactions have been conducted at arm's length, an entity's financial statements shall contain disclosures necessary to draw attention to the possibility that taxpayer is required to disclose information on the amount of outstanding balances, and expense recognized during the period in respect of bad or doubtful debts due from related parties. Accordingly, the BIR requires the submission of BIR Form No. 1709 or Information Return on Transactions with Related Party and its supporting documents following the guidelines prescribed by the related revenue issuances for the submission of the required attachments to the Annual Income Tax Return.

The Company believes that the Corporate Governance provisions and Related Party Transaciton policies adopted by the Company would help manage the risk of conflicts of interest relating to related party transactions.

The Company's growth is dependent on the expansion of the Balai Pandesal brand.

The Company acquired the Balai Pandesal brand on June 2021. However, the brand was established and has been existing in the market since 2012. The Company sees great potential in the baked goods industry, thus putting more weight on the expansion of the Balai Pandesal brand despite just taking over of the assets and operations in 2021. The expansion of the Balai Pandesal brand, through organic expansion and a franchising model, is seen to drive the growth of the Company in the coming years. The management has proven that it has the capability in establishing a profitable franchising model through its affiliates. The Company believes that its management's years of experience in the food and beverage industry would be vital to the sucess of operating and expanding the Balai Pandesal brand.

The business is subject to government regulations. Non-compliance may lead to fines, penalties and/or other legal sanctions, which may disrupt the operations of the Company.

The business and operations of the Company are subject to a number of laws, rules and regulations governing the baked goods industry and food and beverage kiosk industry in the Philippines. These laws and regulations impose requirements relating to food manufacturing and storage. In particular, the Company is subject to extensive regulation by local government units ("LGU").

There is no assurance that changes in laws, rules or regulations or the interpretation thereof of relevant government agencies, may not adversely impact the business operations, financial condition and results of operations of the Company. Failure to comply with relevant laws and regulations may result in financial penalties or administrative or legal proceedings against the Company, including the revocation or suspension of the licenses or operation of its store operations, all of which could adversely impact the business, prospects, financial condition, and results of operation of the Company.

While the Company applies for and obtains the licenses and permits required for its business on an ongoing basis, and seeks to renew such licenses upon their expiration, there can be no assurance that the relevant authorities will grant or renew such licenses, permits and other authorizations in a timely manner or at all. In the event that the Company is unable to renew or obtain the required licenses, or meet any licensing requirements in a timely manner, the Company's operations could be adversely affected. In the event that the Company is unable to meet any licensing requirements, the authorities may suspend, revoke or impose penalties on the Company's operations.

The Company is in constant consultation with relevant government agencies and other approving bodies to ensure that all requirements, permits and approvals are anticipated and obtained in a timely manner. Further, the Company has processes in place in order to manage adherence to laws and regulations. The Company has a dedicated and experienced compliance team which processes applications for relevant permits and approvals and monitors compliance with the terms thereof.

There may be food safety and foodborne illness concerns.

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

This risk exists even if it were later determined and was wrongly attributed to the Company or one of the Company's stores. The occurrence of food safety or foodborne illness incident at one or more of the stores, or negative publicity or public speculation about an incident, could materially adversely affect our business, financial condition and results of operations. The Company strictly observes internal controls on ensuring cleanliness of the stores, proper product handling, and securing the health permits for its store crew. The Company addresses any complaints immediately to prevent any incident escalations.

The Company is exposed to the risk of industrial or labor disputes

The Company has not experienced any organizational conflicts that may affect its operations. There can be no assurance that the Company will not experience future disruptions to its operations due to any concerted action by our workforce.

To date, there are no material pending labor-related claims filed by any of our direct employees against our Company.

The Company nevertheless continues to be exposed to the risk of industrial or labor disputes. The occurrence of such events could have a material adverse effect on our Company's business, financial condition, or results of operation. Regardless of the outcome, these disputes may lead to legal or other proceedings and may result in substantial costs, and the diversion of resources and management's attention. To mitigate such risk, the Company maintains a harmonious relationship between its management and staff through its dedicated Human Resources department.

Franchisees could take actions that could harm the Company's business.

The Company currently has 6 franchised stores under 2 franchisees. The franchisees are contractually obligated to operate their stores in accordance with the operations, safety, and health standards set forth in our agreement with them. However, franchisees are third parties whom we do not fully control. The franchisees own, operate, and oversee the daily operations of their stores. As a result, the ultimate success and quality of any franchised store rests with the franchisee. If franchisees do not successfully operate stores in a manner consistent with required standards, franchise revenues will be affected and brand image and reputation could be harmed, which in turn could materially and adversely affect the business and operating results.

BALAI believes it generally enjoys a positive working relationship with its franchisees, potential disputes with them could damage the Company's brand reputation. Futher, the Company belives that the franchise agreements clearly outline the terms and conditions of the relationship of the parties.

The results of the Company's operations and growth strategy depend in part the success of its franchisees, and it is subject to various additional risks related with the franchise owners.

The franchising of the Company's brands will be integral to its growth strategy. With a portion of BALAI's revenues coming from finished goods supplied to its franchise owners which is part of the Company's long-term growth strategy, the Company is reliant on the performance of its franchisees. The franchisees' ongoing operations and their timely basis of paying BALAI for the finished goods bought are integral to the Company's financial performance. Additionally, franchisees are independent and are not BALAI's employees. The Company regularly monitors the operations of franchised stores, but do not implement direct control over their day-to-day operations. The quality of these franchisee-owned stores may be diminished by any number of factors beyond the Company's control. BALAI cannot be certain that its franchisees will have the business insight or financial resources necessary to operate the franchise consistent with the Company's standards and requirements and may materially affect BALAI's business operations and financial condition.

Being independent business operators, franchisees from time to time may disagree with the Company's requirements, and their rights and obligations under the franchise agreements. These may lead to disagreements and disputes in the future which may divert the attention of the management and the franchisees from operating the community stores, kiosks, or inline stores and can affect BALAI's image, reputation and franchising attractiveness to those once desiring franchise owners. As such, these potential disputes can substantially affect BALAI's business, operations, financial condition and results of operations. The Company believes that the said risk is mitigated by a team which builds and maintains a harmonious relationship with its franchisees. The relationship is formalized through the franchise agreement which outlines the terms and conditions of the relationship of the parties.

If BALAI fails to identify and recruit a sufficient number of qualified franchise owners, its ability to open new franchised stores and increase its revenues could be substantially affected.

Being able to open new franchised stores in part depends on the availability of competent franchise owners who meet our criteria. Franchised stores represent 8% of the total stores as of December 31, 2021 and are material to the future growth. BALAI may not be able to identify, recruit or contract suitable prospective franchise owners for its target market or its target locations on a timely basis or at all. Furthermore, the franchise owners may not have the financial or management resources needed to open the stores within the said agreements with us. Moreover, if these franchise owners decide to cancel said store agreement with the Company for other reasons, then this could hamper BALAI's ability to grow and increase revenue, profitability and operations. The Company believes this is mitigated by a team handling franchisee relations and expansion.

BALAI's success depends substantially on the value of its brands.

The Company's success is dependent in large part upon its ability to maintain and enhance the value of its brands, and its customers' connection to BALAI's brands. Brand value can be severely damaged even by isolated incidents, particularly if the incidents receive considerable negative publicity or result in litigation. Some of these incidents may relate to the way the Company manages its relationships with its franchisees, growth strategies, development efforts, or the ordinary course of the franchisees' business. Other incidents may arise from events that are or may be beyond the Company's ability to control and may damage the Company's brands, such as actions taken (or not taken) by one or more franchisees or their employees relating to health, safety, welfare or otherwise; litigation and claims; security breaches or other fraudulent activities; and illegal activity targeted at us or others. Consumer demand for the products and the brands' value could diminish significantly if any such incidents or other matters erode consumer confidence in the Company or in the products, which would likely result in lower sales, which in turn could materially and adversely affect the business and operating results. The Company mitigates this risk by continuously strengthening, building the brand, expanding its stores, and a consistent product introduction.

The Company may fail to successfully implement its growth strategy, which includes opening new stores in strategic locations and maintaining its existing store network, thus adversely affecting its ability to increase its revenues and operating profits.

A key element of BALAI's growth strategy is the capability to successfully open new stores in different regions and locations. For the foreseeable future, BALAI sees this as its strategy as it intends to be easily accessible to its customers with its physical outlets. Being able to expand the Company's store network in different locations is important for BALAI's growth. The continuous operations of the stores are achieved by regularly renewing the lease contracts with various business operators and landowners/lessors. Therefore, BALAI is highly dependent on whether these contracts will be renewed. Historically, the lease contracts with lessors have been consistently renewed. However, suspension or delay in renewal of these lease contracts can adversely affect the Company's ability to increase its revenues and operating profits.

Another challenge is the ability to compete within the Company's chosen locations. Depending on the category of products, there are other well-known brands that the Company will have to compete with which can hamper the sales and profitability of its brands in the respective area. Falling short on innovation or product differentiation can also adversely affect store network expansion as a strategy.

BALAI's ability to open new stores will depend on the following factors, including:

- *identifying, hiring and training qualified employees for each site;*
- *prompt commencement and completion of construction activities;*
- *appointing qualified independent contractors;*
- *managing the costs of these said constructions;*
- *securing required government business and construction permits and licenses in a timely manner and responding effectively to any changes in laws and regulations that can affect its ability to open new stores;*
- *negotiating lease contracts with acceptable terms;*
- *timely delivery of leased premises from business operators;*
- *fortuitous events leading to operational problems;*

The Operations Support Group spearheads the store network expansion. To mitigate this risk, the team ensures the feasibility of the identified locations by assessing the customer base, market generators, foot traffic, future developments, market profile, and other related operational expenses such as rent and logistics. The Operations Support Group carefully examines these factors per location prior to pursuing expansion to the respective location. The Company hopes that the activities executed by the team mitigates the risk of failing to successfully implement its growth strategy.

The Company is dependent on key members of its management team.

The senior officers and key employees of the Company have been instrumental in setting the strategic direction, operating the business, identifying, recruiting and training key personnel, identifying expansion opportunities and arranging necessary financing. BALAI believes that these individuals cannot be easily replaced with executives of equal experience and capabilities. The success of its business continues to depend to a significant degree upon the continued contributions of the senior officers and key employees, both individually and as a Company. BALAI's future performance will substantially depend in particular on its ability to retain and motivate its senior officers and key employees. Losing the services of any of these individuals could adversely affect the business until a suitable replacement is found. The Company believes this risk can be mitigated by effectively recruiting and retaining employees as well as training and developing employees.

The Company may be adversely affected by complaints, negative publicity or litigation in relation to its products and services.

The Company's growth is dependent on its ability to maintain and enrich its brand equity. Being a foodservice business, BALAI's customer's perceptions and relationship with its brands is vital to its strategy. The Company believes that it has built a reputation of delivering quality products at an affordable price and that the staff and service is friendly and accommodating. In order to grow more in the future, the Company must protect and nurture its image and culture to be able to expand the business. Any incident that damages customer confidence or affinity to the brands can be detrimental to the growth of the business. For example, if a customer perceives that the product or service has suffered in quality or accommodation, or otherwise deems that the Company failed to deliver a consistent positive consumer experience, this could adversely affect the Company's brand equity

Furthermore, BALAI can be negatively affected by news reports or other such materials that can hurt its public image in the media, food quality issues, health concerns, customer objections or litigations, health inspections, reliability and integrity of the third-party supplier's food or beverage processes, government or industry studies concerning the stores and franchised stores' ability to be up to par with the Company's food quality and service and customer satisfaction. These risks coupled with such negative publicity cannot be fully disregarded which can substantially affect some or all of its brands. As we are limited and unable to fully control the quality and services the franchise owners provide, there is a risk of customers associating one franchised store's negative publicity to the Company's operations.

The Company has established quality assurance measures to ensure that the quality of its products is constantly maintained. Apart from this, the Company has also identified a team which receives and monitors customer feedback. These feedbacks are carefully assessed and rectified accordingly.

The Company, its directors and officers may be involved in legal and other proceedings in the ordinary course of business.

In the ordinary course of the Company's business, claims may be brought against the Company for breach of contract, law, or regulation, as well as claims relating to taxes, among others. If found to be liable, the Company would have to incur a charge against earnings to the extent a reserve had not been established for the matter in the Company's accounts, or to the extent the claims were not sufficiently covered by the Company's insurance. Additionally, from time to time, the Company, its officers or directors may be involved in other types of disputes with various parties and may be adversely affected by complaints, investigations and litigation from customers or regulatory authorities.

To manage this risk, the Company strives to maintain good relationship with customers, suppliers, regulators and other parties it regularly deals with, and to resolve disputes early and amicably, when appropriate, both claims brought against or by the Company. However, if not resolved through negotiation, claims are often subject to lengthy and expensive litigation or arbitration proceedings such that the amounts ultimately realized from claims by the Company could differ from the balances included in its financial statements. Such claims could therefore have an adverse impact on the Company's business, financial condition and results of operations. As of the date of this Prospectus, the Company is not involved in any litigation, nor, to the Company's knowledge, is any material litigation currently threatened against it.

The Company's intellectual property rights could be infringed or the Company could infringe the intellectual property rights of others.

The intellectual property is integral to the conduct of the business and strategy. The ability to implement the business plans and maintain and create brand recognition using the trademarks and other proprietary intellectual property is essential to the business. While it is the Company's policy to protect and defend vigorously the rights to the Company's intellectual property, BALAI cannot foresee whether steps taken to protect its intellectual property will be sufficient to prevent misappropriation of its rights. It could be difficult for the Company to prevent other parties from copying elements of its concepts and any litigation against these parties may be unsuccessful.

Although the Company believes that it has sufficient rights to all of trademarks and service marks used it its business, the Company may face claims of infringement that could interfere with its ability to market the products of the Company and promote its brand. The Company may face litigations of infringement that could derail its ability to expand and market its brand equity. Any such litigation may be costly and could divert financial resources and employee efforts from the business. Furthermore, if the Company fails to defend itself against such litigations then it may be unable to use its trademarks and intellectual properties in the future and may be liable for damages which could adversely affect the business, financial condition, brand awareness and operations. The Company regularly monitors and evaluates the trademarks and service marks it uses in its business to ensure that the Company has and maintains sufficient rights to all of trademarks and service marks used it its business.

The Company values its brands, thus the application of several intellectual property rights to protect BALAI's brand portfolio. Any infringement on its registered brands will be acted upon accordingly by the Company.

The Company may be adversely affected in the event of an implementation of the Price Act in specific areas

The Price Act was passed to ensure the availabily of basic necessities and prime commodities at reasonable prices at all times without denying legititamate business a fair return on investment. It is also a declared policy of said law to provide effective and sufficient protection to consumers against hoarding, profiteering and cartels with respect to the supply, distribution, marketing and pricing of said goods, especially during periods of calamity, emergency, widespread illegal price manipulation and other similar situations. The Company is covered by the said act as its main products include several bread products which is sold by BP. During an implementation of the Price Act, the government shall have authority to control the prices of basic necessities and prime commodities thus limiting the Company to control its margins.

The Company ensures strong and definitive relationship with its suppliers. Long-term supplier contracts are executed to secure prices of raw materials. A complete and stable network of suppliers is also maintained to have certainty of supply with cost-efficient prices. Apart from establishing the supply of goods for the Company, the Management are keen on managing the workforce together with the labor cost to sustain the business especially during unprecedented situations.

Risks Relating to the Philippines

To mitigate the risks discussed below, the Company shall continue to adopt the necessary and appropriate financial and operational controls and policies taking into consideration the prevailing business, economic, and political environment, bearing in mind the interests of its customers, shareholders, and other stakeholders.

Economic conditions adversely affecting consumer discretionary spending may negatively impact the business and operating results.

BALAI believes that its sales, customer traffic, and profitability are strongly correlated to consumer discretionary spending, which is influenced by general economic conditions, unemployment levels and the availability of discretionary income. There is no assurance that there will be no occurrence of an economic slowdown in the Philippines. An economic downturn could have a material adverse effect on its sales, profitability, and overall business and operating results.

The Company's operations are concentrated in the Philippines, and are therefore highly exposed to business, political, operational, financial, and economic risks in the Philippines. Any downturn in general economic conditions in the Philippines could have a material adverse impact on our business operations.

All of the business operations are currently conducted in the Philippines. Since the entire revenue is sourced from the Philippines, the results of operations, financial condition and prospects are subject to a significant degree to the general state of the Philippine economy. There is no assurance that there will be no occurrence of an economic slowdown in the Philippines. In addition, demand for the Company's products is tied closely to domestic consumer purchasing power and disposable income levels. Any decrease in consumer purchasing power and disposable income levels could have a material adverse effect on the business, operations, and financial condition of the Company.

The Philippines is currently experiencing an economic downturn due to the COVID-19 pandemic and community-wide quarantines. The country's gross domestic product suffered a -9.5% contraction for the whole of 2020. The World Bank expects the Philippine economy to grow by 5.5% and 6.3% in 2021 and 2022, respectively. For the year 2020, domestic inflation averaged 2.6%, reaching as high as 3.5% in December. However, the average inflation was still within the government's 2% to 4% target. In 2020, BSP cut the rate on its overnight reverse repurchase facility several times, effecting a 200-basis point total reduction for the entire 2020. In addition, the Monetary Board cut the rate on the overnight deposit facility and the overnight lending facility to 1.50% and 2.50%, respectively. As of June 24, 2021, the Monetary Board maintained the interest rate on overnight reverse repurchase facility at 2.00% and the overnight lending and deposit facilities rates at 2.50% and 1.50%, respectively. A global recession also took place in 2020 as the economic effects of the COVID19 pandemic were felt in other countries, which also adversely affected the Philippine economy.

Any future deterioration in economic conditions in the Philippines could materially and adversely affect the Company's financial position and results of operations, including the Company's ability to grow its business, and its ability to implement the Company's business strategy. Changes in the conditions of the Philippine economy could materially and adversely affect the Company's business, financial condition or results of operations.

Factors that may adversely affect the economy include but are not limited to:

- decreases in business, industrial, manufacturing, or financial activity in the Philippines or in the global market;
- scarcity of credit or other financing, resulting in lower demand for products and services;
- the sovereign credit ratings of the country;
- exchange rate fluctuations and foreign exchange controls;
- a prolonged period of inflation or increase in interest rates;
- an increase in unemployment levels or decrease in consumer confidence;
- a decrease in remittances from overseas Filipino workers;
- changes in the Government's fiscal and regulatory policies;
- Government budget deficits;
- adverse trends in the current accounts and balance of payments of the Philippine economy;
- natural disasters, including typhoons, earthquakes, fires, floods, and similar events;
- public health epidemics or outbreaks of diseases, such as aa re-emergence of Middle East respiratory syndrome coronavirus (commonly known as MERS-CoV), Severe Acute Respiratory Syndrome (commonly known as SARS) or avian influenza (commonly known as the bird flu) or H1N1, and the recent novel Coronavirus (COVID-19), or the emergence of another similar disease (such as the Zika virus) in the Philippines or in the other countries in Southeast Asia;
- political instability, terrorism, or military conflict in the Philippines; and,
- other regulatory, political, or economic developments in or affecting our Company

Any downturn in the Philippine economy may have a negative impact on consumer sentiment and general business conditions in the Philippines, which may materially reduce the revenues, profitability and cash flows of the Company.

The occurrence of natural disasters or other catastrophes, severe weather conditions, or outbreaks of contagious diseases may materially adversely affect the Philippine economy and disrupt our operations.

The Philippines has experienced a number of major natural catastrophes including typhoons, droughts, floods, volcanic eruptions and earthquakes.

On January 12, 2020, the Taal Volcano erupted causing ash falls and earthquakes in Southern Luzon, some parts of Central Luzon and Pangasinan in Ilocos Region, including Metro Manila. The Philippine Institute of Volcanology and Seismology ("PHIVOLCS") issued an Alert Level 4, which means a hazardous explosive eruption may happen at any given moment. The explosion resulted to the suspension of classes, work schedules, and flights. On January 26, 2020, PHIVOLCS downgraded the classification to Alert Level 3, which means a decreased tendency towards hazardous eruption. The danger zone was likewise reduced from a 14-kilometer radius from the volcano's main crater, to a 7-kilometer radius. On February 14, 2020, PHIVOLCS further downgraded the classification to Alert Level 2, which means that there was a decreased unrest of the Taal Volcano given the less frequent volcanic earthquake activity, stabilizing ground deformation and weak steam and gas emissions at the main crater.

In 2017 alone, two (2) major earthquakes struck off the Philippines with a 6.8-magnitude earthquake affecting the Southern region of Mindanao in April and a 6.5-magnitude earthquake affecting Eastern Visayas in July. In October 2013, a 7.2 magnitude earthquake also affected Cebu and the island of Bohol, and in November, 2013, Super Typhoon Haiyan (called Yolanda in the Philippines) caused destruction, devastation, and casualties of unprecedented levels in Tacloban City, certain parts of Samar, and certain parts of Cebu, all of which are located in the Visayas, the southern part of the Philippines. There can be no assurance that the occurrence of such catastrophes will not materially disrupt the Company's operations. In the future, BALAI could experience substantial property loss as a result of any such catastrophe and might not be able to rebuild or restore operations in a timely fashion. Property insurance may not cover all cases of loss of material property. Any such accident could have a material adverse effect on the business, financial condition and results of operations.

Any political instability in the Philippines may adversely affect our business, results of operations and financial condition.

The Philippines has from time to time experienced political and military instability. In recent history, there has been political instability in the Philippines, including impeachment proceedings against two former presidents and the chief justice of the Supreme Court of the Philippines, hearings on graft and corruption issues against various government officials and public and military protests arising from alleged misconduct by previous and current administration. There can be no assurance that acts of political violence will not occur in the future and any such events could negatively impact the Philippine economy. An unstable political environment may negatively affect the general economic conditions and operating environment in the Philippines, which in turn could have a material adverse effect on the business, operations, and financial condition of the Company. In addition, the Company may be affected by political and social developments in the Philippines, including changes in the political leadership. The Philippine general elections for national, provincial, and local officials are scheduled to take place on May 9, 2022.

The Company may also be affected by changes in government policies in the Philippines. Such regulatory changes may include, but are not limited to, the introduction of new laws and regulations that could impact the Company's business.

There can be no assurance that the current or any new administration will continue to implement social and economic policies that promote a favorable and stable macroeconomic and business environment. Policy instabilities or fundamental change of policy directions, including those with respect to Philippine foreign policy, may lead to an increase in political or social uncertainty and the loss of investor confidence in the Philippines. Any potential instability could have an adverse effect on the Philippine economy, which may impact our business, prospects, financial condition and results of operations.

Acts of terrorism and violent crimes could destabilize the country and could have a material adverse effect on our business and financial condition.

The Philippines has been subject to a number of terrorist attacks since 2000. In recent years, the Philippine military has also been in conflict with the Abu Sayyaf organization, which claims to have ties to the al-Qaeda terrorist network and the ISIS, and has been identified as being responsible for certain kidnapping incidents and other terrorist activities, particularly in the southern part of the Philippines. Moreover, isolated bombings have taken place in the Philippines in recent years, mainly in cities in that part of the country. On January 25, 2011, a bomb was detonated in a bus in the northern city of Makati, Metro Manila, killing five persons. Although no one has claimed responsibility for these attacks, it is believed that the attacks were the work of various separatist, possibly including the Abu Sayyaf organization. An increase in the frequency, severity or geographic reach of these terrorist acts could destabilize the Philippines, and adversely affect the country's economy.

The Government and the Armed Forces of the Philippines ("AFP") have clashed with members of several separatist seeking greater autonomy, including the Moro Islamic Liberation Front ("MILF"), the Moro National Liberation Front ("MNLF") and the New People's Army ("NPA"). On October 19, 2011, 19 AFP troops were killed in a firefight with MILF members in the southern Philippines. On December 16, 2011, five AFP soldiers were killed in a clash with NPA members. In September 2013, MNLF members seized hostages in Zamboanga City, leading to a standoff and clashes with AFP troops. More than 50 people have been killed since these clashes began. On January 25, 2015, 44 members of the Special Action Force of the Philippine National Police were killed in an operation intended to capture or kill wanted Malaysian terrorist and bomb-maker Zulkifli Abdhir and other Malaysian terrorists and/or high-ranking members of the Bangsamoro Islamic Freedom Fighters and the MILF. These continued conflicts between the Government and separatist Companys could lead to further injuries or deaths by civilians and members of the military, which could destabilize parts of the country and adversely affect the country's economy.

On May 23, 2017, in the City of Barangay Basak Malutlut, Marawi City, there were a lot of heavy firing between the military and the Company known as the Maute which brought about war in Marawi. This has led President Duterte to call for Martial Law in Mindanao until the rebellion has quelled. Previous to becoming a militant Company who pledged loyalty to Islamic State, the Maute was a wealthy political family from the southern region of Mindanao. The insurgency started when the Maute matriarch- Farhana Maute had a clash between another political family headed by Butig Mayor

Dimnatang Pansar over the awarding of civil contract. This caused a common familial clash in Mindanao between families known as “rido”. As such, other militant Companys in southern parts of Mindanao joined the Mautes forming a joint front against the Philippine military. In effect, insurgencies such as this can have adverse effects on investor confidence and could derail growth prospects in the economy

There have also been a number of violent crimes in the Philippines, including the September 2, 2016-night market bombing in Davao City, killing at least 14 and injuring more than 60 people. Moreover, since the beginning of President Duterte’s term as President, more than 7,000 alleged drug users and dealers have been killed in police operations, and more than 2,200 people drug users and dealers have been killed by supposed vigilantes. High-profile violent crimes have, in the past, had a material adverse effect on investment and confidence in, and the performance of, the Philippine economy.

Territorial disputes with China and a number of Southeast Asian countries may disrupt the Philippine economy and business environment

Competing and overlapping territorial claims by the Philippines, the People’s Republic of China (“China”) and several Southeast Asian nations (such as Vietnam, Brunei and Malaysia) over certain islands and features in the West Philippine Sea (South China Sea) have for decades been a source of tension and conflict.

China claims historic rights to nearly all of the West Philippine Sea based on its so-called “nine-dash line” and in recent years dramatically expanded its military presence in the sea, which has raised tensions in the region among the claimant countries. In 2013, the Philippines became the first claimant country to file a case before the Permanent Court of Arbitration, the international arbitration tribunal based at the Hague, Netherlands to legally challenge claims of the PRC in the West Philippine Sea and to resolve the dispute under the principles of international law as provided for under the United Nations Convention on the Law of the Sea. In July 2016, the tribunal rendered a decision stating that the Philippines has exclusive sovereign rights over the West Philippine Sea (in the South China Sea) and that the “nine-dash line” claim of the PRC is invalid. The Government, under the current administration, has taken measures to de-escalate tensions concerning the territorial dispute with the PRC.

There is no guarantee that the territorial dispute between the Philippines and other countries, including the PRC, would end or that any existing tension will not escalate further, as the PRC has taken steps to exercise control over the disputed territory. In such event, the Philippine economy may be disrupted and its business and financial standing may be adversely affected.

Any deterioration in the Philippine economy as a result of these or other factors may adversely affect the Company’s operations. In particular, further disputes between the Philippines and other countries may lead to reciprocal trade restrictions or suspension of visa-free access and/or overseas Filipinos permits. Any such developments could materially and adversely affect the Company’s business, financial condition and results of operations.

Any decrease in the credit ratings of the Philippines may restrict the access to capital of Philippine companies, including us.

The Philippines is currently rated investment grade by major international credit rating agencies such as Moody’s, Standard & Poor’s and Fitch. In May 2020, the Philippines received its first credit rating outlook downgrade in 15 years after Fitch lowered the country’s credit outlook to stable from positive due to the economic fallout from the COVID-19 pandemic. As of July 16, 2020, Moody has affirmed the Philippines Baa2 rating with stable outlook. On January 10, 2021, Fitch affirmed the Philippines’ long-term foreign-currency issuer default rating at BBB, noting that the outlook is stable. On July 12, 2021, however, Fitch revised the outlook of the Philippines to negative, although its long-term foreign-currency issuer default rating remained at BBB. The change in outlook was attributed to the potential scarring effects, and possible challenges associated with unwinding the exceptional policy response to the COVID-19 health crisis and restoring sound public finances as the pandemic recedes.

As of May 28, 2021, S&P maintained its BBB+ long-term credit rating for the Philippines with a stable outlook, and also affirmed its A-2 short-term credit rating for the Philippines. While Moody’s and S&P retained the sovereign rating and stable outlook, no assurance can be given that these agencies will not downgrade the credit ratings of the Government in the future and, therefore, Philippine companies, including us. Any such downgrade could have an adverse impact on the liquidity in the Philippine financial markets, the ability of the Government and Philippine companies, including us, to raise additional financing and the interest rates and other commercial terms at which such additional financing is available.

Risks Related to the Offer and the Offer Shares

There can be no guarantee that the Offer Shares will be registered with the SEC and listed on the PSE, or that there will be no other regulatory action that could delay or affect the Offer.

Purchasers of Offer Shares will be required to pay for such Offer Shares on the Settlement Date, which on June 23, 2022. There can be no guarantee that listing will occur on the anticipated Listing Date or at all. Furthermore, there is no guarantee that the shares will be registered with the SEC. Delays in registration with the SEC and admission and the commencement of trading in shares on the PSE have occurred in the past. If the SEC does not approve the registration of the shares and the PSE does not admit the Offer Shares onto the PSE, the market for the Offer Shares would be illiquid and shareholders may not be able to trade the Offer Shares. This may materially and adversely affect the value of the Offer Shares.

There has been no prior market for the Offer Shares, so there may be no liquidity in the market for the Offer Shares and the price of the Offer Shares may fall.

As there has been no prior trading in the Company's Shares, there can be no assurance that an active market for the Offer Shares will develop following the Offer or, if developed, that such market will be sustained.

The Offer Price has been determined after taking into consideration a number of factors including, but not limited to, the prospects, the market prices for shares of companies engaged in related businesses similar to ours and prevailing market conditions. The price at which the Common Shares will trade on the PSE at any point in time after the Offer may vary significantly from the Offer Price.

The Offer Shares may not be a suitable investment for all investors.

Each prospective investor in the Offer Shares must determine the suitability of that investment in light of its own circumstances. In particular, each prospective investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of our Company and our businesses, the merits and risks of investing in the Offer Shares and the information contained in this Prospectus;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of our particular financial situation, an investment in the Offer Shares and the impact the Offer Shares will have on our overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Offer Shares, including where the currency for purchasing and receiving dividends on the Offer Shares is different from the potential investor's currency;
- understand and be familiar with the behavior of any relevant financial markets; and,
- be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect our investment and our ability to bear the applicable risks.

The market price of securities can and does fluctuate. The Offer Shares have not been publicly traded and the relative volatility and illiquidity of the securities market may substantially limit an investor's ability to sell the Offer Shares at a suitable price or at a time they desire which may result to an investors' investments in the Company to decline.

The market price of securities can and does fluctuate, and it is impossible to predict whether the price of the Shares will rise or fall or even lose all of its value. The market price of Shares could be affected by several factors, including:

- general market, political and economic conditions;
- changes in earnings estimates and recommendations by financial analysts;
- changes in market valuations of listed shares in general and other retail shares in particular;
- the market value of the assets of our Company;
- changes to Government policy, legislation or regulations; and,

- general operational and business risks.

In addition, many of the risks described elsewhere in this Prospectus could materially and adversely affect the market price of the Shares.

In part as a result of the global economic downturn, the global equity markets have experienced price and volume volatility that has affected the share prices of many companies. Share prices for many companies have experienced wide fluctuations that have often been unrelated to the operating performance of those companies. Fluctuations such as these may adversely affect the market price of the Shares.

Shareholders may be subject to limitations on minority shareholders' rights.

The obligation under Philippine law of majority shareholders and directors with respect to minority shareholders may be more limited than those in certain other countries. Consequently, minority shareholders may not be able to protect their interests under current Philippine law to the same extent as in certain other countries. There can be no assurance that legal rights or remedies of minority shareholders will be the same, or as extensive, as those available in other jurisdictions or sufficient to protect the interests of minority shareholders.

The Philippine Corporation Code, however, provides for certain protective rights to minority shareholders by requiring a vote by our shareholders representing at least two-thirds of our outstanding capital stock for certain corporate acts.

The Company may be unable to pay dividends on the Shares.

Dividends declared by the Company on its shares of stock are payable in cash or in property or additional shares of stock. BALAI has approved a dividend policy of maintaining an annual cash and/or share dividend pay-out from 20% to 30% of its net income from the preceding year, subject to the requirements of applicable laws and regulations, the terms and conditions of its outstanding loan facilities, and the absence of circumstances that may restrict the payment of such dividends, such as where BALAI undertakes major projects and developments. The Board may, at any time, modify its dividend policy depending upon its capital expenditure plans and/or any terms of financing facilities entered into to fund its current and future operations and projects. The Company can give no assurance that it will pay any dividends in the future.

Declaration of cash dividends by the Company requires the approval of the Board, the declaration of stock dividends by the Company requires the approval of the Board and the approval of stockholders representing at least 2/3 of the outstanding capital stock.

Investors may incur immediate and substantial dilution as a result of purchasing Shares in the Offer.

The issue price of the Shares in the Offer may be substantially higher than the net tangible book value per share of the outstanding Shares. Therefore, purchasers of Shares in the Offer may experience immediate and substantial dilution and the existing shareholders may experience a material increase in the net tangible book value per share of the Shares they own. See "Dilution" beginning on page 48 of this Prospectus.

Risks Relating to Certain Statistical Information in this Prospectus

Certain information contained herein is derived from unofficial publications

Certain information in this Prospectus relating to the Philippines, the industries in which the Company competes, and the markets wherein it operates, including statistics relating to market size, are derived from various Government and private publications. This Prospectus also contains industry information which was prepared from publicly available third-party sources. Industry publications generally state that the information they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of that information is not guaranteed. The information contained in the Industry section may not be consistent with other information. Similarly, industry forecasts and other market research data, including those contained or extracted herein have not been independently verified by us, the Issue Manager, Bookrunner, and Underwriter, or any of their respective affiliates or advisors, and may not be accurate, complete, up-to-date or consistent with other information compiled within or outside the Philippines. Prospective investors are cautioned accordingly.

Non-verification of Certain Information

The section of this Prospectus entitled "Industry" was not independently verified by the Company, the Issue Manager, Bookrunner, and Underwriter, or any of their respective affiliates or advisors.

USE OF PROCEEDS

Based on the Offer Price of ₱0.70 per Offer Share, the estimated gross proceeds is **₱227.5** million from the offer of the Primary Shares. After deducting the applicable underwriting fees, commissions and expenses for the offer of the Primary Shares payable by our Company, estimated net proceeds will be **₱203.8** million. The Company will not receive any proceeds from the offer of the Secondary Shares and Option Shares.

The Company intends to use the net proceeds from the Offer, as follows:

Use of Proceeds	Estimated Amounts (in ₱ millions)	Percentage (%)	Estimated Timing of Disbursement
Store network expansion	163.8	80.4%	2022-2024
Commissary set-up	20.0	9.8%	2022-2023
Introduction of new concepts and potential acquisitions	20.0	9.8%	2022-2023
Estimated Net Proceeds	**203.8**	**100%**	

Of the estimated net proceeds of ₱203.8 million, ₱16.3 million will be recognized as capital stock, and the remainder will be recognized as additional paid-in capital.

Note that the estimated net proceeds above are based on the maximum shares to be offered by the Company to the public at the maximum offer price. This amount may change depending on the final terms and conditions of the offer which includes the final number of shares and final price to be determined at the end of the book building period and announced on the pricing announcement date. In the event that the Offer proceeds are less than the expected amount, the shortfall, to the extent possible, shall be funded by the Issuer from internal sources such as cash flows generated from operations and/or availments from credit facilities provided to the Issuer by various financial institutions.

The proceeds of the Offer will not be used to reimburse any officer, director, employee or shareholder for service rendered, assets previously transferred, money loaned or advance or otherwise.

The Company intends to allocate the proceeds in order of priority as follows:

1. Store network expansion
2. Commissary set-up
3. Introduction of new concepts and potential acquisitions

Store Network Expansion

The Company intends to use 80.4% of the net proceeds from the Offer for store network expansion.

Out of the ₱163.8 million of the net proceeds intended for store network expansion, ₱153.3 million will be allotted for furniture, fixtures, equipment, mechanical and electrical works, permitting and licensing, and initial inventory, deposits, and prepaid rent for leased properties. The Company is targeting to establish more new stores within NCR, and selected urban areas in Luzon and Visayas and Mindanao region. These stores will largely be in roadside locations, although sites within existing high foot-traffic establishments like malls and terminals will continue to be evaluated. This amount is intended to cover the establishment of 120 new owned stores until end of 2024; any amount required in excess of ₱153.3 million will be sourced from cash flow from operations and/or credit facilities from banks. The remaining ₱10.5 million will be allotted for purchase of vehicles to service the expanded store network.

The Company considers franchising as a mode of expansion; however, the main driver will be through an organic expansion of its network of company-owned stores. Vast majority of the stores to be opened from 2022-2024 are anticipated to carry the Balai Pandesal brand. Moreover, the Company also expects to expand the footprint of its other existing brands and future acquisitions which will depend on, among others, market opportunities and commercial considerations.

Commissary Set-up

Approximately 9.8% of the net proceeds from the Offer will be used to fund the capital expenditures for the set-up of the Company's commissary operations. The Company intends to spend approximately ₱20.0 million for the construction of the structure, which will be for production and warehousing, and purchase of various equipment. Any excess amount will be used by the Company to set up satellite commissaries. The Company is considering prospective locations within Metro Manila for the commissary set-up; however, no agreement has been finalized as of the date of this prospectus.

Introduction of New Concepts and Potential Acquisitions

In order to accelerate expansion, the Company intends to allocate approximately 9.8% of the net proceeds to acquire other baked goods businesses in the Philippines. The Company's potential target acquisitions will be geared towards broadening its baked goods product offering and/or adding sales channels. The Company is still in the early stages of evaluating these options and there are no definitive agreements signed. The Company may also introduce other new concepts which will have a strategic fit with BALAI's current operations. Included in the pipeline of new product offerings are wide-range of cakes, Asado buns, egg pie, cheese rolls, varieties of sandwiches, and more. The Company aims to provide a holistic portfolio of baked goods which customers may consume daily.

Expenses

The following are the estimated expenses to be incurred by the Company in relation to the Offer:

	Estimated Amount (₱ millions)
Estimated Total proceeds from the sale of the Primary Shares	227.5
Underwriting and selling fees (Including fees to be paid to the Underwriter,the selling agents and legal counsel to the Underwriter)*	9.6
Documentary Stamps Tax	0.2
SEC registration, filing and research fees	0.4
PSE Filing Fee	0.3
Estimated professional fees	
Legal fees	2.8
Audit fees	2.2
Industry research fees	0.8
Issue management fees	2.8
Estimated Stock Transfer, Receiving and Escrow Agent Fees	1.2
Estimated other expenses (printing, publication, marketing, out-of-pocket expenses, etc.)	3.4
Total estimated expenses	23.7
Estimated net proceeds from the Offer	203.8

**Note: Underwriter shall retain an amount to ₱6.8 million and pay estimated fees of legal counsel to the Underwriter amounting to ₱2.8 million.*

The actual underwriting and selling fees and other Offer-related expanses may vary from the estimated amounts indicated. The estimated expenses set forth in the table above reflect the estimated expenses relating to the Primary Shares and are presented in this Prospectus for convenience only. The taxes, underwriting and selling fees pertaining to the sale of the Secondary Shares will be paid by the Selling Shareholders. In the event that the Over-allotment Option is not exercised, it is deemed cancelled and the filing fee is forfeited. The Company will not receive any proceeds from the sale of Shares by the Selling Shareholder.

Estimated Amount

	(₱ millions)
Estimated Total proceeds from the sale of the Secondary Shares	35.0
Underwriting and selling fees (Including fees to be paid to the Underwriter and the selling agents)	1.1
Taxes to be paid	0.2
Estimated Crossing of Shares expenses	0.4
Total estimated expenses from the sale of the Secondary Shares	1.7
Estimated net proceeds from the sale of the Secondary Shares	33.3

The proposed use of proceeds described above represents a best estimate of the use of the net proceeds of the Offer based on the Company's current plans and expenditures. Any shortfall in the net proceeds for the intended uses described above shall be funded by the Issuer from internal sources such as cash flows generated from operations and/or availments from credit facilities provided to the Issuer by various financial institutions.

The actual amount and timing of disbursement of the net proceeds from the Offer for the use stated above will depend on various factors. To the extent that the net proceeds from the Offer are not immediately applied to the above purpose, the Company will invest the net proceeds in interest-bearing short-term demand deposits and/or money market instruments. Aside from underwriting and selling fees, the Underwriter and the Selling Agents will not receive any of the net proceeds from the Offer.

In the event of any material deviation or substantial adjustment in the planned use of proceeds, the Company shall inform its shareholders, the SEC and the PSE in writing at least 30 days before such deviation or adjustment is implemented. Any material or substantial adjustments to the use of proceeds, as indicated above, will be approved by our Board of Directors and disclosed to the SEC and the PSE. In addition, we shall submit via the PSE's Online Disclosure System, the PSE EDGE Portal, the following disclosure to ensure transparency in the use of proceeds:

(i) Quarterly Progress Report on the application of the proceeds from the Offer on or before the first 15 days of the following fiscal quarter, the quarterly progress reports should be certified by the Company's Chief Financial Officer or Treasurer and external auditor,

(ii) Annual summary of the application of the proceeds on or before 31 January of the following year, the annual summary report should be certified by the Company's Chief Financial Officer or Treasurer and external auditor;

(iii) Approval by the Company's Board of Directors of any reallocation on the planned use of proceeds, or of any change in the Work Program. The actual disbursement or implementation of such reallocation must be disclosed by our Company at least 30 days prior to the said actual disbursement or implementation; and

(iv) A comprehensive report on the progress of its Business Plan on or before the first fifteen (15) days of the following quarter.

The quarterly and annual reports required in items (i) and (ii) above must include a detailed explanation for any material variances between the actual disbursements and the planned use of proceeds in the Prospectus, if any. The detailed explanation must state the approval of the Board as required in item (iii) above.

DIVIDENDS AND DIVIDEND POLICY

Limitations and Requirements

Under Philippine law, a corporation can only declare dividends to the extent that it has unrestricted retained earnings that represent the undistributed earnings of the corporation which have not been allocated for any managerial, contractual or legal purpose and which are free for distribution to our shareholders as dividends. The amount of retained earnings available for declaration as dividends may be determined pursuant to regulations issued by the Philippine SEC. The Company's board of directors' approval is generally sufficient to approve the distribution of dividends, except in the case of stock dividends which requires the approval of stockholders representing not less than two-thirds of the outstanding capital stock at a regular or special meeting duly called for the purpose. From time to time, the Company may reallocate capital among its subsidiaries depending on the business requirements.

The Philippine Corporation Code generally requires a Philippine corporation with retained earnings in excess of 100% of its paid-in capital to declare and distribute as dividends the amount of such surplus. Notwithstanding this general requirement, a Philippine corporation may retain all or any portion of such surplus in the following cases: (i) when justified by definite expansion plans approved by the board of directors; (ii) when the required consent of any financing institution or creditor to such distribution has not been secured; (iii) when retention is necessary under special circumstances, such as when there is a need for special reserves for probable contingencies; or (iv) when the non-distribution of dividends is consistent with the policy or requirement of a Government office.

We are allowed under Philippine laws to declare cash, property and stock dividends, subject to certain requirements. See "*Description of the Shares—Rights Relating to Shares—Dividend Rights.*"

Pursuant to existing Philippine SEC rules, cash dividends declared by corporations whose securities are registered or whose shares are listed in the stock exchange must have a record date not less than 10 days nor more than 30 days from the date of declaration. For stock dividends, the record date should not be less than 10 days nor more than 30 days from the date of the Company's shareholders' approval, provided however, that the set record date is not to be less than 10 trading days from receipt by the PSE of the notice of declaration of stock dividend. In the event that a stock dividend is declared in connection with an increase in authorized capital stock, the corresponding record date is to be fixed by the Philippine SEC. In case no record date is specified for the cash and stock dividend declaration, then the same shall be deemed fixed at 15 days from such declaration.

In relation to foreign shareholders, dividends payable may not be remitted using foreign exchange sourced from the Philippine banking system unless the investment was first registered with the BSP. See "*Philippine Foreign Ownership and Foreign Exchange Controls*."

Pursuant to the "Amended Rules Governing Pre-emptive and other Subscription Rights and Declaration of Stock and Cash Dividends" of the Philippine SEC, all cash dividends and stock dividends declared by a company shall be remitted to PDTC for immediate distribution to participants not later than 18 trading days after the record date (the "Payment Date"); provided that in the case of stock dividends, the credit of the stock dividend shall be on the Payment Date which in no case shall be later than the stock dividends' listing date. If the stock dividend shall come from an increase in capital stock, all stock shall be credited to PDTC for immediate distribution to its participants not later than 20 trading days from the record date set by the Philippine SEC, which in no case shall be later than the stock dividends' listing date.

Dividend History

Below is a summary of the dividend declaration of the Company:

Date of Declaration	***Dividend Payment Date***	***Amount of Dividends***	***Type of Dividend***
October 10, 2017	October 27, 2017	Php 41,396,055.00	Cash
December 19, 2017	December 22, 2017	Php 10,865,896.00	Cash
June 27, 2019	June 28, 2019	Php 4,000,000.00	Cash
September 11, 2021	September 30, 2021	Php 8,025,000.00	Cash

Dividend Policy

The Company has approved a dividend policy of distributing from 20% to 30% of its net income after tax from the preceding year payable primarily in cash. However, the Board of Directors, in its discretion, may decide to declare dividends to be payable in property or share. Declaration of dividends is subject to the requirements of applicable laws and regulations, the terms and conditions of the Company's outstanding loan facilities, and the absence of circumstances that may restrict the payment of such dividends, such as when the Company undertakes major projects, expansions, and developments. Dividends must be approved by the Board of Directors and in the case of stock dividends, approved by 2/3 of the Company's total outstanding capital stock at a regular or special meeting called for the purpose, and may be declared only from the Company's unrestricted retained earnings. The Company will conduct a periodic review of available unrestricted balance of retained earnings for purposes of earmarking surplus profit for future capital expenditures or for distributing the same as special cash or stock dividends. The board of directors may, at any time, modify the dividend policy or declare special dividends, depending upon the capital expenditure plans and/or any terms of financing facilities entered into to fund the current and future operations and projects. The Company cannot assure that BALAI will pay any dividends in the future.

DETERMINATION OF THE OFFER PRICE

The Company's Shares shall be listed and traded on the Small, Medium, and Emerging Board of the PSE under the symbol "**BALAI**". BALAI will apply for the Offer Shares to be listed and traded on the PSE under the same symbol. For a description of the PSE, see "The Philippine Stock Market" beginning on page 148.

The Offer Price has been set at ₱0.70 per Offer Share. The Offer Price will be determined through a book-building process and discussions among the Company and the Issue Manager, Bookrunner, and Underwriter. Since the Offer Shares have not been listed on any stock exchange, there has been no market price for Shares derived from day-to-day trading.

The factors to be considered in determining the Offer Price are, among others, historical financial and operating performance of the Company, the ability to generate earnings and cash flow, the business strategy short- and long-term prospects, the level of demand from institutional investors, overall market conditions at the time of launch of the Offer and the market price of comparable listed companies. The Offer Price does not have any correlation to the actual book value of the Offer Shares.

CAPITALIZATION AND INDEBTEDNESS

The following table sets out the debt, shareholders' equity and capitalization as of December 31, 2021, and as adjusted to reflect the sale of Firm Shares at the Offer Price of ₱0.70 per Offer. The equity increases by the estimated ₱203.8 million net proceeds from the sale of Primary Shares. The table should be read in conjunction with the Company's audited financial statements and the notes thereto, included in this Prospectus beginning on page F-1. Other than as described below, there has been no material change in our capitalization since December 31, 2021.

	Actual as of December 31, 2021	As Adjusted After Giving Effect to the Offer
(In ₱ Millions)	**(Audited)**	**(Unaudited)**
Total debt[1]	36.1	36.1
Equity:		
Capital stock	58.5	74.8
Additional paid-in capital[2]	96.5	284.0
Other components of equity		
Retained earnings	10.2	10.2
Other comprehensive loss	(0.4)	(0.4)
Total equity	164.8	368.6
Total capitalization	200.9	404.7

[1] "Total debt" includes all the liabilities of the Company (current and non-current, interest bearing and non-interest bearing).
[2] Share premium represents the excess of paid-up capital over par value of the share, net of the share issue costs from the primary offering of the shares, payable by the Company

DILUTION

As part of the Firm Offer, the Company will offer 325,000,000 unissued common Shares to be issued from the authorized and unissued common stock and the Selling Shareholder will offer 50,000,000 existing common Shares. In addition, 37,500,000 existing common Shares will be offered by the Selling Shareholder as part of the Over-Allotment Option.

Prior to the Offer, the Company has a total of 1,170,005,000 issued and outstanding Shares. Upon listing, BALAI will have 1,495,005,000 issued and outstanding Shares.

The book value, or total equity, attributable to the Company's Common Shareholders, based on the audited financial statements as of December 31, 2021, was ₱164.8 million. The net tangible book value attributable to the Common Shareholders, based on the audited consolidated financial statements as of December 31, 2021, was ₱161.8 million, after deducting intangible assets of ₱3.0 million from book value attributable to the Company's Common Shareholders. The net tangible book value per share is computed by dividing the net tangible book value attributable to the Company's shareholders by the equivalent number of Common Shares outstanding which will amount to ₱0.138 per share Without taking into account any other changes in such book value after December 31, 2021 other than the sale of 325,000,000 Primary Shares at the Offer Price of ₱0.70 per Offer Share, and after deduction of the underwriting discounts and commissions and estimated offering expenses of the Offer payable by the Company, the net tangible book value as of listing would increase to ₱365.6 million, or ₱0.245 per Common Share. This represents an immediate increase in net tangible book value of ₱0.106 per Common Share to existing shareholders, and an immediate dilution of ₱0.455 per Common Share to purchasers of Offer Shares at the Offer Price of ₱0.70 per Offer Share.

The following table illustrates dilution on a per share basis based on the Offer Price of ₱0.70 per Offer Share:

Offer Price per Offer Share	₱0.70
Net tangible book value per share as of December 31, 2021[3]	₱0.138
Increase in net tangible book value per Common Share attributable to cash payments made by purchases of the shares being offered	₱0.106
Pro forma net tangible book value per Common Share immediately following completion of the Offer	₱0.245
Dilution in Pro forma net tangible book value per Common Share to investors of the Offer Shares	₱0.455

The following table sets forth the shareholdings and percentage of Common Shares outstanding of our existing and new shareholders immediately after completion of the Offer (assuming the Over-allotment Option is not exercised):

	Common Shares	
	Number of Shares	%
Existing Shareholders	1,120,005,000	74.92%
New Investors	375,000,000	25.08%
TOTAL	1,495,005,000	100%

The following table sets forth the shareholdings and percentage of Common Shares outstanding of our existing and new shareholders immediately after completion of the Offer (assuming the Over-allotment Option is fully exercised):

	Common Shares	
	Number of Shares	%
Existing Shareholders	1,082,505,000	72.41%
New Investors	412,500,000	27.59%
TOTAL	1,495,005,000	100%

[3] Net tangible book value is computed as (Assets - Intangible Assets - Liabilities) / Number of Shares or (200,948,009 - 3,000,000 - 36,108,484) / 1,170,005,000.

The following table sets forth the current shareholders, shareholding structure prior the offer, estimated percentage of the public float post-IPO for both assumptions in overallotment:

Shareholder	Before the Offer		No. of Shares after the Firm Offer	% of Total Outstan-ding Shares after the Firm Offer	No. of Shares after the Firm Offer and Assuming Full Exercise of the Over-Allotment Option	% of Total Outstanding Shares after the Firm Offer and Assuming Full Exercise of the Over-Allotment Option
	No. of Shares Held	% of Total Outsta-nding Shares				
Fruitas Holdings, Inc.	1,169,988,000	100.00%	1,119,988,000	74.92%	1,082,488,000	72.41%
Lester C. Yu	4,000	0.00%	4,000	0.00%	4,000	0.00%
Roselyn A. Legaspi	2,000	0.00%	2,000	0.00%	2,000	0.00%
Marvin C. Yu	2,000	0.00%	2,000	0.00%	2,000	0.00%
Madelene T. Sayson	2,000	0.00%	2,000	0.00%	2,000	0.00%
Calvin F. Chua	1,000	0.00%	1,000	0.00%	1,000	0.00%
Rogelio M. Guadalquiver	1,000	0.00%	1,000	0.00%	1,000	0.00%
Lee Ceasar S. Junia	1,000	0.00%	1,000	0.00%	1,000	0.00%
David Jonathan Y. Bayot	1,000	0.00%	1,000	0.00%	1,000	0.00%
Bernardino M. Ramos	1,000	0.00%	1,000	0.00%	1,000	0.00%

EFFECTS OF THE INCREASE IN AUTHORIZED CAPITAL STOCK AND CONVERSION OF DEPOSITS FOR FUTURE SUBSCRIPTION TO EQUITY TO THE FINANCIAL STATEMENTS OF BALAI NI FRUITAS INC.

On September 30, 2021, the BOD of Balai ni Fruitas Inc. approved the increase in BALAI's authorized capital stock from ₱55,000,000.00 divided into 550,000 common shares, with a par value of ₱100 per common share to ₱75,000,000,000 divided into 1,500,000,000 common shares, with a par value of ₱0.05 per common share. Of the total increase in the authorized capital stock, 50,000 shares equivalent to ₱5.0 million was subscribed by Fruitas Holdings Inc. at par value of ₱100 per common share. The payment for the subscription was recorded as deposit for future stock subscription as of September 30, 2021. The SEC approved the application for the increase in authorized capital stock on November 24, 2021 after which the said deposit for future subscription was converted into capital stock thereby increasing Fruitas Holdings Inc.'s shareholdings in BALAI from 474,994 shares with a par value of ₱100 per common share to 1,169,988,000 common shares with a par value of ₱0.05 per common share. The effect of the said conversion decreased BALAI's noncurrent liabilities and increased BALAI's equity by ₱5.0 million respectively. The following table sets forth BALAI's selected financial information as of September 30, 2021 and as adjusted to give effect to the increase in authorized capital and conversion of deposits for future subscription to equity.

	As of September 30, 2021	**Effects of the Conversion of Deposits for Future Subscription to Equity**	**As of Nov. 24, 2021 as Adjusted After Giving Effect to the Increase in Authorized Capital and Conversion of Deposits for Future Subscription to Equity**
	₱ in thousands		
Total Current Assets	136,457.0		136,457.0
Total Noncurrent Assets	58,024.4		58,024.4
Total Assets	194,481.4		194,481.4
Total Current Liabilities	12,769.0		12,769.0
Total Noncurrent Liabilities	27,779.8	(5.0)	22,779.8
Total Liabilities	40,548.8	(5.0)	35,548.8
Total Equity	153,932.6	5.0	158,932.6
Total Liabilities and Equity	194,481.4	-	194,481.4
Book Value per Share	₱324.0687		₱0.1358
Number of Shares Issued	475,000		1,170,005,000

The pro-forma presentation of figures above is reflected in the audited financial statements of the BALAI for the year ended December 31, 2021 as presented elsewhere in this Prospectus as the SEC approval of the application for the increase in authorized capital stock occurred November 24, 2021.

The following table sets forth BALAI's financial ratios as of September 30, 2021 and as adjusted to give effect to the increase in authorized capital and conversion of deposits for future subscription to equity.

	As of September 30, 2021	As of November 24, 2021 as adjusted after giving effect to the increase in Authorized Capital and Conversion of Deposits for Future Subscription
Current Ratio(1)	10.69	10.69
Solvency Ratio(2)	0.20	0.23
Debt-to-Equity Ratio(3)	0.26	0.26
Asset-to-Equity Ratio(4)	1.26	1.22

(1) *Current Ratio is computed by dividing the total current assets by total current liabilities.*
(2) *Solvency Ratio is computed by dividing net income plus depreciation and amortization by total liabilities.*
(3) *Debt to Equity Ratio is computed by dividing the total liabilities by total equity.*
(4) *Asset to Equity Ratio is computed by dividing the total assets by total equity.*

SELECTED HISTORICAL FINANCIAL AND OPERATING INFORMATION

The following tables set forth summary financial information for the Company and should be read in conjunction with the auditors' reports, the Company's financial statements including the notes thereto included elsewhere in this Prospectus, and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations". The selected financial information set forth in the following table has been derived from the Company's financial statements for the fiscal years ended 31 December 2017, 2018, 2019, 2020, and 2021 including the related notes, as examined and audited by Reyes Tacandong & Co. ("RT&Co.") in accordance with Philippine Financial Reporting Standards ("PFRS"). All of this information should be read in conjunction with the financial statements and notes thereto contained in this Prospectus. The summary of financial information set out below does not purport to project the results of operations or financial condition of the Company for any future period or date.

STATEMENTS OF COMPREHENSIVE INCOME
(All amounts in thousands Philippine Pesos, except per share data)

	For the years ended December 31,				
	Audited				
	2017	**2018**	**2019**	**2020**	**2021**
Net Sales	₱193,350	₱210,162	₱233,192	₱110,144	₱148,933
Cost of Sales	(108,418)	(112,076)	(120,212)	(56,298)	(71,227)
Gross Profit	**84,932**	**98,086**	**112,980**	**53,846**	**77,707**
Selling and Distribution Expenses	(54,820)	(70,069)	(78,643)	(38,933)	(45,335)
General and Administrative Expenses	(10,436)	(21,241)	(24,648)	(15,875)	(24,597)
Interest Expense	(118)	(529)	(1,012)	(1,334)	(1,725)
Other Income	251	591	1,365	1,323	5,727
Income Before Income Tax	**19,810**	**6,838**	**10,043**	**(973)**	**11,777**
Provision for (Benefit From) Income Tax					
Current	5,885	2,339	2,948	1,081	3,092
Deferred	18	(13)	60	(1,132)	143
	5,902	2,325	3,009	(51)	3,235
NET INCOME	**₱13,907**	**₱4,513**	**₱7,036**	**(₱922)**	**₱8,542**
Other Comprehensive Loss (Retirement loss on retirement benfits - net of effect in change in tax rate)	**(19)**	–	–	–	**(357)**
TOTAL COMPREHENSIVE INCOME	**₱13,889**	**₱4,513**	**₱7,033**	**(₱922)**	**₱8,185**

STATEMENTS OF FINANCIAL POSITION
(All amounts in thousands Philippine Pesos)

	As of December 31,				
	Audited				
	2017	**2018**	**2019**	**2020**	**2021**
ASSETS					
Current Assets					
Cash and Cash Equivalents	₱129,814	₱105,304	₱33,843	₱13,300	₱48,337
Trade and Other Receivables	–	1,012	2,046	3,081	2,405
Notes Receivable	–	–	–	–	60,000
Merchandise Inventories	1,600	1,577	1,629	1,551	2,664
Due from Related Parties	8,031	26,246	106,530	122,294	7,582
Other Current Assets	9,989	12,648	14,496	14,036	13,074
Total Current Assets	**149,434**	**146,787**	**158,545**	**154,263**	**134,062**
Noncurrent Assets					
Property and Equipment	1,104	5,171	10,105	8,908	40,073
Intangible Assets	–	–	–	–	3,000
Right of Use of Assets	–	–	15,115	12,519	23,435
Security Deposits	–	–	405	405	–
Deferred Tax Assets	70	84	96	1,156	378
Total Noncurrent Assets	**1,175**	**5,255**	**25,722**	**22,989**	**66,886**
TOTAL ASSETS	**150,609**	**152,042**	**184,266**	**177,252**	**200,948**
LIABILITIES AND EQUITY					
Current Liabilities					
Trade and Other Payables	1,800	3,263	6,999	3,538	8,936
Current Portion of Lease Liabilities	–	–	1,550	1,781	8,471
Current Portion of Mortgage Payable	275	299	131	–	–
Due to Related Parties	800	–	50	–	–
Note Payable	9,750	8,500	–	–	–
Income Tax Payable	2,240	–	1,218	167	2,225
Total Current Liabilities	**14,865**	**12,062**	**9,948**	**5,487**	**19,632**
Noncurrent Liabilities					
Lease Liabilities – Net of Current Portion	–	–	13,325	11,543	15,216
Mortgage Payable – Net of Current Portion	452	131	–	–	–
Retirement Benefits Liability	236	281	319	542	1,261
Deferred Tax Liability	–	–	72	–	–
Deposit for Future Stock Subscription	–	–	–	–	–
Total Noncurrent Liabilities	**688**	**412**	**13,716**	**12,086**	**16,477**
Total Liabilities	**15,553**	**12,474**	**23,665**	**17,572**	**36,108**
Equity attributable to Equity Holders of the Parent Company					
Capital Stock	47,500	47,500	53,500	53,500	58,500

Additional Paid in Capital	84,532	84,532	96,532	96,532	96,533
Retained Earnings	3,041	7,555	10,588	9,666	10,182
Other Comprehensive Loss	-19	-19	-19	-19	-376
Total Equity	**135,055**	**139,568**	**160,602**	**159,679**	**164,840**
TOTAL LIABILITIES & EQUITY	**150,609**	**152,042**	**184,266**	**177,252**	**200,948**

STATEMENTS OF CASH FLOWS
(All amounts in thousands Philippine Pesos)

	For the years ended December 31,			
		Audited		
	2018	2019	2020	2021
CASH FLOWS FROM OPERATING ACTIVITIES				
Income Before Income Tax	**6,838**	**10,042**	**(973)**	**11,777**
Adjustments for:				
Depreciation and Amortization	1,352	4,665	6,265	11,774
Interest Expense	529	1,012	1,334	1,725
Gain from Rent Concessions	–	–	(1,103)	–
Gain on:				
Sale of Property and equipment	–	–	–	(3,285)
Termination of lease	–	–	–	(1,463)
Interest Income	(36)	(20)	(6)	(773)
Retirement Benefit Expense	44	39	223	245
Gain on Sale of Available for Sale Financial Assets				
Operating Income before Working Capital Changes	**8,727**	**15,738**	**5,740**	**19,999**
Decrease (Increase) in:				
Trade and Other Receivables	(1,012)	(219)	(1,036)	677
Merchandise Inventories	23	(52)	78	(1,113)
Other Current Assets	(1,312)	(4,820)	(154)	(1,449)
Security Deposit		(405)	615	(825)
Increase (Decrease) in:				
Trade and Other Payables	1,463	3,736	(3,461)	2,864
Net Cash Generated from Operations	7,890	13,978	1,781	20,151
Income Tax Paid	(5,926)	(383)	(2,132)	(553)
Interest Paid	(529)	(644)	(3)	–
Interest Received	36	20	6	773
Net Cash Flows from Operating Activities	1,471	12,971	(348)	20,370
CASH FLOWS FROM INVESTING ACTIVITIES				
Advances to Related Parties	(149,745)	(233,657)	(15,764)	(31,181)
Acquisitions of Property and Equipment	(5,419)	(7,867)	(2,472)	(43,230)
Collection of Advances to Related Parties	131,530	153,373	–	98,387
Net Cash Flows from Investing Activities	(23,634)	(88,151)	(18,236)	23,977
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of:				
Cash Dividends	–	(4,000)	–	(8,025)
Lease Liabilities	–	(1,531)	(1,779)	(6,285)
Mortgage Payable	(297)	(299)	(131)	–
Due to related parties	(3,621)	–	(50)	–
Notes payable	(1,250)	(8,500)	–	–
Deposit for future subscription	–	-	–	–
Proceeds from issuance of shares	–	18,000	–	5,000
Issuance of promissory note	–	–	–	–

Availment of mortgage loan	–	–	–	–
Collection of subscription receivable	–	–	–	–
Advances from related parties	2,821	50	–	–
Net Cash Flows from/(used) in Financing Activities	**(2,347)**	**3,720**	**(1,960)**	**(9,310)**
NET INCREASE (DECREASE) IN CASH	**(24,510)**	**(71,461)**	**(20,543)**	**35,037**
CASH AT BEGINNING OF YEAR	**129,814**	**105,304**	**33,843**	**13,300**
CASH AT END OF YEAR	**105,304**	**33,843**	**13,300**	**48,337**

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

Prospective investors should read the following discussion and analysis of the Company's financial condition and results of operations together with audited financial statements of the Company and the notes thereto included elsewhere in this prospectus and the section entitled "Selected Financial and Operating Information". Unless otherwise indicated, this discussion and analysis of the Company's financial condition and results of operations for the years ended December 31, 2021, 2020, 2019, 2018, and 2017 are based on the Company's audited financial statements.

Factors Affecting the Company's Results of Operations and Financial Condition

The Company's results of operations are affected by a variety of factors. Set out below is a discussion of the most significant factors that have affected the Company's results in the past and which the Company expects to affect its financial results in the future. Factors other than those set out below could also have a significant impact on the Company's results of operations and financial condition in the future. See "Risk Factors".

Expansion of the Company's Store Network

The volume of products that the Company is able to sell is mainly affected by the number of stores and store locations the Company is able to open and operate in. The Company continuously strives to expand its market coverage by opening new stores in various growth areas in the country.

Operating in varied locations governed by different local regulators and authorities also entails dealing with diverse local laws and regulations which require customized approaches and processes that may impede the set up and opening of new stores as scheduled. Laws and regulations at the local level change more frequently and the changes can impose additional costs and other compliance requirements that the Company may not be able to immediately address. Succeeding years' sales are adversely affected when scheduled new store openings are delayed. Delay in the rollout of new stores will adversely affect the business, results of operation and financial condition of the Company.

From December 31, 2017 to 2021, the Company operated the following no. of stores:

Stores	Dec 2017	Dec 2018	Dec 2019	Dec 2020	December 2021
Company-owned	77	77	83	74	71
Franchised	0	0	0	0	6
Stores (period-end)	77	77	83	74	77

In addition, while new store openings increase revenues of the Company, costs also increase especially during construction and when the newly opened stores have not reached their full revenue potential.

The Company has rationalized its store network since March 2020. Due to adverse effects of the pandemic, the Company ceased operations of certain unprofitable kiosks and inline stores. It also streamlined its operations by transferring certain kiosks and inline stores to FGI. As of December 31, 2021, combined number of BNF and FHOD stores stood at 46. Since June 2021, the Company has focused on expanding the BP store network, adding 25 new company-owned BP stores and 6 franchised BP outlets as of December 31, 2021.

Economic, Social, and Political Conditions in the Philippines

The Company's operations have been substantially affected and will continue to be affected by the economic, social and political conditions in the Philippines.

The continuing demand for our products is directly related to the strength of the Philippine economy, including overall growth rate and volume of business activities in the country.

Before the COVID-19 pandemic, the Philippine economy has been in a continuous growth curve. However, beginning the first quarter of 2020, the country's growth has been hampered with multiple stringent lockdowns and rising Covid-19 infections. This has caused a sharp drop in the economic activity, thus affecting the company's sales. Despite this, the Company believes that the Filipinos willingness and acceptance to take the vaccine will slowly bring back consumer spending and recovery in sales. In general, any weakening of the Philippine economy may adversely affect consumer sentiment and lead to a decrease in demand for the Company's products.

Cost of Sales

Cost of sales comprises expenses which are directly related to the sale of products.

For 2017, 2018, 2019, 2020 and 2021, our cost of sales amounted to P108.4 million, P112.1 million, P120.2 million, P56.3 million and P71.2 million, respectively, representing 56.1%, 53.3%, 51.5%, 51.1% and 47.8% of our revenue for each such period. Raw material prices have a significant effect on the results of operations. Production of bread for Balai brand has contributed to a lower cost of sales in 2021.

Competition

Sales at Company-owned and franchised stores are affected by competition from other competitors. BP competes with other local neighborhood bakeries such as Pan de Manila, Panaderia All Day Hot Pandesal, and Julie's Bakeshop. On the other hand, Fruit desserts segment, where FHOD and BNF are part of, is composed of several competitors offering different fruit-based desserts such as Avocadoria, Maxi Mango, Iceberg, and more. Indirect competition is also present within the market as different desserts are available in kiosks.

The Company competes on the basis of taste, menu offerings, quality and price of food and beverages offered, customer service, and location. BALAI believes that the concepts, attractive value proposition, and quality of food, beverages and service enables the Company to differentiate itself from its competitors.

The Company believes that the the taste, price, and quality of breads which BP offers is at par with the competition, if not better. Also, BALAI believes that the variety of fruit-dessert offerings which FHOD and BNF have benefited them to be challengers in their respective segment.

Seasonality

The Company experiences seasonal fluctuations in its net sales. Historically, the strongest sales levels occur in the months of April, May and December, and the lowest sales levels occur in January and the third quarter.

BALAI takes advantage of stronger seasonal sales by implementing campaigns geared towards increasing average spend per customer and launching marketing strategies to increase transaction count during seasons with lower sales levels. However, with the addition of BP stores, the Company expects less fluctuation in its net sales.

Critical Accounting Policies

Critical accounting policies are those that are both (i) relevant to the presentation of the Company's financial condition and results of operations and (ii) require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. As the number of variables and assumptions affecting the possible future resolution of the uncertainties increase, those judgments become even more subjective and complex.

The significant accounting and financial reporting policies that have been used in the preparation of the audited financial statements are summarized below. These policies have been consistently applied to all the periods presented, unless otherwise stated. For more information on the Company's significant accounting and financial reporting policies, see Note 2, starting on page 10 of the notes to financial statements in the 2021 audited financial statements of the Company included elsewhere in this Prospectus.

FINANCIAL POSITION

As of and for the years ended 31 December 2021 and 31 December 2020

	2021	2020	Increase (Decrease)	% Change
		₱ Thousands		
ASSETS				
Current Assets				
Cash	48,337	13,300	35,037	263.4%
Trade receivables	2,405	3,082	(677)	(22.0%)
Note receivable	60,000	–	60,000	–
Merchandise inventories	2,664	1,551	1,113	71.8%
Due from related parties	7,582	122,294	(114,712)	(93.8%)
Other current assets	13,074	14,036	(963)	(6.9%)
Total Current Assets	**134,062**	**154,263**	**(20,201)**	**(13.1%)**
Noncurrent Assets				
Property and equipment	40,073	8,908	31,164	349.8%
Right of use of assets	23,435	12,519	10,916	87.2%
Security deposits	0	405	(405)	(100.0%)
Intangible Assets	3,000	-	(3,000)	-
Deferred tax assets	378	1,156	(778)	(67.3%)
Total Noncurrent Assets	**66,886**	**22,989**	**43,897**	**190.9%**
TOTAL ASSETS	**200,948**	**177,252**	**23,696**	**13.4%**
LIABILITIES AND EQUITY				
Current liabilities				
Trade and other payables	8,936	3,538	5,397	152.5%
Lease liabilities	8,471	1,781	6,690	375.6%
Income tax payable	2,225	167	2,058	1,231.8%
Total Current Liabilities	**19,632**	**5,487**	**14,145**	**257.8%**
Noncurrent liabilities				
Noncurrent portion of:				
Lease liabilities	15,216	11,544	3,672	31.8%
Retirement benefits liability	1,261	542	719	132.5%
Total Noncurrent Liabilities	**16,477**	**12,086**	**4,391**	**36.3%**
Total Liabilities	**36,108**	**17,572**	**18,536**	**105.5%**
Capital Stock	58,500	53,500	5,000	9.3%
Additional paid In Capital	96,533	96,533	0	0.0%
Retained earnings	10,182	9,666	517	5.3%
Other comprehensive loss	(376)	(19)	(357)	1,902.7%
Total Equity	**164,840**	**159,680**	**5,160**	**3.2%**
TOTAL LIABILITIES AND EQUITY	**200,948**	**177,252**	**23,696**	**13.4%**

Assets

The Company's total assets stood at ₱200.9 million as of December 31, 2021, an increase of 13.4% from the total assets of ₱177.3 million as of December 31, 2020.

Cash and cash equivalents stood at ₱48.3 million as of December 31, 2021 an increase of 263.4% from the amount of ₱13.3 million as of December 31, 2020. The increase in cash level is attributed to net collection of advances to related parties of ₱67.2 million, offset by increased acquisition of property and equipment of ₱43.2 million. As of December 31, 2021, the Company also distributed cash dividends of ₱8.0 million, and received proceeds from issuance of stock amounting to ₱5.0 million.

Trade and other receivables stood at ₱2.4 million as of December 31, 2021, lower by 22.0% than the trade and other receivables of ₱3.1 million as of December 31, 2020. The decrease in trade receivables is attributable to collection of

₱2.2 million advances offset by the receivable from franchisees amounting to ₱1.5 million as of December 31, 2021. There were no outstanding receivables from franchisees as of December 31, 2020.

Notes Receivable stood at ₱60.0 million as of December 31, 2021 resulted from the reclassification of due from related parties covered by a promissory note. The said amount was booked as part of the Due from Related Parties account since 2019. The said unsecured receivable is between BALAI and its affiliate, FGI to fund its working capital requirement.

Merchandise inventory stood at ₱2.7 million as of December 31, 2021, higher by 71.8% than the total merchandise inventory of ₱1.6 million as of December 31, 2020. The increase in inventory is due to maintaining of inventory for the production of balai products in 2021.

Due from related parties stood at ₱7.6 million as of December 31, 2021, which was lower by 93.8% of ₱122.3 million as of end-2020. The decline is due to the reclassification to note receivable of ₱60.0 million and net collection from related party.

Other current assets stood at ₱13.1 million as of December 31, 2021 which was 6.9% lower than the same account in 2020 which stood at ₱14.0 million. The decrease is due to net effect of collection of Security Deposit from lessors and advance rent for the year 2021

Property and equipment stood at ₱40.1 million as of December 31, 2021, higher by 349.8% than the property and equipment as of December 31, 2020, of ₱8.9 million. The increase in property and equipment is due to the rollout of BP Company-owned stores, mainly undertaken in the second half of 2021.

Right of use of assets increased by 87.2% from ₱12.5 million as of December 31, 2020 to ₱23.4 million as of December 31, 2021 due to net effect of additional leased assets and amortizations for the year.

There is no non current portion of the Security Deposit as of December 31, 2021.

Intangible Asset stood at ₱3.0 million as of December 31, 2021. These pertains to intellectual property rights over the balai pandesal brand, prcaticees, recipies, and supply chain.

Deferred Tax asset stood at ₱0.4 million as of December 31, 2021, which was 67.3% lower than its value as of December 31, 2018, of ₱1.2million. The excess MCIT over RCIT incurred in 2020 was applied to income tax due for 2021.

Liabilities

Trade and other payables stood at ₱8.9 million as of December 31, 2021, higher by 152.5% than the trade and other payables as of December 31, 2020, of ₱3.5 million. The increase is attributable to outstanding payables for purchase of assets made in June 2021 and higher trade payables due to the purchase of inventory.

Lease liabilities of ₱8.5 million as of December 31, 2021 with 375.6% increase from ₱1.8 million in 2020. The additional lease liabilities for new stores net of the lease payments resulted in the increase in the account for the year. While the non current portion as of December 31, 2021 stood at ₱15.2 million increased by 31.8% from ₱11.5 million in 2020 due to interest accretion and lease payments made during the period.

Income Tax Payable stood at ₱2.2 million as of December 31, 2021 with 1,231.8% increase from ₱0.2 million as of December 31, 2020 which resulted from the net income for the year, net of the payments made in the previous 3 quarters of the year.

Retirement benefits liability stood at ₱1.3 million as of December 31, 2021. This was 132.5% higher than that of December 31, 2019, at ₱0.5 million. The increase was attributed to the additional current service and interest cost due to added year of service of employees.

Equity

Capital stock stood at ₱58.5 million as of December 31, 2021, the ₱5.0 million increase is the additional issuance of stocks in the 4th quarter of 2021 from the total capital stock of ₱53.5 million as of December 31, 2020.

Retained Earnings stood at ₽10.2 million as of December 31, 2021 with 5.3% increase compared to the same period amounting to ₽9.7 million in 2020. The increase was driven by the net effect of net income of ₽8.5million and issuance of cash dividends of ₽8.0 million in September 2021.

Other comprehensive loss stood at ₽0.4 million as of December 31, 2021 with 1902.7% increase compared to the same period of ₽0.02 million in 2020 resulting from the remeasurement of retirement benefits liability.

Total equity stood at ₱164.8 million as of December 31, 2021, which was an increase of 3.2% from December 31, 2020, where total equity was at ₱159.7 million. The increase in total equity is due to the additional ₱5 million stock issuance and net income of ₱8.5 million as of December 31, 2021, offset by the distribution of dividends of ₱8.0 million in September 2021.

As of and for the years ended 31 December 2020 and 31 December 2019

	2020	2019	Increase (Decrease)	% Change
		₱ Thousands		
ASSETS				
Current Assets				
Cash	13,300	33,843	(20,543)	(60.7%)
Trade receivables	3,082	2,046	1,036	50.6%
Merchandise inventories	1,551	1,629	(78)	(4.8%)
Due from related parties	122,294	106,530	15,764	14.8%
Other current assets	14,036	14,486	(450)	(3.1%)
Total Current Assets	**154,263**	**158,545**	**(4,282)**	**(2.7%)**
Noncurrent Assets				
Property and equipment	8,908	10,105	(1,197)	(11.8%)
Right of use of assets	12,519	15,115	(2,596)	(17.2%)
Security deposits	405	405	0	0.0%
Deferred tax assets	1,156	96	1,060	1,106.1%
Total Noncurrent Assets	**22,989**	**25,722**	**(2,733)**	**(10.6%)**
TOTAL ASSETS	**177,252**	**184,267**	**(7,015)**	**(3.8%)**
LIABILITIES AND EQUITY				
Current liabilities				
Trade and other payables	3,538	6,999	(3,461)	(49.4%)
Lease liabilities	1,781	1,550	231	14.9%
Mortgage payable	0	131	(131)	(100.0%)
Due to related parties	0	50	(50)	(100.0%)
Income tax payable	167	1,218	(1,051)	(86.3%)
Total Current Liabilities	**5,487**	**9,948**	**(4,462)**	**(44.8%)**
Noncurrent liabilities				
Noncurrent portion of :				
Lease liabilities	11,544	13,325	(1,781)	(13.4%)
Retirement benefits liability	542	320	223	69.7%
Deferred tax liability	0	72	(72)	(100.0%)
Total Noncurrent Liabilities	**12,086**	**13,716**	**(1,631)**	**(11.9%)**
Total Liabilities	**17,572**	**23,665**	**(6,092)**	**(25.7%)**
Capital Stock	53,500	53,500	-	0.0%
Additional paid In Capital	96,533	96,533	-	0.0%
Retained earnings	9,666	10,588	(922)	(8.7%)
Other comprehensive loss	(19)	(19)	-	0.0%
Total Equity	**159,680**	**160,602**	**(922)**	**(0.6%)**
TOTAL LIABILITIES AND EQUITY	**177,252**	**184,267**	**(7,015)**	**(3.8%)**

Assets

The Company's total assets stood at ₱177.3 million as of December 31, 2020, lower by 3.8% than the total assets of ₱184.3 million as of December 31, 2019.

Cash and cash equivalents stood at ₱13.3 million as of December 31, 2020, lower by 60.7% than the amount of ₱33.8 million as of December 31, 2019. From positive net cash generated from operations in prior years, the Company used ₱0.3 million in operating activities due to the impact of the pandemic. The Company also used ₱18.2 million in investment activities and ₱2.0 million in financing activities.

Trade and other receivables stood at ₱3.1 million as of December 31, 2020, higher by 50.7% than the trade and other receivables of ₱2.0million as of December 31, 2019. This is attributable to increase in advances to officers and employees, which will be collected through salary deductions.

Merchandise inventory stood at ₱1.56 million as of December 31, 2020, lower by 4.8% than the total merchandise inventory of ₱1.6 million as of December 31, 2019.

Due from related parties stood at ₱122.3 million as of December 31, 2020, which was higher by 14.8% of ₱106.5 million as of end-2019. The increase is due to the net increase in cash advances to related party for the period.

Other current assets stood at ₱14.0 million as of December 31, 2020 which was 3.1% lower than the ₱14.5 million in 2019. The decrease is due to collection of Security Deposit from lessors for the year 2020.

Property and equipment stood at ₱8.9 million in 2020, lower by 11.8% than the property and equipment in 2019, of ₱10.1 million. The decline is attributable to the Company recording depreciation higher than the minimal addition to property and equipment in 2020.

Right of use of assets decreased by 17.2% from ₱15.1 million as of December 31, 2019 to ₱12.5 million as of December 31, 2020 due to amortizations for the year.

There were no changes in the non-current portion of Security Deposit at ₱0.4 million from December 31, 2019 to 2020

Deferred Tax asset stood at ₱1.20 million as of December 31, 2020, which was higher than its value as of December 31, 2018, of ₱0.1 million. The increase was due to the excess MCIT over RCIT of the company which can be claimed as deducted from income tax until 2023.

Liabilities

Trade and other payables stood at ₱3.5 million in 2020, lower by 49.4% than the trade and other payables in 2019 of ₱7.0 million. This decline was driven by reduced scale of operations during the pandemic, which led to lower accrued expenses.

Lease liabilities of ₱1.8 million as of December 31, 2020 with 14.9% increase from ₱1.6 million in 2019. The additional lease liabilities for new stores net of the lease payments resulted in the increase in the account for the year. While the non current portion as of December 31, 2020 amounts to ₱11.5 million decreased by 13.4% from ₱13.3 million in 2019 due to interest accretion and lease payments made during the period.

There is no mortgage payable as of December 31, 2020 due to full payment during the year.

There is no due to related parties as of December 31, 2020.due to payment during the year.

Income Tax Payable stood at ₱0.2 million as of December 31, 2020, a 86.3% decrease from ₱1.2 million as of December 31, 2019 resulting from the net amount of Income tax due and payments made in the first 3 quarters of the year.

There were no notes payable as of December 31, 2019. The notes payable of ₱8.5 million for the same period last year was fully paid during the year 2019.

Retirement benefits liability stood at ₱0.5 million as of December 31, 2020. This was 69.7% higher than that of December 31, 2019, at ₱0.3 million. The increase was attributed to the additional current service and interest cost due to added year of service of employees.

Equity

Capital stock and additional paid in capital remain unchanged at ₱53.5 million and P96.5 million as of December 31, 2020 and 2019.

Retained Earnings stood at ₱9.7 million as of December 31, 2020 with 8.7% decrease compared to the same period amounting to ₱10.6 million in 2019. The decline was driven by the incurred net loss of ₱0.9 in 2020.

Total equity stood at ₱159.7 million in 2020, which was a decrease of 0.6% from 2019, where total equity was at ₱160.6 million.

As of and for the years ended 31 December 2019 and 31 December 2018

	2019	2018	Increase (Decrease)	% Change
	₱ Thousands			
ASSETS				
Current Assets				
Cash	33,843	105,304	(71,461)	(67.9%)
Trade receivables	2,046	1,012	1,034	102.2%
Merchandise inventories	1,629	1,577	52	3.3%
Due from related parties	106,530	26,246	80,285	305.9%
Other current assets	14,486	12,648	1,838	12.7%
Total Current Assets	**158,545**	**146,787**	**11,758**	**8.0%**
Noncurrent Assets				
Property and equipment	10,105	5,171	4,935	95.4%
Right of use of assets	15,115	–	15,115	–
Security deposits	405	–	405	–
Deferred tax assets	96	84	12	13.9%
Total Noncurrent Assets	**25,722**	**5,255**	**20,467**	**389.5%**
TOTAL ASSETS	**184,267**	**152,042**	**32,224**	**21.2%**
LIABILITIES AND EQUITY				
Current liabilities				
Trade and other payables	6,999	3,263	3,736	114.5%
Lease liabilities	1,550	–	1,550	–
Mortgage payable	131	299	(168)	(56.2%)
Due to related parties	50	–	50	–
Notes Payable	-	8,500	(8,500)	(100%)
Income tax payable	1,218	–	1,218	–
Total Current Liabilities	**9,948**	**12,062**	**(2,114)**	**(17.5%)**
Noncurrent liabilities				
Noncurrent portion of :				
Lease liabilities	13,325	–	13,325	–
Mortgage payable	–	131	(131)	(100.0%)
Retirement benefits liability	320	281	39	13.9%
Deferred tax liability	72	–	72	–
Total Noncurrent Liabilities	**13,716**	**412**	**13,305**	**3,231.9%**
Total Liabilities	**23,665**	**12,474**	**11,191**	**89.7%**
Capital Stock	53,500		6,000.00	12.6%

		47,500		
Additional paid In Capital	96,533	84,533	12,000.00	14.2%
Retained earnings	10,588	7,555	3,033	40.2%
Other comprehensive loss	(19)	(19)	–	0.0%
Total Equity	**160,602**	**139,568**	**21,033**	**15.1%**
TOTAL LIABILITIES AND EQUITY	**184,267**	**152,042**	**32,224**	**21.2%**

Assets

The Company's total assets stood at ₱184.3 million as of December 31, 2019, which was higher by 21.2% than the total assets of ₱152.0 million as of December 31, 2018.

Cash and cash equivalents stood at ₱33.8 million as of December 31, 2019, which was lower by 67.9% than the cash level of ₱105.3 million as of December 31, 2018. From positive net cash generated from operations in prior years, the Company used ₱14.3 million in financing activities to pay off its notes payable and distribute cash dividends. The Company also used ₱88.2 million in investment activities.

Trade and other receivables stood at ₱2.0 million as of December 31, 2019, which was higher by 102.2% than the trade receivables of ₱1.0 million as of December 31, 2018. This is attributable to increase in advances to officers and employees, which will be collected through salary deductions.

Merchandise inventory stood at ₱1.6 million as of December 31, 2019, which was higher by 3.3% than the total merchandise inventory of ₱1.6 million as of end-2018.

Due from related parties stood at ₱106.5 million as of December 31, 2019, which was higher by 305.9% of ₱26.2 million as of end-2018. The increase is due to the net increase in cash advances to related party for the period.

Other current assets stood at ₱14.5 million as of December 31, 2019 which was 12.7% higher than the same account in 2018 of ₱12.6 million. The increase is due to additional security deposit and advance rentals for new stores.

Property and equipment stood at ₱10.1 million as of December 31, 2019, which was 95.4% higher than the property and equipment as of December 31, 2018, of ₱5.2 million. The increase in property and equipment was due to new stores added in 2019.

Right of use of assets as of December 31, 2019 at ₱15.1 million is recognized in the adoption of PFRS 16 using the modified retrospective method, which requires that the cumulative effect of applying the new standard is recognized at the beginning of the year of initial application.

Security Deposit stood at ₱0.4 million as of December 31, 2019 refers to the non current portion of Security dpeosit from a long-term lease agreement.

Deferred Tax asset stood at ₱0.10 million as of December 31, 2019, which was 18.8% higher than its value as of December 31, 2018, of ₱0.08 million. The increase is the tax effect of the remeasurement of retirement benefits for the year.

Liabilities

Trade and other payables stood at ₱7.0 million as of December 31, 2019. This was 114.5% higher than the trade and other payables as of December 31, 2018, of ₱3.3 million. The increase in trade and other payables was due to the increased in level of purchases for the period.

Lease liabilities of ₱1.5 million as of December 31, 2019 represents the current portion of the lease liability related to Right of use asset recognized in the adoption of PFRS 16. While the non current portion as of December 31, 2019 amounts to ₱13.3 million.

The non current portion of the Mortgage Payable of ₱0.1 million as of December 31, 2018 has been recognized as current Mortgage payable as of December 31, 2019.

Due to related parties stood at ₱0.05 million of December 31, 2019, the amount is from an erroneous deposit to company account by the related party.

Income Tax Payable stood at ₱1.2 million as of December 31, 2019 resulting from the net income- net of the payments made in the previous 3 quarters of the year.

There were no notes payable as of December 31, 2019. The notes payable of ₱8.5 million for the same period last year was fully paid during the year 2019.

Retirement benefits liability stood at ₱0.3 million as of December 31, 2019. This was 13.9% higher than that of December 31, 2018. The increase was attributed to the additional current service and interest cost due to added year of service of employees.

Equity

Capital stock stood at ₱53.5 million as of December 31, 2019, which was a 12.6% increase from ₱47.5 million in 2018. Capital stock increased because in 2019 new shares worth ₱6.0 million were issued at a premium, resulting to an increase in the additional paid in capital by 14.2%

Retained Earnings stood at ₱10.6 million as of December 31, 2019 with 40.2% increase compared to the same period of P7.6 million in 2017. The increase was due to the additional net income of ₱7.0 million in 2019 and reduced by the issuance of ₱4.0 million cash dividends during the year.

Total equity stood at ₱160.6 million as of December 31, 2019, which was an increase of 15.1% from total equity in December 31, 2018 of ₱139.6 million. Total equity increased primarily due to issuance of new shares at a premium.

As of and for the years ended 31 December 2018 and 31 December 2017

	2018	2017	Increase (Decrease)	% Change
Cash	105,304	129,814	(24,510)	(18.9%)
Trade receivables	1,012	–	1,012	–
Merchandise inventories	1,577	1,600	(24)	(1.5%)
Due from related parties	26,246	8,031	18,214	226.8%
Other current assets	12,648	9,989	2,660	26.6%
Total Current Assets	**146,787**	**149,434**	**(2,647)**	**(1.8%)**
Noncurrent Assets				
Property and equipment	5,171	1,104	4,067	368.3%
Deferred tax assets	84	71	13	18.8%
Total Noncurrent Assets	**5,255**	**1,175**	**4,080**	**347.3%**
TOTAL ASSETS	**152,042**	**150,609**	**1,433**	**1.0%**
LIABILITIES AND EQUITY				
Current liabilities				
Trade and other payables	3,263	1,800	1,463	81.3%
Mortgage payable	299	275	24	8.8%
Due to related parties	–	800	(800)	(100.0%)
Income tax payable	–	2,240	(2,240)	(100.0%)
Note payable	8,500	9,750	(1,250)	(12.8%)
Total Current Liabilities	**12,062**	**14,865**	**(2,803)**	**(18.9%)**
Noncurrent liabilities				
Mortgage payable	131	452	(321)	(71.0%)
Retirement benefits liability	281	236	44	18.8%
Total Noncurrent Liabilities	**412**	**688**	**(277)**	**(40.2%)**
Total Liabilities	**12,474**	**15,554**	**(3,080)**	**(19.8%)**
Capital Stock	47,500	47,500	–	0.0%
Additional paid In Capital	84,533	84,533	–	0.0%
Retained earnings	7,555	3,042	4,513	148.4%
Other comprehensive loss	(19)	(19)	–	0.0%
Total Equity	**139,568**	**135,055**	**4,513**	**3.3%**
TOTAL LIABILITIES AND EQUITY	**152,042**	**150,609**	**1,433**	**1.0%**

Assets

The Company's total assets stood ₱152.0 million as of December 31, 2018, which was higher by 1.0% than the total assets of ₱150.6 million as of December 31, 2017.

Cash and cash equivalents stood at ₱105.3 million as of December 31, 2018, which was lower by 18.9% than the cash level of ₱129.8 million as of December 31, 2017. The decrease was due to net cash outflows from investing activities of ₱ 23.6 million outpacing combined net cash outflows from operating activities and financing activities of ₱0.9 million in 2018.

Trade and other receivables stood at ₱1.0 million as of December 31, 2018, there were no trade receivables as of December 31, 2017.

Merchandise inventory stood at ₱1.6 million as of December 31, 2018, which was lower by 1.4% than the total merchandise inventory of ₱1.6 million as of end-2017.

Due from related parties stood at P26.2 million as of December 31, 2018, which was higher by 226.8% of P8.0 million as of end-2017. The increase is due to the increase in cash advances to related party used for working capital.

Other current assets stood at P12.6 million as of December 31, 2018 which was 26.6% higher than as of December 31, 2017, P10.0 million. The increase is due to increase in Security Deposit and Advance rentals for the year 2018.

Property and equipment stood at ₱5.2 million as of December 31, 2018, which was 368.4% higher than the property and equipment as of December 31, 2017, of ₱1.1 million. The increase from 2017 to 2018 was due to the store improvement program implemented during the year.

Deferred Tax asset stood at 0.08million as of December 31, 2018, which was 18.8% higher than its value as of December 31, 2017, of P0.07million.

Liabilities

Trade and other payables stood at ₱3.3 million as of December 31, 2018. This was 81.3% higher than the trade and other payables as of December 31, 2017, of ₱1.8 million. The increase in trade and other payables from 2017 to 2018 was due to the increased level of purchases for the period.

There were no due to related parties as of December 31, 2018 due to full payment of 2017 balance amounting to P0.8 million during the year.

There were no Income Tax Payable as of December 31, 2018 due to excess income tax payments for the first quarter of the year.

Notes Payable stood stood at P8.5 million as of December 31, 2018. This was 12.8% lower than the notes payables as of December 31, 2017, of P9.8 million. The decrease in notes payables from 2017 to 2018 was due payments for the period.

The current portion of the Mortgage Payable as of December 31, 2021 stood at P0.3 million which is 8.8% higher than that of 2017. Non current portion of the Mortgage Payable stood at P0.1 million as of December 31, 2018. This was 71% lower than the as of December 31, 2017, of P0.5 million. The decrease in mortgage payables from 2017 to 2018 was due to the payments for the period and transfer to current portion of the account.

Retirement benefits liability stood at P0.3 million as of December 31, 2018. This was 18.8% higher than that of end- 2017, of P0.2 million. The increase was attributed to the higher current service and interest cost due to additional year of service of employees.

Equity

Capital stock stood at ₱47.5 million as of December 31, 2018, unchanged from ₱47.5 million in 2017.

Retained Earnings stood at P7.6 million as of December 31, 2018 with 148.4% increase compared to the same period of P3.0 million in 2017. The increase was due to the additional net income of P4.6 million in 2018.

Total equity stood at ₱139.6 million as of December 31, 2018, which was an increase of 3.3% from total equity in December 31, 2017 of ₱135.1 million. Total equity increased from 2017 to 2018 due to addition of net income of ₱4.5 million for the period.

Results of Operations

Year ended December 31, 2021 compared with year ended December 31, 2020

	2021	2020	Increase (Decrease)	% Change
	₱ thousands			
Sales	148,933	110,144	38,790	35.2%
Cost of Sales	71,227	56,298	14,929	26.5%
Gross Profit	**77,707**	**53,846**	**23,861**	**44.3%**
Operating expenses	69,932	54,808	15,124	27.6%

Income from Operations	**7,775**	**(963)**	**8,737**	**907.4%**
Other Income (Expense)-net	4,002	(11)	4,013	36,481.8%
Income before income tax	**11,777**	**(973)**	**12,750**	**1,310.4%**
Income tax expense	3,235	(51)	3,286	6,443.1%
Net Income	**8,542**	**(922)**	**9,464**	**1,026.3%**

Revenues
The Company generated revenues of ₱148.9 million for the year ended December 31, 2021, a 35.2% or a ₱38.8 million upswing from the same period in 2020, which closed at ₱110.1 million. The increase was driven by the additional BP stores and the re-opening of the economy as quarantine restrictions from the COVID-19 pandemic were eased.

Cost of Sales
Cost of sales for the year ended December 31, 2021 closed at ₱71.2 million, 26.5% or a ₱14.9 million increases over the same period in 2020 which closed at ₱56.3 million. The rise is attributable mainly to the increase in revenues. The Company was able to improve its gross profit margin which was at 52.2%for the first nine months of 2021 versus the 48.9%of the same period in 2020.

Operating Expenses
The Company's operating expenses settled at ₱69.9 million at the close of the year 2021, a 27.6% or a ₱15.1 million increase from the same period in 2020. The uptick was attributed to the increased business volume in the year 2021, which drove up manpower expenses.

Income Tax Expense
Income tax expense jumped by 6,443.1% to ₱3.2 million in 2021 from (₱0.1) million for 2020. The Company incurred income tax expense for the year 2021 as the Company reverted to positive pre-tax income.

Net income/(loss)
Net income for the year ended December 31, 2021 closed at ₱8.5 million, a 1026.3% or ₱9.5 million upsurge from the same period of the prior year net loss of (₱0.9) million as the Company grew its revenue, improved its gross margin and managed the increase of its operating expenses. The Company also benefited from recognition of gain on sale of property and equipment in the year 2021.

Year ended December 31, 2020 compared with year ended December 31, 2019

	2020	2019	Increase (Decrease)	% Change
	₱ thousands			
Sales	110,144	233,192	-123,048	(52.8%)
Cost of Sales	56,298	120,212	63,914	(53.2%)
Gross Profit	**53,846**	**112,980**	**-59,134**	**(52.3%)**
Operating expenses	54,808	103,291	48,843	(46.9%)
Income from Operations	**(963)**	**9,689**	**-10,652**	**(109.9%)**
Other Income (Expense)-net	(11)	354	-364	(103.1%)
Income before income tax	**(973)**	**10,043**	**-11,016**	**(109.7%)**
Income tax expense	(51)	3,009	-3,060	(101.7%)
Net Income	**(922)**	**7,033**	**-7,955**	**(113.1%)**

Revenues
For the year ended December 31, 2020, the Company recorded revenues of ₱110.1 million, a 52.8% or a ₱123.0 million decrease from the ₱233.2 million in the year ended December 31, 2019. The decrease in revenues was mainly due to the restrictions imposed due to the COVID-19 pandemic.

Cost of Sales
The Company's cost of sales for the year ended December 31, 2020 totaled ₱56.3 million, a 53.2% or ₱63.9 million decrease over the prior year's level of ₱120.2 million. The decline is attributable mainly the reduction in revenues, although the Company was able to improve its gross profit margin which registered at 48.9% end-2020 versus the 48.4% end-2019.

Operating Expenses
At the close of 2020, the Company's operating expenses reached ₱54.8 million, ₱48.5 million or 46.9% lower than the expenses incurred of ₱103.3 million in 2019. The decline was attributed to the reduced business volume in 2020 and cost containment measures undertaken by the Company.

Income Tax Expense
Provision for income tax benefit for the year 2020 amounted to ₱0.1 million compared to income tax expense of ₱3.0 million for 2019. Benefits from income tax for the year 2020 was primarily due to higher deferred tax due to taxable losses caused by the COVID- 19 pandemic.

Net income/(loss)
Net loss for the year ended December 31, 2020 reached (₱0.9 million), an ₱8.0 million or approximately 113.1% decrease from the prior year's ₱7.0 million.

Year ended December 31, 2019 compared with year ended December 31, 2018

	2019	2018	Increase (Decrease)	% Change
	₱ thousands			
Sales	233,192	210,162	23,030	11.0%
Cost of Sales	120,212	112,076	8,136	7.3%
Gross Profit	**112,980**	**98,086**	**14,894**	**15.2%**
Operating expenses	103,291	91,310	11,980	13.1%
Income from Operations	**9,689**	**6,775**	**2,914**	**43.0%**
Other Income (Expense)-net	354	63	291	462.9%
Income before income tax	**10,043**	**6,838**	**3,205**	**46.9%**
Income tax expense	3,009	2,325	684	29.4%
Net Income	**7,033**	**4,513**	**2,520**	**55.8%**

Revenues

For the year ended December 31, 2019, the Company recorded revenues of ₱233.2 million, a 11.0% or a ₱23.0 million increase from the ₱210.2 million in the year ended December 31, 2018. The Company added 6 stores in 2019, or a 7.8% growth in store network from 77 as of end-2018 to 83 as of end-2019.

Cost of Sales

The Company's cost of sales for the year ended December 31, 2019 totaled ₱120.2 million, a 7.3% or ₱8.1 million increase over the prior year's level of ₱112.1 million. The increase in cost of sales was attributable to store expansions and increased in raw materials used.

Operating Expenses

At the close of 2019, the Company's operating expenses reached ₱103.3 million, ₱12.0 million or 13.1% higher than the expenses incurred of ₱91.3 million in 2018. The company's major operating expenses include manpower, rent, utilites and depreciation and amortization. Apart from the increase attributable to the increased volume of sales, the significant changes in operating expenses were driven by increase in manpower at the store level and strong marketing campaign to promote the brands.

Income Tax Expense

Provision for income tax for the year 2019 amounted to ₱3.0 million compared to ₱2.3 million for 2018. The ₱0.7 million increase is attributable mainly to the increase in income before tax from ₱6.8 million to ₱ 10.0 million.

Net income

Net income for the year ended December 31, 2019 reached ₱7.0 million, a ₱2.5 million or approximately 55.8% increase from the prior year's ₱4.5 million.

Year ended December 2018 compared with year ended December 31, 2017

	2018	2017	Increase (Decrease)	% Change
Sales	210,162	193,350	16,812	8.7%
Cost of Sales	112,076	108,418	3,658	3.4%
Gross Profit	**98,086**	**84,932**	**13,154**	**15.5%**
Operating expenses	91,310	65,256	26,055	39.9%
Income from Operations	**6,775**	**19,676**	**(12,901)**	**(65.6%)**
Other Income (Expense)-net	63	133	(71)	(52.9%)
Income before income tax	**6,838**	**19,810**	**(12,972)**	**(65.5%)**
Income tax expense	2,325	5,902	(3,577)	(60.6%)
Net Income	**4,513**	**13,907**	**(9,394)**	**(67.5%)**

Revenues
For the year ended December 31, 2018, the Company recorded revenues of ₱210.2 million, a 8.7% or a ₱16.8 million increase from the ₱193.4 million in the year ended December 31, 2017.

Cost of Sales
The Company's cost of sales for the year ended December 31, 2018 totaled ₱112.1 million, a 3.4% or ₱3.7 million increase over the prior year's level of ₱108.4 million. The rise is attributable mainly to the increase in revenues. The company was able to improve its gross profit margin from 43.9% in 2017 to 46.7% in 2018.

Operating Expenses
At the close of 2018, the Company's operating expenses reached ₱91.3 million, ₱26.1 million or 39.9% higher than the expenses incurred of ₱65.3 million in 2017. The major operating expenses include manpower, rent, utilities, and depreciation and amortization. Rent increased from ₱24.7 million in 2017 to ₱30.8 million in 2018. Depreciation and amortization which formed part of operating expenses increased from ₱0.4 million in 2017 to ₱1.35 million in 2018, which was driven by the increased store improvement for the period.

Income Tax Expense
Provision for income tax for the year 2018 amounted to ₱2.3 million compared to ₱5.9 million for 2017. The ₱3.6 million decline is attributable mainly to the decrease in income before tax.

Net income/(loss)
Net income for the year ended December 31, 2018 reached ₱4.5 million, a ₱9.4 million or 67.5% decrease from the prior year's ₱13.9 million.

LIQUIDITY AND CAPITAL RESOURCES

The Company's principal liquidity requirements are for both operating and capital expenditures which are comprised of inventory purchases, store improvements, logistical infrastructure and store network expansion among others.

The Company's principal source of liquidity is internally generated cash from operations. For the year ended December 31, 2021, the Company had total current assets of ₱134.1 million, of which cash and cash equivalents accounted for 36.1% or ₱48.3 million. This was against BALAI's total current liabilities of ₱19.6 million, of which 45.5% were trade and other payables.

The Company expects a growth in its working capital due to increased sales and store network expansion. Moving forward, we expect to fund these requirements from BALAI's operating cash flows and proceeds from this initial public offering. See "Use of Proceeds" beginning on page 41 of this Prospectus.

The Company may also, from time to time, seek other sources of funding, which may include debt financing, depending on the Company's financing needs and market conditions. In the course of conducting its business, we may incur short-term debt from several banking institutions.

CASH FLOWS

	For the years ended December 31,			
	2018	**2019**	**2020**	**2021**
	₱ thousands			
Net cash generated from/(used) operating activities	1,471	12,971	(348)	20,370
Net cash generated from/(used) in investing activities	(23,634)	(88,151)	(18,236)	23,977
Net cash generated from/(used) in financing activities	(2,347)	3,720	(1,960)	(9,310)

Cash flows from operating activities

	For the years ended December 31, ₱ *thousands*			
	2018	**2019**	**2020**	**2021**
CASH FLOWS FROM OPERATING ACTIVITIES				
Income Before Income Tax	**6,838**	**10,042**	**(973)**	**11,777**
Adjustments for:				
Depreciation and Amortization	1,352	4,665	6,265	11,774
Interest Expense	529	1,012	1,334	1,725
Gain from Rent Concessions	–	–	(1,103)	–
Gain on:				
Sale of Property and equipment	–	–	–	(3,285)
Termination of lease	–	–	–	(1,463)
Interest Income	(36)	(20)	(6)	(773)
Retirement Benefit Expense	44	39	223	245
Operating Income before Working Capital Changes	**8,727**	**15,738**	**5,740**	**19,999**
Decrease (Increase) in:				
Trade and Other Receivables	(1,012)	(219)	(1,036)	677
Merchandise Inventories	23	(52)	78	(1,113)
Other Current Assets	(1,312)	(1,822)	(154)	(1,449)
Security Deposit	–	(3,403)	615	(825)
Increase (Decrease) in:				
Trade and Other Payables	1,463	3,736	(3,461)	2,592
Net Cash Generated from Operations	**7,890**	**13,978**	**1,781**	**19,880**
Income Tax Paid	(5,926)	(383)	(2,132)	(282)
Interest Paid	(529)	(644)	(3)	–
Interest Received	36	20	6	773
Net Cash Flows from/(used) Operating Activities	**1,471**	**12,971**	**(348)**	**20,370**

The net cash generated from the Company's operations for the year ended December 31, 2021 was ₱20.4 million which included income before income tax of ₱11.8 million and gain on sale of property, equipment and gain on termination of lease of ₱3.3 million and ₱1.5 million, respectively. The opening of new stores has also affected the higher adjustment on depreciation and amortization for the year amounting to ₱11.8million compared to the previous period.Net adjustment in the income before income tax includes the increase in Trade and other receivables, merchandise inventory and security deposit with net payment of Trade and other payables resulting in the working capital changes meanwhile amounted to an outflow of ₱0.2 million.

The net cash used for the Company's operations for the year ended December 31, 2020 was ₱0.3 million which included loss before income tax of ₱1.0 million. The changes from net loss before tax included Gain from Rent concessions of ₱1.1 million, Depreciation and amortization of ₱6.3 million and ₱1.3 million Interest expense. Working capital changes meanwhile amounted to an outflow of ₱4.0 million, where increase in Trade and other receivables of ₱1.0 million and decrease in Trade and other payables were included.

The net cash generated from the Company's operations for the year ended December 31, 2019 was ₱13.0 million which included income before income tax of ₱10.0 million. Working capital changes meanwhile amounted to an outflow of ₱1.8 million which includes the net increase in Other current asset, security deposits and trade and other payables of ₱1.8 million, ₱3.4 million, and ₱3.7 million respectively.

The net cash generated from the Company's operations for the year ended December 31, 2018 was ₱1.5 million which included income before income tax of ₱6.8 million. Working capital changes meanwhile amounted to an outflow of ₱0.8 million which included the net increase in Trade and other receivables, other current assets and trade and other payables amounting to ₱1.0 million, ₱1.3 million and ₱1.5 million, respectively.

Cash flows from investing activities

	For the years ended December 31,			
	₱ thousands			
	2018	**2019**	**2020**	**2021**
CASH FLOWS FROM INVESTING ACTIVITIES				
Advances to Related Parties	(149,745)	(233,657)	(15,764)	(31,181)
Acquisitions of Property and Equipment	(5,419)	(7,867)	(2,472)	(43,230)
Collection of Advances to Related Parties	131,530	153,373	–	98,387
Net Cash Flows from/(used) Investing Activities	**(23,634)**	**(88,151)**	**(18,236)**	**23,977**

Net cash generated in investing activities amounted to ₱24.0 million for year ended December 31, 2021. For the year ended December 31, 2020, the Company's net cash used in investing activities, which included acquisition of store equipment and furniture and fixtures, amounted to (₱18.2) million. For the year 2019, cash used in investing activities totaled (₱88.2) million while in 2018, a total of (₱23.6) million cash was used.

Cash flows from financing activities

	For the years ended December 31,			
	₱ thousands			
	2018	**2019**	**2020**	**2021**
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of:				
Cash Dividends	–	(4,000)	–	(8,025)
Lease Liabilities	–	(1,531)	(1,779)	(6,285)
Mortgage Payable	(297)	(299)	(131)	–
Due to related parties	(3,621)	–	(50)	–
Notes payable	(1,250)	(8,500)	–	–
Proceeds from issuance of shares	–	18,000	–	5,000
Advances from related parties	2,821	50	–	–
Net Cash Flows from/(used) in Financing Activities	**(2,347)**	**3,720**	**(1,960)**	**(9,310)**

The net cash flows used in financing activities for the year ended December 31, 2021 and 2020 totaled ₱9.3 million, ₱1.9 million, respectively. The 2021 financing activities included payment of cash dividends of of ₱8.0 million, ₱6.3 million lease liabilities and application of deposit for share subscription of ₱5.0 million. As of December 31, 2020, the company has paid off its mortagage payable of of ₱0.1 million and lease liabilities of of ₱1.8 million. For 2019, net cash flows from financing activities amounted to ₱3.7 million which included payment of cash dividends, mortgage and notes payment totaling of ₱12.8 million. Included also is the receipt of issuance of shares of of ₱18.0 million and lease liabilities of ₱1.5 million. In 2018, net cash used in financing activities reached (₱2.3) million which included payment of notes, mortgage and net due to related party of ₱1.3 million, of ₱0.3 million and of ₱0.8 million, respectively.

Debt Obligations and Facilities

The Company's total amount of current liabilities as of December 31, 2021 was ₱19.6 million. The total amount of noncurrent liabilities as of December 31, 2021 was ₱16.5 million.

KEY PERFORMANCE INDICATORS

Below are the major performance measures that the Company uses. The Company employs analyses using comparisons and measurements based on the financial data for current periods against the same period of the previous year.

	For the years ended December 31			
	2018	**2019**	**2020**	**2021**
Revenue Growth	8.7%	11.0%	-52.8%	35.2%
Gross Profit Margin	46.7%	48.4%	48.9%	52.2%
Net Income Margin	2.1%	3.0%	-0.8%	5.7%
EBITDA (₱ thousands)	8,683	15,699	6,620	24,502
EBITDA Margin	4.1%	6.7%	6.0%	16.5%
Return on Average Assets	3.0%	4.2%	-0.5%	4.3%
Return on Average Equity	3.3%	4.7%	-0.6%	5.3%
Current Ratio	12.17	15.94	28.12	6.83
Debt to Equity Ratio	8.9%	14.7%	11.0%	21.9%
Solvency Ratio	0.47	0.49	0.30	0.55
Assets-to Equity Ratio	1.09	1.15	1.11	1.22
Interest Rate Coverage Ratio	16.41	15.51	4.96	14.20
Debt Service Coverage Ratio	0.78	5.97	-0.55	1.39
Earnings Per Share	9.50	13.93	-1.72	0.01
Book Value Per Share	293.83	318.02	298.47	0.28

[1] *Gross Profit Margin is gross profit as a percentage of revenues*
[2] *Net Income Margin is net income as a percentage of revenues*
[3] *EBITDA is defined as earnings before interest, tax, depreciation and amortization*
[4] *EBITDA margin is EBITDA as a percentage of revenues*
[5] *Return on Average Assets is net income as a percentage of the average of the assets as at year-end and assets as at end of the immediately preceding year;*
[6] *Return on Average Equity is net income as a percentage of the average of the equity as at year-end and equity as at end of the immediately preceding year;*
[7] *Current Ratio is current assets divided by current liabilities*
[8] *Debt to Equity Ratio is total liabilities over total equity*
[9] *Solvency Ratio is net income plus depreciation divided by total liabilities*
[10] *Assets to Equity Ratio is total assets over total equity*
[11] *Interest Rate Coverage Ratio is EBITDA over Interest Expense*
[12] *Debt Service Coverage Ratio is net operating income over total debt service*
[13] *Earnings Per Share is net income over average outstanding shares*
[14] *Book Value Per Share is total equity over average outstanding shares*

FINANCIAL RISK DISCLOSURE

The Company is not aware of any known trends, demands, commitments, events, or uncertainties that will have a material impact on the Company's liquidity.

The Company is not aware of any event that will trigger direct or contingent financial obligation that is material to the Company, including default or acceleration of any obligation.

The Company does not have any off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships with unconsolidated entities or other persons created during the reporting period.

The Company is not aware of any trends, events, or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.

The Company does not have any significant elements of income or loss that did not arise from its continuing operations.

The Company does not have any seasonal aspects that had a material effect on the financial conditions or results of operations.

QUALITATIVE AND QUANTITATIVE DISCLOSURE OF MARKET RISK

Credit Risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities and from its deposits with banks and financial institutions.

Liquidity Risk

Liquidity risk arises from the possibility that the Company may encounter difficulties in raising funds to meet commitments from financial instruments. It may result from either the inability to sell assets quickly at fair values or failure to collect from counterparty.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to its notes payable and mortgage payable. The Company obtains additional financing through bank borrowings. The Company's policy is to obtain the most favorable interest rates available.

Foreign Currency Risk

The Company undertakes certain transactions denominated in foreign currencies, primarily in U.S. Dollars giving rise to exposures to exchange rate fluctuations. Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Company's functional currency. Significant fluctuation in the exchange rates could significantly affect the Company's financial position.

The Company manages its foreign exchange exposure risk by matching, as far as possible, receipts and payments in each individual currency. Foreign currency is converted into the relevant domestic currency as and when the management deems necessary. The unhedged exposure is reviewed and monitored closely on an ongoing basis and management will consider hedging any material exposure where appropriate.

The Company's U.S. Dollar denominated financial asset as at December 31, 2021 is considered immaterial in relation to the consolidated financial statements. Thus, management believes that the Company's exposure to foreign currency risk is insignificant.

Commodity Risk

The Company mitigates commodity risk through sales and purchase agreements with various vendors and distributors to ensure availability of materials and maintain competitive prices.

BUSINESS

Overview and Corporate History

Balai Ni Fruitas Inc. ("BALAI"), formerly known as Buko Ni Fruitas, Inc., is a wholly owned subsidiary of Fruitas Holdings, Inc. ("FHI"). It was incorporated on May 17, 2005 and started its operations in August 2005 when it opened its first Buko Ni Fruitas kiosk in Robinsons Manila, serving fresh coconut-based beverages and desserts. Since then, the Buko Ni Fruitas brand grew to become one of the most well-recognized brands in the fruit-based desserts category.

Corporate Structure Pre-IPO

Corporate Structure Post-IPO

*Note: *Assuming the overallotment option is not exercised.*

BALAI's primary purpose as stated in its Articles of Incorporation dated 06 January 2022 is to engage in business of processing, manufacturing, packaging, servicing, repacking, marketing, buying, selling, trading, or otherwise dealing in (on wholesale and/or to the extent allowed under Philippines law, on retail basis) wet and dry goods such as fresh fruit drinks, baked goods and other related products, and conduct, maintain, and carry on the general business of bakery, restaurant, cafeteria, kiosk, supermarket, and any articles of food products, to engage in such other activities as may be reasonably incidental to or necessary in connection with the conduct of the business of the corporation as aforementioned. As of date of the Prospectus, the Company has no subsidiaries.

Currently, BALAI has three (3) active brands namely Buko Ni Fruitas ("BNF"), Fruitas House of Desserts ("FHOD") and Balai Pandesal ("BP"). Each brand offers specialized products such as fruit-based beverages and desserts and freshly-baked goods.

> *Buko ni Fruitas (BNF)* – BNF started in August 2005, when it opened its first kiosk in Robinsons Manila. It serves fresh coconut-based beverages and desserts. As of December 31, 2021, it has a total of 37 kiosks and inline stores located across the Philippines.
>
> *Fruitas House of Desserts (FHOD)* – Following the success of the BNF Brand, the Company launched the FHOD brand to expand its product portfolio to healthy desserts, fresh fruit shakes and juices, boba shakes, and milk tea. For the past nine (9) years, the FHOD brand has grown to nine (9) kiosks and inline stores as of the end of December 2021.
>
> *Balai Pandesal (BP)* – Balai Pandesal js a brand acquired by the Company in June 2021, allowing the entry of BALAI into the baked goods industry. The BP acquisition also included initial inventories, technical know-how, equipment and vehicle, and trademark. The Company entered into separate and distinct franchise agreements with Balai Pandesal Corp. and JAD Signature Breads Inc. for five (5) franchised stores within a month after the asset acquisition. The Company was able to grow the BP store network to 31 community stores, which includes 25 company-owned and 6 franchised stores within 6 months after the acquisition.

The Company is part of the baked goods industry and the fruit-based dessert segment. The Company is well-positioned to take advantage of the potential growth in these sectors.

As of December 31, 2021, BALAI has a total of 77 stores across the country, of which 92% are company-owned stores, operating in three (3) store formats such as a community store, kiosks and inline stores. All of these stores are all located in high-foot traffic areas and easily accessible by public transport such as malls, markets and central business districts. In addition, BALAI products are also available through the FHI's own e-commerce website, Babotsmart.com and through other online delivery and social media platforms such as Foodpanda, and Grabfood.

The brands across its portfolio allows BALAI to serve a wide array of products to the local market while the variety of store formats enable the Company to be flexible and expand faster. The Company believes its business model is highly scalable, as evidenced by its store network expansion in the past years.

Certain key dates and milestones for the Company's business are set forth below.

Year	**Milestone**
2005	▪ Incorporation of Buko Ni Fruitas, Inc. on 17 May 2005. ▪ In the same year, the first "*Buko Ni Fruitas"* store was opened in Robinsons Manila.
2012	▪ "*Fruitas House of Desserts"* was launched. ▪ In August of the same year, the first "*Fruitas House of Desserts"* store was opened in Robinsons Magnolia.
2017	The Company becomes a 100% subsidiary of Fruitas Holdings Inc.
2021	▪ In the month of June, the Company acquired the assets of *"Balai Pandesal*". ▪ In the same month, the first "*Balai Pandesal"* Company-owned store opened at Kamuning, Quezon City. ▪ Renaming of Buko Ni Fruitas Inc. to Balai Ni Fruitas Inc.

On 24 November 2021, the Company renamed from Buko ni Fruitas Inc., to Balai Ni Fruitas Inc. to reflect its intention to mainly focus its growth in expanding the network of BP stores.

The Company has not undertaken any material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business

Competitive Strengths

The Company believes that it benefits from the following competitive strengths which will support the continued growth and profitability.

A strong brand portfolio

The Company opened its first *Buko Ni Fruitas* store in 2005. Since then, it has also built-up and acquired distinct brands such as *Fruitas House of Desserts* and *Balai Pandesal*. These brands have gained a significant following among Filipinos, and continue to enjoy strong sales.

Through about 17 years of experience, the Company has developed an excellent understanding of its market. As of December 31, 2021, the Company has 77 active kiosks/stores, offering fresh baked goods, and fruit-based desserts, among others. The strong brand portfolio allows the Company to expand quickly, makes it a preferred choice among lessors, and allows it to effectively compete as appropriate concepts are placed in the right locations. The Company's brands have been built on the basis of value for money, affordability, and consistency of quality, and which cater to customers across the Philippines. The Company believes that it has developed a customer base that regularly consumes its products and they value (i) the wide and varied menu of food and beverage offerings; (ii) the fresh and tasty ingredients; (iii) the affordable and attractive price points; and (iv) the accessible locations.

The Company has a strong ability to bring its products to the market using innovative marketing strategies. The marketing programs are developed by a highly experienced in-house marketing team. To promote the brands, the team utilizes extensive and innovative marketing campaigns, brand communication campaigns, and advertising campaigns via media platforms such as digital, traditional newspaper, magazine, billboards, television and radio.

The Company's long operating history, together with the parent company, has helped BALAI develop a loyal customer base. The Company's current footprint is concentrated in Metro Manila, but BALAI also intends to also expand in provincial areas going forward.

Multiple store formats as a sales channel, which provides flexibility to tailor stores to suit needs of different local markets.

BALAI has multiple store formats, ranging from kiosks, inline store, to community stores. These various store formats are tailored to suit the needs of the consumers in the markets. Since the Company is present nationwide, it has a deep knowledge and understanding of the areas it operates in. BALAI customizes and fits its brands to the preference of the consumers in the area. Based on customer feedback, input from the operations team, and results of the audit on franchised stores, BALAI continually updates and improves its stores, in terms of overall look and design and to allow the store staff to serve the customers better.

Scalable and sustainable business model

The Company believes that it has a well-developed, scalable, and sustainable business model. In the case of BP, selected BP stores supply baked goods to the other BP stores. Other products and raw materials are delivered by the supplier directly to the store.

BALAI has identified multiple key suppliers that it maintains healthy relationships with, which contract terms ranges from a period of up to 3 years and is renewable on a case-to-case basis. The key suppliers of the Company help manage its costs and maintain the quality and consistency of its menu offerings.

The Company has been investing heavily on its human capital. Additional personnel were hired to further support the operations. The Company decided to take this strategy in anticipation of faster network expansion and to maintain quality of our products and services.

Proven track record on brand introduction

The Company has a history of brand introductions. When introducing new brands, it considers the following: (1) it should synergize with the existing supply chain of the Company; (2) it should be replicable and scalable, allowing the Company to open multiple branches; (3) it should add value to the Company through strong sales.

In June 2021, the Company successfully acquired Balai Pandesal's assets, initial inventories, equipment (not utilized by previous owner), trademark, and technical know-how. The Company oversaw a successful integration of Balai Pandesal into its operations. The Company believes that its acquisition of Balai Pandesal enhanced its operational efficiency and improved product quality. The Company also improved the layout of the Balai Pandesal through rebranding. Since the introduction of Balai Pandesal in June 2021, the stores have grown from 5 to 31 stores as of December 31, 2021. The Company's revenues grew from ₱110.1 million for the year-end of 2020 to ₱148.9 million for the year-end of 2021.

Ideally positioned to take advantage of growing Philippine middle class

The Philippines is one of the most attractive foodservice markets, driven by economic growth and increasing urbanization. The Philippine economy is primarily driven by consumer expenditure sustained by remittances from overseas Filipinos, strong investment and higher public spending. The rising personal disposable income and expanding working age population and middle-income class will further stimulate growth in consumer expenditure. However, the COVID-19 pandemic and community quarantine measures imposed in the country have impacted economic growth and poverty reduction, thus contracting growth significantly in 2020. Economic contraction was driven heavily by declines in consumption and investment growth, and aggravated by the sharp slowdown in exports, tourism, and remittances. The Philippine economy has started to recover in the first half of 2021, buoyed by public investment and a recovery in the external environment. According to the Philippines Dietary Shift Analysis of Fitch Solutions released in May 2021, the average Filipino household will spend 34.5% of their total household budget on food in 2025. This is an increase of 4.8% and from 29.8% total share recorded in 2006.

Furthermore, the Company believes that its stores are located in strategic locations nationwide. As of December 31, 2021, the stores, both owned and franchised, numbered 56 in the NCR, 19 in Luzon (outside of the NCR), and 2 in the Visayas. These store locations were selected using a rigorous and stringent selection checklist to ensure an addressable market and a steady flow of customers.

The Company's strength is not only dependent on its physical stores but also on its personnel on the ground. Since BALAI owns 92% of its stores, the Company also has manpower who directly serve and monitor the area and market per location. This enables it to formulate its strategies fit for the locations. BALAI gains its knowledge and insights on the locations it operates in through its own manpower stationed in its stores.

Highly experienced and nimble management team

BALAI is led by a highly experienced and dedicated management team with a proven track record of success. The senior management team has a combined industry experience of over 50 years. The President and Chief Executive Officer, Lester C. Yu, opened the first Buko Ni Fruitas store in 2005 and has since been a key driver of its strategy and growth. He was named Emerging Entrepreneur of the Year in the Philippines by Ernst & Young in 2017. The senior management team remains attuned to operating performance and customer feedback. Also, the team significantly contributes to the research and development process by providing relevant inputs and direction for upgrading existing products and conceptualizing new product offerings to the market. The marketing function is also closely monitored by senior management to ensure effective communication of our brands.

The executive management team has been able to build and fine-tune the Company's business model through the years, and is responsible for growing the revenue from ₱210.2 million in 2018 to ₱233.2 million in 2019, equivalent to a growth of 11%.

Aside from experienced employees within the industry, BALAI has also employed highly competent individuals who are highly experienced in their previous fields. These individuals add knowledge and expertise and BALAI benefits from their insights in operating the Company.

The list of the Company's management team is located at page 142 of this Prospectus.

Key Strategies, Future Plans, And Projects

In order to drive sustainable growth, the Company continues to pursue the following strategies:

Pursue aggressive network expansion to take advantage of Philippine economic expansion as well as rapid urbanization of regions outside Metro Manila

As of the end of December 31, 2021, BALAI has an aggregate of 77 stores throughout the Philippines, comprising 31 BP stores and a combined 46 BNF and FHOD stores. The Company believes that there are significant development opportunities remaining in the Philippines, especially in underserved key cities outside the National Capital Region. BALAI will solidify its presence in existing markets and expand its foothold in fast-growing cities by expanding and developing its store network. BALAI intends to expand in key locations and fast-growing emerging urban centers over the coming years, particularly in the rest of Luzon (outside NCR), Visayas and Mindanao. The Company will mainly focus on expanding the network of BP stores, creating products for different market segments and consumer lifestyles, but will also expand the footprint of its other existing brands and future acquisitions depending on, among others, market opportunities and commercial considerations. The Company targets to expand its BP store network to 80 stores by end of 2022, 130 stores by end of 2023, and 200 stores by end of 2026. Vast majority of the new BP stores will be Company-owned, but the Company will strategically grant franchises to accelerate its expansion.

Increase same store and e-commerce sales growth

The Company targets to increase same-store sales growth by increasing transaction count and average check through attracting new customers, converting first-time customers into repeat and loyal customers, and improving the overall customer experience. In March 2020, as the World Health Organization ("WHO") declared the COVID-19 virus a pandemic, BALAI's online sales grew. As of date of the prospectus, the Philippines have started to ease the quarantine restrictions all over the country, thus mobility has improved. As of December 31, 2021, online sales contributed up to 8% of the gross sales. With the infrastructure that the Company has, online sales will be a contributor to the growth of the Company.

BALAI will continue to invest in its brands through advertising and marketing initiatives to further grow customer awareness and build on brand loyalty among existing consumer base.

Innovate and introduce new products to satisfy evolving consumer tastes and preferences

The operations department provides the Company with constant feedback and allows it to monitor evolving tastes and preferences of the customers. BALAI initially obtains its deep knowledge on consumer preference through the personnel who are always present on the ground. Aside from physical observations, the Company also makes use of social-media platforms as avenues to monitor consumer preferences. These platforms help BALAI engage with the customers easily and gather feedback on existing and new products being offered. In addition, the Company's own research and development (R&D) team continuously work on developing new products created with fresh and high-quality ingredients and new flavors and variants of our existing products, which appeal to the existing customers and attract new consumers. For the segregated R&D costs, for the year ended December 31, 2019, BALAI spent ₱0.68 million solely and exclusively on R&D activities, and for the year ended December 31, 2020, the Company spent ₱0.37 million. The R&D costs were reflected in the salaries and wages expense account. The percentage to revenues of the amount spent on development activities during the last 3 years are as follows 2019 at 0.29%, 2020 at 0.34%, and 2021 at 0.05%.

Diversify distribution channels

The acquisition of the Balai Pandesal business enabled the Company to expand to the baked goods industry. The Company continuously creates and offers products for different market segments and consumer lifestyles. The Company aims to offer its products on a larger scale in existing markets and explore new markets. The Company continuously analyzes existing and future channels of distribution and adopts measures to increase reach and sales in the markets of interest.

A strong online and e-commerce presence is key to growth in the new normal. The Company obtains a significant customer base via online delivery channels such as Foodpanda, Grabfood and www.BabotsMart.com, the Group's website.

Brands and menu offerings

No.	Brands	Year Established	Products
1	*Balai Pandesal*	2021*	Baked goods, frozen items, chilled items, and dry goods.
2	*Buko Ni Fruitas*	2005	Desserts (buko and fruit salads served in coconut shell), fresh coconut juice and buko smoothies (combination of buko meat shaken with other fruits)
3	*Fruitas House of Desserts*	2012	Dessert, fresh fruit shakes and juices, boba shakes and milktea

**Note: The Company acquired the assets of Balai Pandesal in June 2021. However, the brand was established by its previous owners in 2012.*

BP stores cross-sell the products it obtains from its suppliers. This marketing method allows the stores to get a customer to spend more by purchasing related products. For example, the crew suggests that the customer purchasing baked goods also buy chilled drinks.

The Company believes no single product contributes 10% to its revenues. As of the date of this Prospectus, the Company does not have any publicly announced new product.

Stores

BRAND NAME	NUMBER OF STORES	As of December 31			
		2018	2019	2020	2021
Balai Pandesal	Company-owned	-	-	-	25
	Franchised	-	-	-	6
	Total	-	-	-	**31**
Buko Ni Fruitas	Company-owned	63	56	51	37
	Franchised	-	-	-	-
	Total	**63**	**56**	**51**	**37**
Fruitas House of Desserts	Company-owned	14	27	23	9
	Franchised	-	-	-	-
	Total	**14**	**27**	**23**	**9**
	GRAND TOTAL	**77**	**83**	**74**	**77**

Store Breakdown by Store Format as of December 31, 2021

BRAND	Kiosk	Inline	Community	Total
Balai Pandesal			31	**31**
Buko Ni Fruitas	29	8		**37**
Fruitas House of Desserts	7	2		**9**
Total	**36**	**10**	**31**	**77**

Store Breakdown Per Region

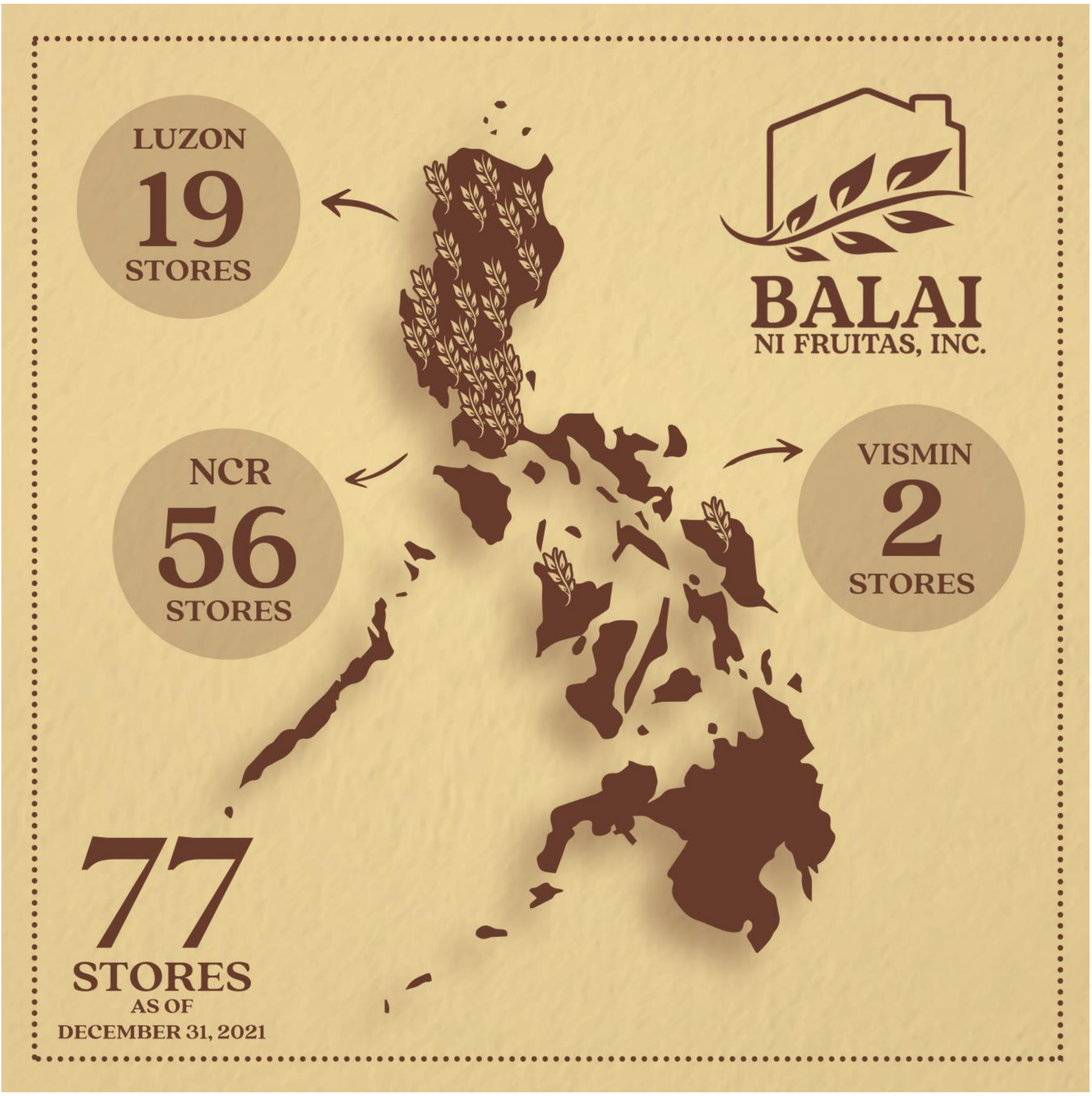
Brand Name	Number of Stores by Region	As of December 31			
		2018	2019	2020	2021
Balai Pandesal	NCR	-	-	-	27
	Luzon (ex. NCR)	-	-	-	4
	Visayas	-	-	-	-

Brand Name	Number of Stores by Region	As of December 31			
		2018	**2019**	**2020**	**2021**
	Mindanao	-	-	-	-
	Total	**-**	**-**	**-**	**31**
Buko ni Fruitas	NCR	38	35	33	23
	Luzon (ex. NCR)	15	15	14	12
	Visayas	10	6	4	2
	Mindanao	-	-	-	-
	Total	**63**	**56**	**51**	**37**
Fruitas House of Desserts	NCR	6	14	11	6
	Luzon (ex. NCR)	4	8	6	3
	Visayas	4	5	6	-
	Mindanao	-	-	-	-
	Total	**14**	**27**	**23**	**9**
	GRAND TOTAL	**77**	**83**	**74**	**77**

Number of Stores by Region	As of December 31			
	2018	**2019**	**2020**	**2021**
Company-owned				
NCR	44	49	44	50
Luzon (ex. NCR)	19	23	20	19
Visayas	14	11	10	2
Mindanao	-	-	-	-
Total	**77**	**83**	**74**	**71**
Franchised				
NCR	-	-	-	6
Luzon (ex. NCR)	-	-	-	-
Visayas	-	-	-	-
Mindanao	-	-	-	-
Total	**-**	**-**	**-**	**6**

As may be noted above, the Company's operations is limited only to domestic (i.e., Philippine) market.

The following map indicates the provinces where the Company is present throughout the Philippines, as of December 31,2021.



Store Formats

BALAI employs three (3) store formats to cater to a wide target market. These include community store, kiosk, and inline store. These are summarized as follows:

The details for our store formats are summarized as follows:

Store Type	Description	Typical Size	Typical Location
Community Store	 	30 - 40 sq. m.	Roadside stores present in central business districts and neighborhoods
Kiosk	 	4 – 8 sq. m.	Malls, food courts, corporate buildings, schools, hospitals
Inline Store	 	20 - 35 sq. m.	Malls, commercial establishments, food courts

Store management and operations

Community Store, Kiosk, and Inline Store

Each store typically has one (1) to two (2) crew members. To lead the store personnel, the Company has Area Supervisors who are typically responsible for seven (7) to ten (10) stores. The Area Supervisor is responsible for the efficient day to day operations of the stores by managing and coordinating stock inventories and deliveries with logistics, managing personnel conduct and schedules, accounting all cash sales against inventories, ensuring that all records are updated and transparent. The Company also has Area Managers, typically responsible for 30 to 50 stores, handling a team of area supervisors and service crew. The Area Managers assess and monitor store operations to ensure that all company standards in the field of food safety and handling, personnel management, customer service and store operations are met. The Area Managers also examine and analyze all relevant data in the field of operations and provide recommendations to the Central Operations Head in the areas of new business opportunities and process improvement.

All staff members of each store are required to undergo refresher courses or training annually in order to ensure consistent quality in our products and services. We also conduct periodic spot or surprise audits to ensure that the quality of stores, service level of the crew, stocks and products are up to par with our Company's standards. The Company also rely on social media, among others, for feedback, which we believe is the strongest form of review. In any case of deviation, the Company initiates remedial action. As part of the management and supervision over the system-wide operations, the Company is committed to undertake upgrades and renovations at each store.

Franchise operations

As of December 31, 2021, the Company has two (2) franchisees operating a total of six (6) franchised stores across NCR. In separate and distinct franchise agreements, the franchisor is Balai Ni Fruitas Inc., the Company while the two (2) franchisees are Balai Pandesal Corp. and JAD Signature Breads Inc. Apart from the two (2) franchisees, no other party has been granted by BALAI the right to use the BP brand as of the date of this Prospectus. It has a thorough qualification criteria and a training program for its franchisees and requires them to adhere to strict operating standards. Franchised stores must be operated in compliance with its standards and specifications regarding menu items, ingredients, materials, supplies, services, fixtures, furnishing, decor and signs.

The Company provides advice to franchisees regarding the store location, conducts an ocular of the space, provides assistance in terms of relocation should the franchisee generate low sales, negotiates with the lessor regarding advance rental, security deposit, and rental rate, and assistance in terms of management, manpower, maintenance, and logistics.

Prior to the opening of a franchised store, BALAI conducts training and seminars for its crew and management. It also conducts spot audits on a periodic basis to ensure that the quality of community stores/kiosks/inline store and training of crew is still in accordance with the policies and procedures of our Company. The periodic audits also ensure that the supplies and raw materials used by the franchisee are managed properly. Apart from the periodic audits, the Company also relies on various media such as social media, corporate website, and designated hotline numbers for feedback and monitoring of the stores.

The historical and future performance of these franchisees will not reflect on the performance of the Company except for the franchise fees paid.

Franchisee Selection Conditions and Criteria

Key Terms

The Company's current franchise agreement provides for a monthly franchise fee to operate in a single location covering an initial two-year term, subject to annual renewal thereafter. Future franchise agreements may also provide for a one-time franchise fee paid upfront.

The franchise agreement obligates franchisees to achieve and maintain a high-performance level of the franchised outlet. It also requires franchisees to operate the branch during the entire term of his or her contract with due diligence and efficiency so as to produce the maximum gross sales possible by such manner of operation. Franchisees are allowed to sell only our products in the stores. Franchisees are obligated to protect and enhance the reputation and goodwill of the Company and the products.

The franchise agreement also requires that franchisees maintain at the place of business operation his books of accounts and accounting reports. Furthermore, franchisees are obligated to keep true and accurate records of transactions on the store at all times.

Under the franchise agreement, the franchisee is responsible for the recruitment and hiring of his or her store's personnel. However, if requested, the Company can assist in the recruitment, hiring, and training of staff at a reasonable fee to be charged to the franchisee. The franchisee and all service crew are required to undergo training and orientation from the Company to ensure quality of service and store operations are up to par with that of the Company.

Franchisees cover all expenses involved in operating the branch, including but not limited to, the salaries of the employees, advertising expenses, etc.

If a franchisee fails to comply with the terms of its franchise agreement, the Company has multiple remedies depending on the particular circumstances, including providing additional assistance to help the franchisee resolve its operating issues, issuing a formal default notice and providing the franchisee a specific cure period within which to correct its operating deficiencies, or commencing a formal legal proceeding to enforce the franchisee's compliance with its contractual obligations. If necessary, because all other appropriate remedies to enforce the franchisee's compliance with its standards and requirements have proven to be unsuccessful, the Company may also terminate the franchise rights of any non-compliant franchisee or take over the franchised store.

Application Process

Interested franchisees are required to submit a letter of intent; after which BALAI provides the franchise applicant a formal franchise application form. The Company typically evaluates the application for one (1) to two (2) weeks, after which it invites the franchise applicant to the head office for a franchise presentation. BALAI encourages all franchise applicants to appear personally in order to further understand the business and appreciate its facilities.

Once the franchise applicants determine the location where they prefer to open their store, the Company then conducts an ocular of the space and negotiate with the lessor in terms of rental and security deposits among others.

Prior to the opening of the store, the franchise applicant and all crew members are required to attend an orientation and training for proper management of the store.

New Store / Site Development

The Company believes there is significant growth opportunity in both existing and new markets. As of December 31, 2021, the total number of stores stood at 77. BALAI continues to identify other target areas for expansion in the following year.

The initial capital investment required for a new store ranges from ₱300,000 to ₱1 million. To begin operations, it takes approximately one (1) month on average for the kiosk, and approximately three (3) months on average for the inline store and community stores for the completion of store requirements and fabrication or construction of the outlet. BALAI believes that its stores have strong cash flow generation and are self-sustaining. The stores typically earn back the initial capital investment within eighteen (18) to twenty-four (24) months from commencing operations.

The Company considers the location of a store to be a critical variable in its long-term success and as such, the management regularly evaluates existing stores to identify expansion and relocation opportunities. BALAI uses various criteria, including demographic characteristics, daytime population thresholds and traffic patterns, along with the potential visibility and accessibility of the store in evaluating a site. The Company also pays attention to the location and performance of other stores and competitors in that particular geographic location and seek large catchment areas in key cities and regions. In addition, BALAI conducts studies to minimize the risk of cannibalization among stores.

The process for selecting locations incorporates the management's experience and expertise and includes market research and analysis. Additionally, BALAI uses information and intelligence gathered from managers and other store personnel that live in or near the central business districts considered.

BALAI believes that there are still significant network expansion opportunities within NCR, but it continues to look at key urban regions in provincial areas outside of NCR to execute its growth strategy. The Company targets locations with high potential foot traffic, which are near transport hubs, hospitals, schools, office buildings, and residential communities. BALAI continues to diversify its distribution channels and have started to offer its products through delivery using digital and traditional channels. Expansion into new markets is triggered through the ongoing evaluation of existing market penetration and identifying development opportunities. The criteria for evaluating market expansion opportunities includes depth of target customers, geographic positioning relative to the current store base, estimated potential, availability of good site locations and competition penetration, among other things.

Menu and product development

BALAI believes that effective menu management and product development is important in its line of business. While creating distinct products is very important, it believes that the timely introduction of new products can attract new customers and increase frequency of visits for existing customers. The Company has a very active research and development ("R&D") team which continuously focuses on developing new products, and conducts food experiments for its retail business. This enables the Company to adapt to evolving food and beverage trends and the strategy enables the Company to execute regular product launches and maintain competitiveness in the industry.

Aside from newly developed products, the R&D team also experimented on product synergies. Having several brands enable the Company to create multiple product pairings which further broaden the menu and continuously create new offerings to the market.

Logistics and Distribution Services

The Company's operations are supported through a combination of its in-house logistics and distribution services and direct delivery of supplies to its outlets by some of its suppliers. Its in-house logistics services currently use three (3) vehicles for deliveries of various raw materials, packaging materials and finished goods to the stores. Baked products are produced in specific stores and are delivered to other outlets on a daily basis.

Customers

The Company's customers include individuals who consume its products, franchisees who source finished products from BALAI, and FGI, which currently sources baked goods from the Company. None of BALAI's customers individually make a significant contribution to our revenues. In particular, the Company does not have a customer that accounts for, or based upon existing orders will account for, twenty percent (20%) or more of the Company's sales. The Company does not currently export any of its products.

Suppliers

The Company maintains mutually beneficial relationships with strategic supply partners to deliver purchasing arrangements. BALAI conducts meetings with suppliers to share the Company's strategy, solicit feedback and suggestions from key suppliers.

Almost all of the purchased raw materials are delivered directly to specific stores. The Area Supervisor acts as Quality Control Personnel, who immediately conducts standard inspections and testing procedures. When any of the raw materials fail quality standards, the Company engages the concerned supplier in discussion and formally inform them through a written complaint that details the curing period and request.

The Company's supply partner selection procedures include, among others, on-site visit, assessment of legal status, track record and quality control system check. The Company's selection criteria also take into account prices, service delivery, and ability to meet the delivery schedule. BALAI maintains a geographically diverse supplier base to ensure supply all year round.

BALAI has not experienced any significant difficulties in identifying alternate suppliers for raw materials and have not had any material dispute with its suppliers, nor any disruption, shortage or delay in the supply of raw materials that may affect its operations and financial condition.

The Company's top two (2) suppliers are FGI and Negril Trading, Inc., both affiliates of the Company. FGI supplies the Company with buko juice, buko shells and meat, packaging, and other raw materials, while Negril Trading Inc. which owns Jamaican Patties brand supplies the Company with Jamaican Patties products. The other key suppliers of the Company include Morning Star and AGRI Pacific for flour. Apart from FGI and NTI, there are no other affiliates supplying to the Company. FGI and NTI has individually entered into supply contracts with the Company.

Marketing

The Company's focal marketing objective is to further strengthen the leadership of its brands in their respective categories and increase awareness and usage and seek to eventually develop them to become category leaders. BALAI continues to be aggressive in marketing to further nurture and improve its brand equity and grow its customer base and increase sales.

For Buko Ni Fruitas and Fruitas House of Desserts, visibility in major malls has been helpful to brand awareness and recall. BNF maintains a strong working relationship with major malls in the Philippines, such as SM, Ayala, and Robinsons and this has been a key driver to the growth of both brands. Mall advertising and promotions have been evident to reach customers.

As a part of the Company's marketing efforts, the Company conducts promos across its brands, ensures customer centricity, and quality products. The Company's brands have been active online through its social media accounts where it can communicate with its customers.

Competition

The food and beverage business for kiosks and community stores in the Philippines is highly competitive. The level of competition varies from region to region with most industry players aggressively expanding store network and/or product offerings. BP competes with other local neighborhood bakeries such as Pan de Manila, Panaderia All Day Hot Pandesal, and Julie's Bakeshop. On the other hand, Fruit desserts segment, where FHOD and BNF are part of, is composed of several competitors offering different fruit-based desserts such as Avocadoria, Maxi Mango, Iceberg, and more. Indirect competition is also present within the market as different desserts are available in kiosks. The Company continuously improves its products and improve its stores to remain competitive. BALAI constantly looks for new ways on how to market its products, ensure quality is maintained, and keep its stores appealing and clean to encourage customer loyalty.

The Company has several competitors in each of the segments it is present in. As of the date of the Prospectus, the major competitors per key segment are as follows:

Key Segment	**BNF Brand**	**Competitor**
Baked Goods	Balai Pandesal	The French Baker, BreadTalk, Pan De Manila, Julie's Bakeshop and Panaderia All Day Hot Pandesal
Fruit-based Desserts	Buko Ni Fruitas, Fruitas House of Desserts	Icebergs, Kabigting's Halo-halo, Avocadoria, Maxi Mango

For the relative size of each of our competitors, please refer to page 95 – *Industry*.

The Company constantly introduces new product offerings and enhance existing product offerings to adapt to evolving consumer preferences. The Company competes on the basis of taste, menu offerings, quality and price of food and beverages offered, customer service, and location. BALAI believes that the concepts, attractive value proposition, and quality of food, beverages and service enables the Company to differentiate itself from its competitors.

Properties

As of December 31, 2021, the Company does not own any material real property. It leases its head office at 68 Data St., Barangay Don Manuel, Quezon City. The Company's key properties also comprise of it stores leases. There are no mortgage, lien or encumbrance over the Company's properties or property rights.

The Company does not intend to purchase any real estate property in the next (12) months. However, the Company is expected to lease properties for the expansion of its store network and commissary set up. The lease payments on average cost about P25,000.00 per leased space depending on the area size and location. The locations of these properties are still subject to finalization.

As of date of the Prospectus, all of BALAI's Company-owned stores have active insurance contracts. The Company renews insurance contracts on an annual basis, and ensures that it obtains and maintains appropriate insurance coverage on BALAI's properties, assets and operations. The insurance policies cover the following risks: fire and lightning, earthquakes, typhoons, riot/strike, malicious damage, robbery and burglary.

Brief overview of the leased properties of the Company is summarized in the table below.

Location	Lease Term	Term of Renewal	Area Size
Offices			
68 Data St., Brgy. Don Manuel, Quezon City	December 1, 2021 – August 31, 2022	Subject to Mutual Agreement of the Parties	20 sq. m.
Store Leases			
SM Supermarket Megamall B	April 1, 2022 - July 31, 2022	Subject to Mutual Agreement of the Parties	6.43 sq. m.
Robinsons Manila	January 1, 2022 – December 31, 2022	Subject to Mutual Agreement of the Parties	3.60 sq. m.
Festival Mall - Alabang	November 1, 2021 – October 31, 2022	Subject to Mutual Agreement of the Parties	12.00 sq. m.
SM City Sta. Rosa Foodcourt	February 1, 2022 – July 31, 2022	Subject to Mutual Agreement of the Parties	2.50 sq. m.
SM Center Valenzuela Foocourt	May 1, 2022 – April 30, 2023	Subject to Mutual Agreement of the Parties	5.00 sq. m.
SM City Pampanga Foodcourt	November 18, 2021 - November 18, 2022	Subject to Mutual Agreement of the Parties	6.00 sq. m.
SM Supermarket Cubao	April 1, 2021 – July 31, 2022	Subject to Mutual Agreement of the Parties	6.77 sq. m.
SM City North Edsa	August 1, 2021 – July 31, 2022	Subject to Mutual Agreement of the Parties	9.47 sq. m.
SM Megamall Foodcourt A	February 27, 2022 - February 27, 2023	Subject to Mutual Agreement of the Parties	6.18 sq. m.
SM City Fairview Foodcourt	November 1, 2021 – October 31, 2022	Subject to Mutual Agreement of the Parties	9.00 sq. m.
SM City Sta Mesa Foodcourt	August 1, 2021 – September 30, 2022	Subject to Mutual Agreement of the Parties	6.25 sq. m.
Greenhills Lifestyle	April 1, 2022 – April 30, 2023	Subject to Mutual Agreement of the Parties	6.25 sq. m.
SM City Taytay Foodcourt	November 1, 2021 – October 31, 2022	Subject to Mutual Agreement of the Parties	5.36 sq. m.
SM City Iloilo Foodcourt	February 1, 2022 – July 31, 2022	Subject to Mutual Agreement of the Parties	6.00 sq. m.
Cash & Carry	December 1, 2021 – November 30, 2022	Subject to Mutual Agreement of the Parties	9.81 sq. m.
SM City Masinag Foodcourt	October 6, 2021 - October 6, 2022	Subject to Mutual Agreement of the Parties	5.88 sq. m.
Puregold San Mateo	February 1, 2022 – January 31, 2023	Subject to Mutual Agreement of the Parties	5.75 sq. m.
SM City Calamba	February 1, 2022 – January 31, 2023	Subject to Mutual Agreement of the Parties	6.00 sq. m.
SM Supermarket Calamba	April 1, 2021 – July 31, 2022	Subject to Mutual Agreement of the Parties	7.65 sq. m.
SM City Marikina Foodcourt	February 1, 2022 – July 31, 2022	Subject to Mutual Agreement of the Parties	5.00 sq. m.
SM City Rosales Foodcourt	April 1, 2021 – May 31, 2022	Subject to Mutual Agreement of the Parties	5.90 sq. m.
SM City Manila	February 16, 2022 - February 16, 2023	Subject to Mutual Agreement of the Parties	7.40 sq. m.
Trinoma Foodchoices	May 1, 2022 - April 30, 2023	Subject to Mutual Agreement of the Parties	6.09 sq. m.
SM MOA By The Bay	August 1, 2021 – July 31, 2022	Subject to Mutual Agreement of the Parties	4.00 sq. m.
SM City Naga Foodcourt	May 1, 2022 – October 31, 2022	Subject to Mutual Agreement of the Parties	6.10 sq. m.
SM City Tarlac Foodcourt	November 1, 2021- October 31, 2022	Subject to Mutual Agreement of the Parties	4.19 sq. m.
Puregold Kalentong	August 1, 2021 – July 31, 2022	Subject to Mutual Agreement of the Parties	5.00 sq. m.
SM City Cabanatuan Foodcourt	February 1, 2022 – October 31, 2022	Subject to Mutual Agreement of the Parties	4.00 sq. m.
SM City Bacolod Expansion	May 1, 2022 – April 30, 2023	Subject to Mutual Agreement of the Parties	8.71 sq. m.
Robinsons Galleria	November 1, 2020 – October 31, 2022	Subject to Mutual Agreement of the Parties	8.50 sq. m.
Ayala Malls Cloverleaf	January 1, 2022 – December 31, 2022	Subject to Mutual Agreement of the Parties	8.66 sq. m.
Puregold Makati	February 1, 2022 – January 31, 2023	Subject to Mutual Agreement of the Parties	4.25 sq. m.

Ayala Malls Feliz	January 1, 2022 – December 31, 2022	Subject to Mutual Agreement of the Parties	6.00 sq. m.
Puregold Tayuman	November 1, 2021 – October 31, 2022	Subject to Mutual Agreement of the Parties	4.00 sq. m.
Puregold Valenzuela	February 1, 2022 – January 31, 2023	Subject to Mutual Agreement of the Parties	4.45 sq. m.
SM City Telabastagan	February 1, 2022 - July 31, 2022	Subject to Mutual Agreement of the Parties	3.50 sq. m.
Landmark Trinoma Supermarket	February 2022 – February 2023	Subject to Mutual Agreement of the Parties	10.60 sq. m.
Victory Central Mall - Caloocan	June 1, 2021 - May 31, 2022	Subject to Mutual Agreement of the Parties	3.00 sq. m.
SM City Legazpi	February 1, 2022 – July 31, 2022	Subject to Mutual Agreement of the Parties	6.27 sq. m.
SM City Fairview	February 1, 2022 – January 31, 2023	Subject to Mutual Agreement of the Parties	7.70 sq. m.
SM Supermarket Novaliches	August 1, 2021 – July 31, 2022	Subject to Mutual Agreement of the Parties	7.56 sq. m.
Glorietta 3	January 1, 2021 – December 31, 2021	Subject to Mutual Agreement of the Parties	24.90 sq. m.
SM City Dasmarinas	February 1, 2022 – July 31, 2022	Subject to Mutual Agreement of the Parties	5.00 sq. m.
SM City Olongapo Central	May 1, 2022 – October 31, 2022	Subject to Mutual Agreement of the Parties	4.52 sq. m.
Market! Market!	January 1, 2022 – June 30, 2022	Subject to Mutual Agreement of the Parties	4.00 sq. m.
SM Supermarket Podium	April 21, 2022 - June 21, 2022	Subject to Mutual Agreement of the Parties	4.90 sq. m.
MUH Bldg. Russia St. Better Living Subd. Paranaque City	July 15, 2021 – July 15, 2022	Subject to Mutual Agreement of the Parties	30.00 sq. m.
22 Tandang Sora Avenue, Quezon City	June 15, 2021 – December 31, 2022	Subject to Mutual Agreement of the Parties	28.12 sq. m.
2439 F Burke House No. 5 Bldg Pedro Gil St. Sta. Ana Manila	June 10, 2021 – June 10, 2023	Subject to Mutual Agreement of the Parties	62.00 sq. m.
8137 Plaza 4 Jm Escriva Drive, Pasig	June 10, 2021 - June 10, 2023	Subject to Mutual Agreement of the Parties	34.58 sq. m.
742 Banawe St. Cor. Sct. Alcaraz St. Quezon City	June 1, 2021 – June 1, 2023	Subject to Mutual Agreement of the Parties	37.00 sq. m.
Howard Tower N. Carpio St. Rizal Ave., Caloocan City	April 12, 2021 – April 12, 2023	Subject to Mutual Agreement of the Parties	38.05 sq. m.
61 Anonas Quirinoa 2a Project 2, Quezon City	August 16, 2021 – August 15, 2023	Subject to Mutual Agreement of the Parties	42.00 sq. m.
97 Paso De Blas, Valenzuela City	September 1, 2021 - September 1, 2022	Subject to Mutual Agreement of the Parties	31.91 sq. m.
147 N. Domingo St. Quezon City	August 1, 2021 – July 31, 2022	Subject to Mutual Agreement of the Parties	37.00 sq. m.
1407 Quezon Avenue, Quezon City	July 1, 2021 – July 1, 2023	Subject to Mutual Agreement of the Parties	43.00 sq. m.
Cristina Condominium, Legazpi St. Cor. Rufino St. Makati	August 15, 2021 - October 15, 2022	Subject to Mutual Agreement of the Parties	25.00 sq. m.
422 Mc Arthur Hiway Purok 1 Malolos Bulacan	August 15, 2021 - August 14, 2022	Subject to Mutual Agreement of the Parties	35.00 sq. m.
Vecsum Building 858-882 Reina Regente St. Binondo	May 1, 2021 – April 30, 2024	Subject to Mutual Agreement of the Parties	33.00 sq. m.
11A East Capitol Drive Kapitolyo, Pasig City	September 1, 2021 - August 31, 2022	Subject to Mutual Agreement of the Parties	28.00 sq. m.
Felix Reyes St. Brgy. Balibago Sta. Rosa Laguna	June 19, 2022 - June 19, 2023	Subject to Mutual Agreement of the Parties	38.85 sq. m.
Fruitas Building	July 1, 2021 – July 20, 2022	Subject to Mutual Agreement of the Parties	22.43 sq. m.
27 Holy Spirit Drive Cor. Don Guillermo St. Quezon City	July 15, 2021 -July 15, 2022	Subject to Mutual Agreement of the Parties	35.00 sq. m.
7A Capitol Hills Drive, Matandang Balara Quezon City	October 1, 2021 - September 30, 2022	Subject to Mutual Agreement of the Parties	15.00 sq. m.
353 G. Araneta Avenue, Quezon City	September 9, 2021 – September 8, 2022	Subject to Mutual Agreement of the Parties	63.82 sq. m.
Durawood Bldg Sumulong, Antipolo City	July 6, 2021 – July 6, 2023	Subject to Mutual Agreement of the Parties	23.50 sq. m.
90 Ml St. Cor. Martinez St. Antipolo City	June 30, 2021 - June 30, 2022	Subject to Mutual Agreement of the Parties	64.00 sq. m.
K-3rd Cor. L. Shangio St. Kamuning Quezon City	August 15, 2021 – February 28, 2023	Subject to Mutual Agreement of the Parties	26.90 sq. m.
60 Cordillera Cor. E. Rodriguez Sr. Ave. Quezon City	October 3, 2021 - October 2, 2022	Subject to Mutual Agreement of the Parties	12.35 sq. m.
31 BF Resort Drive Bf Resort Village 70	October 15, 2021 - September 15, 2022	Subject to Mutual Agreement of the Parties	17.80 sq. m.
66 Doña Soledad Ave. Cor. Canada St. Better Living, Paranaque	November 1, 2021 - October 31, 2023	Subject to Mutual Agreement of the Parties	25.00 sq. m.
Acropolis Titan St. Acropolis Subdivision, Quezon City	June 15, 2021 – June 14, 2023	Subject to Mutual Agreement of the Parties	17.00 sq. m.

Unit 1A, Aiza Bldg., 134 Mindanao Ave. Bahay Toro, Quezon City	June 15, 2021 – June 14, 2023	Subject to Mutual Agreement of the Parties	80.00 sq. m.
104 D. Tuazon St. Brgy. Lourdes Quezon City	June 15, 2021 – June 14, 2023	Subject to Mutual Agreement of the Parties	160.00 sq. m.
35-A Scout Tobias St., Brgy. Laging Handa, Quezon City	June 15, 2021 – June 14, 2023	Subject to Mutual Agreement of the Parties	50.00 sq. m.
Unit GF06 - Metro Pointe Center P. Guevarra Cor. N. Averilla	June 15, 2021 – June 14, 2023	Subject to Mutual Agreement of the Parties	14.04 sq. m.
Fairview Terraces	June 15, 2021 – June 14, 2023	Subject to Mutual Agreement of the Parties	66.67 sq. m.

Material Permits and Licenses

Our Compliance department is responsible for ensuring continued compliance with applicable laws and regulations that may adversely affect our operations. As of the date of this Prospectus, we have secured, applied for, or are in the process of renewing all material permits and licenses required to conduct our business, as confirmed by **Adarlo Caoile & Associates** in its legal opinion dated March 18, 2022.

We hold various permits for our business operations, which include but are not limited to the following:

Head Office	SEC Certificate of Incorporation BIR Certificate of Registration Business Permit SSS Registration HDMF Registration Philhealth Registration
Commercial/Store	BIR Certificate of Registration Business Permit

Attached as Annex "A" hereof is a list of the material permits and licenses held, applied for, or being renewed, by the Company.

Material Agreements

<u>Lease Agreements</u>
The Company entered into several lease agreements with third parties for its store spaces for varying periods of up to one (1) year and renewable annually. The lease contracts for the stores provide for a monthly rental based on a certain percentage of gross sales and a monthly fixed rental or an agreed minimum rental, whichever is higher. Lease agreements are generally renewable through a notice of lease renewal and upon mutual agreement with the lessor.

<u>Franchise Agreements</u>
The Company has granted its franchisees the right to operate outlets under the BP brand for acquired periods and subject to the terms and conditions specified in the franchise agreements.

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

As of December 31, 2021, the Company has 6 franchised stores under 2 franchisees.

<u>Supplier Agreement</u>

The Company enters into standard supplier agreements with multiple key suppliers for the steady supply of its key raw materials and packaging. The term of the supplier agreement is for a period of up to 3 years and is renewable on a case-to-case basis. FGI supplies the Company with buko juice, buko shells and meat, packaging, and other raw materials, while Negril Trading Inc. supplies Jamaican Patties. The other key suppliers of the Company include Morning Star and AGRI Pacific for flour. Apart from FGI and NTI, there are no other affiliates supplying to the Company. FGI and NTI has individually entered into supply contracts with the Company.

<u>Administrative Consulting Agreement</u>
The Company enters into an Administrative Consulting Agreement with FHI. Under the agreement, FHI and its management provides the direction and guidance of the overall strategy of BALAI, and contribute inputs on the Company's day-to-day operations. The term of the agreement is for a period of 12 months and is renewable on an annual basis.

<u>Balai Pandesal Asset Acquisition</u>
BALAI acquired assets from Balai Pandesal Corporation in June 2021. The Balai Pandesal business was not operated by BALAI from 2012, the year of establishment of the Balai Pandesal business until prior to the asset acquisition in June

2021. Balai Pandesal Corporation is a separate and distinct entity from BALAI and did not have any relationship with BALAI prior to the acquisition of assets in June 2021. Since June 2021, apart from being a franchisee of BP under BALAI, Balai Pandesal Corp. and JAD Signature Breads Inc. do not have any relationship with BALAI.

In May 2021, the Company entered into a Memorandum of Understanding with the previous owners of Balai Pandesal for the acquisition of certain assets of the brand. On the same day, the Company paid an earnest money to the previous owners and targeted to complete the acquisition no later than the end of June 2021, subject to execution of definitive terms and financial closing.

In June 2021, the Company entered into a Deed of Absolute Sale and Deed of Assignment of registered trademark with the previous owners of Balai Pandesal. The seller under the said agreement was Balai Pandesal Corp., which owned several assets, and the buyer was the Company. The asset acquisition involved, among others, trademark, recipes and other technical know-hows, certain equipment, and inventory. On the same date, the Company paid 50% of the purchase price, net of the earnest money while the remaining 50% shall be paid in equal monthly installments over the next 12 months. The total consideration for the asset acquisition amounted to P11.2 million. In April 2022, the Company decided to accelerate the payment terms and fully-settled the balance of the transaction.

Intellectual Property

The business depends on the use or ownership of patents, trademarks, and other intellectual property rights. As of the date of this Prospectus, the Company has the following registered trademarks in the Philippines.

No.	Trademarks	Registration No.	Date of Registration	Date of Filing	Date of Expiry
1	**Buko Ni Fruitas Fresh From Babot's Farm**	4201000489	2010-12-31	2010-05-11	2030-12-31
2	**Fruitas House of Desserts**	42013006808	2015-10-22	2013-06-13	2025-10-22
3	**Balai Pandesal**	42021514303	2021-10-29	2021-06-18	2031-10-29
4	**Balai Pandesal Home of Hot Pandesalitas**	42021516331	2021-09-17	2021-07-12	2031-09-17

The Company believes that its trademarks, service marks and other intellectual property rights have significant value and are important to the marketing of our brands. It is the Company's policy to protect and defend its rights to such intellectual property. However, it cannot predict whether steps taken to protect such rights will be adequate. See ''Risk Factors—Risks Related to our Business— The Company's intellectual property rights could be infringed or it could infringe the intellectual property rights of others".

The Company licenses the use of its registered trademarks through franchise agreements. These agreements restrict franchisees with respect to the use of its trademarks and impose quality control standards in connection with goods and services offered in connection with the trademarks.

An important part of the intellectual property strategy is the monitoring and enforcement of its rights in markets in which our stores currently exist or markets which it intends to enter in the future. The Company also ensures that it conducts the required due diligence to ensure that its conduct does not infringe on the intellectual property rights of third parties.

Information Technology and Management Systems

The Company's information technology and management system enables it to make timely and accurate decisions.

The Company uses internal systems to monitor sales, purchases, inventories, and financial results. These systems help monitor the movement of products through the various process steps. It will also alert of any drop in inventory of critical ingredients, with consumption rate, sales projection and suppliers' delivery lead time being the basis of computation whether inventory level is sufficient or not.

Insurance

The Company maintains insurance coverage on its stores in such amounts and covering such risks which are usually carried by companies engaged in similar businesses. BALAI maintains insurance policies that shoulder any undesired and unforeseen events or risks (including, among others, claims of food and drink poisoning) such as: fire and lighting, earthquake shock and earthquake fire, typhoon, rainwater, flood, tornado, hurricane, tsunami, tidal wave, landslide, subsidence and collapse, sinkhole collapse, falling aircraft, vehicle impact, explosion, smoke damage, riot, strike, malicious damage, civil commotion, broad water damage with accidental bursting and / or overflowing of water tanks, apparatus or pipes, sprinkler leakage, vandalism, spontaneous combustion, signage / plate glass, looting, and third-party liability for bodily injury and property damage insurance.

The Company considers that the insurance coverage is consistent with industry practice and is adequate for the business operations. From time to time, BALAI reviews and assesses risks and adjust to insurance coverage as appropriate. As of December 31, 2021, the Company had not made nor had been subject to any material insurance claims and / or product liability claims.

Human Resources

As of December 31, 2021, the Company has 107 employees: The following table sets out the number of employees of Balai ni Fruitas Inc., by rank:

	BNF
Senior Management/Managers	10
Assistant Managers, Supervisors, Other Officers	12
Staff	85
Total	**107**

BALAI has a good working relationship with its employees. Since commencing commercial operations, the Company has never experienced any strikes nor work stoppages. The employees of the Company do not have unions and are not subject to any collective bargaining agreements with the Company. In the next 12 months, BALAI intends to hire up to 80 additional employees to augment and support the store network expansion.

All of the Company’s regular employees receive government mandated benefits.

Legal Proceedings

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

As of the date of this Prospectus, the Company is not subject of any bankruptcy, receivership or similar proceedings.

Investor Relations Office

The Investor Relations Office will be tasked with (a) the creation and implementation of an investor relations program that reaches out to all shareholders and informs them of corporate activities and (b) the formulation of a clear policy for accurately, effectively and sufficiently communicating and relating relevant information to our stakeholders as well as to the broader investor community.

The IRO will also be responsible for ensuring that the shareholders have timely and uniform access to official announcements, disclosures and market-sensitive information relating to us. As the officially designated spokesperson, the IRO will be responsible for receiving and responding to investor and shareholder queries. In addition, the IRO will oversee most aspects of shareholder meetings, press conferences, investor briefings, management of the investor relations portion of our website and the preparation of annual reports. The IRO will also be responsible for conveying information such as the policy on corporate governance and corporate social responsibility, as well as other qualitative aspects of the Company's operations and performance. The Investor Relations Office will be located at 68 Data St., Don Manuel, Quezon City. The Company's Investor Relations Officer will be Juneil Dominic P. Torio. The Investor Relations Office can be contacted at +63 2 8712-8361.

INDUSTRY

The information that appears in this Industry Overview has been prepared by the Ateneo Center for Economic Research and Development ("ACERD") and reflects estimates of market conditions based on publicly available sources and trade opinion surveys, and is prepared primarily as a market research tool. References to ACERD should not be considered as the opinion of ACERD as to the value of any security or the advisability of investing in the Company. The Company believes that the sources of information contained in this Industry Overview are appropriate sources for such information and have taken reasonable care in reproducing such information. The Company has no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. The information prepared by ACERD and set out in this Industry Overview has not been independently verified by the Company, the Issue Manager, the Underwriters or any other party involved in the Offering and neither they nor ACERD give any representations as to its accuracy and the information should not be relied upon in making, or refraining from making, any investment decision.

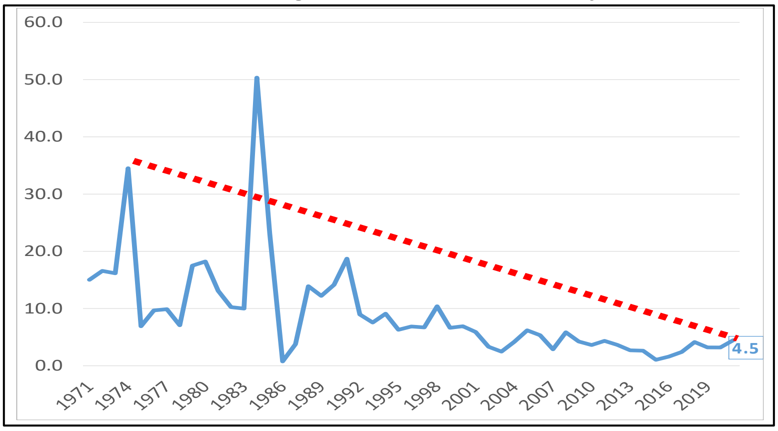
I. An Overview of the Philippine Macroeconomy

This section provides an overview of the Philippine macroeconomic situation by focusing on three main macroeconomic concerns: prices (inflation), jobs (employment), and income (gross domestic product or GDP).

I.1 Prices (Inflation)

An examination of historic trends in inflation would reveal that shocks are usually externally driven and on the supply side, although inflation has been milder and more stable for the past two decades or so, as shown in Figure 1.

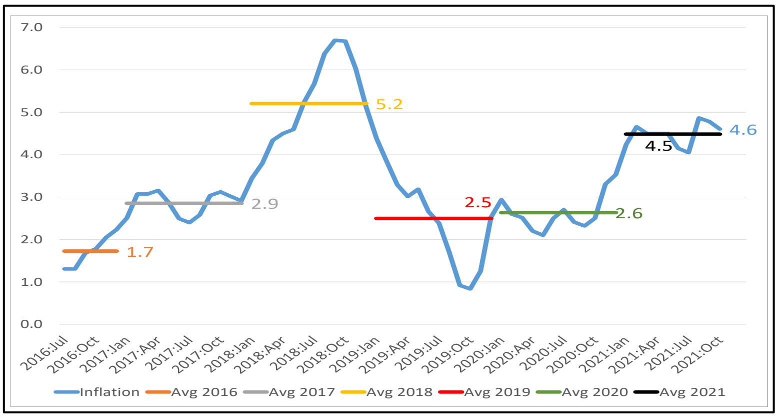
Figure 1: Inflation Historically



Source: Philippine Statistics Authority website.

Related to this, extremes in inflation have diminished in gravity, though this might not be as applicable at present during the Duterte administration where average inflation reached an all-time high of 5.2 percent in 2018 and an all-time low of 1.7 percent in 2016, as shown in Figure 2.

Figure 2: Inflation in the Present Administration



Source: Philippine Statistics Authority website. Averages are authors' calculations.

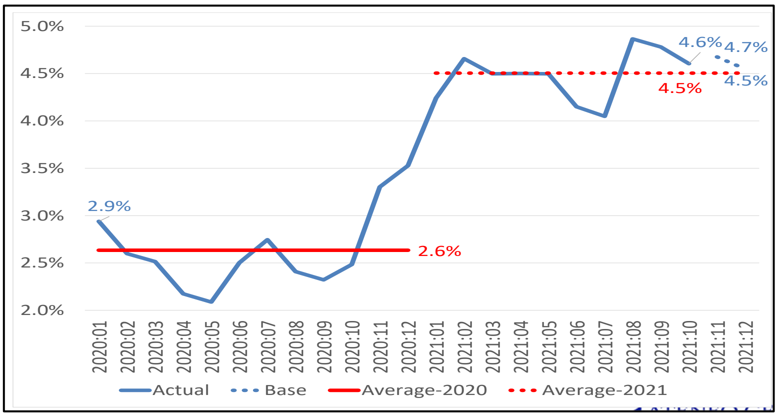
The average inflation for 2021 is 4.5% as of December 2021 while inflation rates based on the latest 2-month data available in 2021 was 4.2% in November which subsequently inched down to 3.6% in December, the country's lowest monthly inflation rate for 2021. This easing was attributed to the prices of food and non-alcoholic beverages rising at a slower pace due to the dwindling effect of the African Swine Fever as evidenced by its inflation rate of 3.9% in November 2021 and 3.1% in December 2021. As of December 2021, major commodities with the highest annual average inflation are Alcoholic Beverages and Tobacco at 6.5%, followed by Transport with 6.1%, Housing, water, electricity, gas, and other fuels with 5.0%, Food and non-alcoholic beverages at 3.1%, Restaurant and miscellaneous goods and services at 3.5%, and Health at 3.0%.

Table 1: Inflation per Major Commodity

Commodity Group	Dec. 2020	Nov.2021	Dec.2021
ALL ITEMS	3.5	4.2	3.6
Food and Non-Alcoholic Beverages	4.8	3.9	3.1
Alcoholic Beverages and Tobacco	12.2	7.5	6.5
Clothing and Footwear	1.6	1.9	1.8
Housing, Water, Electricity, Gas, and Other Fuels	0.4	4.6	5.0
Furnishing, Household Equipment and Routine Maintenance of the House	3.3	2.4	2.3
Health	2.6	3.2	3.0
Transport	8.3	8.8	6.1
Communication	0.2	0.2	0.3
Recreation and Culture	-0.6	1.0	0.9
Education	1.1	0.7	0.7
Restaurant and Miscellaneous Goods and Services	2.5	3.7	3.5

Source: Philippine Statistics Authority website.

Figure 3: Inflation Ahead



Source: Philippine Statistics Authority website for the solid blue line. The rest are ACERD's computations and projections.

I. 2 Jobs (Employment)

The Philippines' population increased by 324,000 in 2021 and was estimated to reach 109.99 million at the end of the year, according to a statement released by the Commission on Population and Development (PopCom). The population for 15 years old and over was estimated to be at 75.70 million, as of December 2021. Out of those at least 15 years old, 48.64 million are labor force participants while 27.06 million are not participants. Out of the labor force participants, 3.27 million are unemployed (6.7% of labor force) and 46.27 million are employed. Out of those employed, 6.81 million (14.7% of employed people) are underemployed while 39.46 million are "normally" employed.

Table 2: Employment Rates and Headcounts

Indicator	Nov-21	Dec-21
Population 15 years and over (in 000)	75,701.00	76,123.30
Labor Force Participation Rate (%)	64.2	65.1
Employment Rate (%)	93.5	93.4
Unemployment Rate (%)	6.5	6.6
Underemployment Rate (%)	16.7	14.7

Source: Philippine Statistics Authority website

Moreover, comparing statistics between that of the previous year (2020) versus 2021, unemployment and underemployment marginally improved by 3.7% from 10.3% to 6.6%, and by 1.5% from 16.2% to 14.7%, respectively. Additionally, of the 5.67[4] million new labor force participants from the end of 2020 to 2021, the market absorbed 2.4 million and left 3.27[5] million unemployed. Note also that there were 411,000 more underemployed workers in 2021 than in 2020.[6]

I.3 Income (GDP)

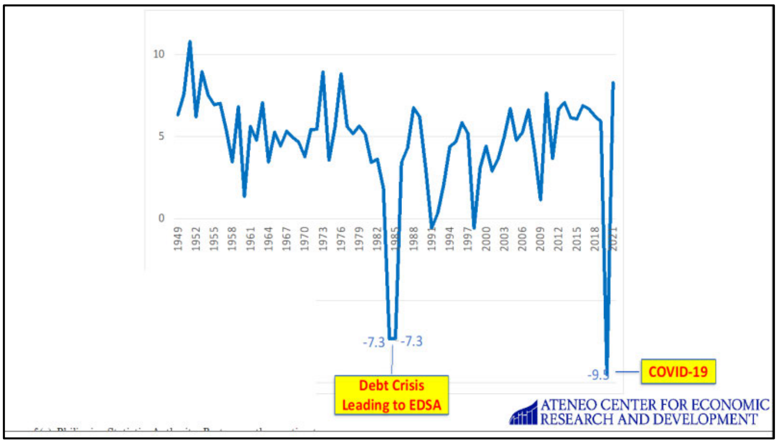
Trends in GDP show that GDP contraction is driven by adverse external events, such as the Debt Crisis leading to EDSA in the 1980s, Global Financial Crisis in 2009, All Corrupt Tightening in 2012, and the COVID-19 pandemic in 2020-2021. Historical GDP data in the Philippines with respect to past presidents revealed that during 2004-2010, average GDP growth was at 4.8%, which expanded to 6.2% during the 2010-2016, but subsequently contracted to 3.3% during from 2016 to present.

[4] https://psa.gov.ph/statistics/survey/labor-and-employment/labor-force-survey/title/2020 Annual Preliminary Estimates of Labor Force Survey %28LFS%29.

[5] https://psa.gov.ph/statistics/survey/labor-and-employment/labor-force-survey/title/Unemployment Rate in December 2021 is Estimated at 6.6 Percent

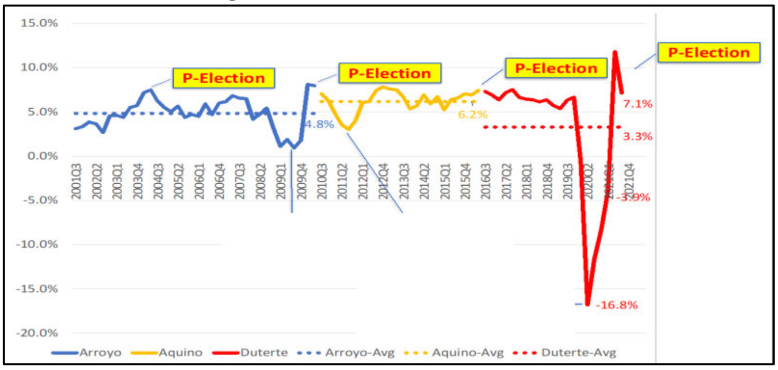
[6] https://psa.gov.ph/statistics/survey/labor-and-employment/labor-force-survey/title/Unemployment Rate in December 2021 is Estimated at 6.6 Percent.

Figure 4: GDP Growth 1950-2020



Source: Philippine Statistics Authority website.

Figure 5: GDP Growth 2020-2021



Source: Philippine Statistics Authority website.

Because of the lockdowns during the fourth quarter of 2021, some sectors saw only moderate growth rates compared to original forecasts, particularly Manufacturing with a 7.2% GDP growth rate (originally forecasted to be 22.4%), Construction with 18.5% (originally forecasted to be 39.9%), and Wholesale and retail trade; repair of motor vehicles and motorcycles with 7.4%. For the rest of 2021, GDP growth rates will continue to be influenced by the base effect, but these can also be subjected to unforeseen events brought about by COVID-19. Nevertheless, in terms of annual growth for 2021, Human Health and Social Work Activities is seen to have the highest GDP growth rate at 15.4%, followed by Education at 9.7%, and Info and Communication at 9.0%.

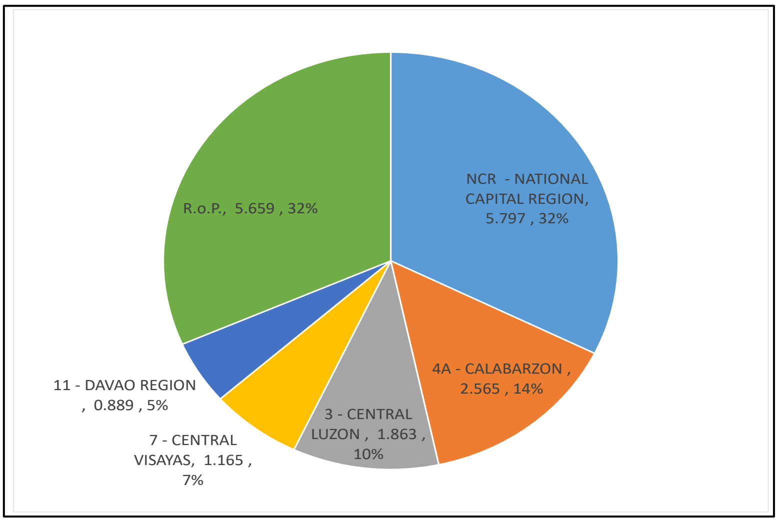
	2021						2022	Steady	2X in
	Q1	Q2	Q3		Q4	Year	Year	State	Years
GROSS DOMESIC PRODUCT	-3.9	12.0	13.8	7.1	7.8	5.7	6.4	6.3	11
AGRICULTURE, FISHERY & FORESTRY	-1.3	0.0	0.1	-1.7	-0.6	-0.9	1.0	1.2	57
INDUSTRY SECTOR	-4.4	21.0	23.5	7.9	8.4	7.8	6.3	6.4	11
Mining and Quarrying	1.0	0.0	1.1	0.6	1.5	0.7	1.2	1.3	54
Manufacturing	0.5	22.2	22.4	6.3	7.6	8.7	5.6	5.6	13
Electricity Gas and Water	1.1	9.5	8.2	2.9	4.4	4.4	5.5	5.8	12
Construction	-22.6	27.1	39.9	16.8	13.2	8.1	9.4	9.9	7
SERVICE SECTOR	-4.1	9.8	11.8	8.2	9.1	5.7	7.4	7.1	10
Wholesale & retail; repair: veh. & bikes	-3.4	5.4	6.3	6.4	7.2	4.2	6.4	6.2	12
Transport and Storage	-19.6	24.7	22.0	14.8	15.9	5.5	9.5	8.0	9
Accommodation & food service activities	-22.5	56.7	90.5	11.5	8.6	3.9	5.3	6.3	11
Information and communication	6.5	12.3	10.9	8.5	8.2	9.0	6.4	6.2	12
Financial and insurance activities	4.3	5.2	5.3	6.4	6.9	5.7	8.6	9.0	8
Real estate and ownership of dwellings	-11.7	16.7	20.7	4.7	6.7	3.2	5.4	5.7	13
Professional and business services	-4.4	9.6	13.5	11.5	13.1	7.8	10.0	9.1	8
Pub. admin. & def.; compulsory soc. act.	7.5	5.1	5.0	5.2	5.9	5.8	6.9	7.1	10
Education	0.2	12.6	11.7	13.8	13.1	9.7	6.3	5.5	13
Human health and social work activities	13.2	13.5	11.5	17.7	17.0	15.4	10.0	7.9	9
Other services	-38.7	37.6	45.1	20.3	21.1	-0.2	8.4	5.7	13

Table 3: Business Cycle of Income

Source: ACERD's calculations using data from the Philippine Statistics Authority website.

In 2020, NCR recorded a gross regional domestic product of 5.80 billion or 32 percent of total at Php 17.94 billion. Other regions following suit in terms of highest GRDP were Region IVA-CALABARZON at Php 2.57 billion or 14 percent of total, Region III-Central Luzon at Php 1.86 billion or 11 percent, Region VII-Central Visayas at Php 1.17 billion or 7 percent, and Region XI-Davao at Php 889 million or 5 percent. Note that if only Luzon is considered, NCR accounted for 47 percent of its GRDP. In Visayas, Region VII-Central Visayas comprised 48 percent of its GRDP. Meanwhile, Region XI-Davao and Region X-Northern Mindanao comprised 28 percent and 27 percent, respectively, of Mindanao's GRDP.

Figure 6: Gross Regional Domestic Product in 2020 for the Entire Country



Source: Philippine Statistics Authority website.

II. General Eating Out Market Indicators

II.1 Income and Expenditure Behavior Trends

Based on the 2018 Family Income and Expenditure Survey (FIES), there has been an increase in average annual family income and expenditure. The 2018 results showed that Filipino families had higher earnings with Php 313 thousand average annual income compared to the previous estimated average in 2015 which was at Php 268 thousand. The average annual family expenditure of Filipino families increased as well from Php 216 thousand in 2015 to Php 239 thousand in 2018.

The survey also shows that Filipino families continue to spend mostly on food. In 2018, 42.6 percent of all expenditures by families in the Philippines were on food. This increased by 0.8 percentage points from 41.8 percent in 2015. The second largest family expenditure is on house rent/rental value which is at 12.2 percent. Following this would be expenses on water, electricity, gas and other fuels which accounted for 8.2 percent. Transportation and miscellaneous goods and services expenses were at fourth and fifth place with shares of 6.61 and 6.58 percent, respectively.

II.2 General Eating Out

Before the pandemic, a global report has shown that the purchasing power of the Philippines' growing middle class allowed them to dine out more, letting the food service industry sustain expansion in the next five years.

As of 2019, sales of the country's food service industry have an estimated recorded sales of USD15 billion which was 8.5 percent higher than the previous year's USD 13.73 billion. According to a Global Agricultural Information Network (GAIN) report, it was foreseen to increase by at least 8 percent in the next year (2020) to hit a record of USD16.11 billion. According to the Agriculture and Agri-Food Canada, the foodservice sector of Philippines is estimated to reach approximately USD 16.2 billion by the end of 2022. With this projection, it is shown that the Philippines would have the fastest growth in the ASEAN region.

The GAIN report attributed the steady growth of the Philippine food service sector to the stronger purchasing power of consumers, a larger middle class, higher urbanization, and increasing options when it comes to dining. The said factors led to an increasing preference of Filipinos to dine out. The Agriculture and Agri-food meanwhile add changes in lifestyle and the surge in millennial population as drivers of growth.

The growing number of shopping malls built annually was also noted as a factor for the continuous growth of the food service industry. There has also been a growing number of gas stations venturing into non-fuel related businesses to cater to the increasing demand for dining convenience among the traveling consumers. Food service is no longer limited to retail spaces. In 2018, around 45 percent or USD 6.8 billion of the food industry sales were attributed to retail food services, or those located inside shopping malls. It was followed by stand-alone food service at 38 percent share of USD 4.7 billion sales. The worsening National Capital Region (NCR) traffic as well as other cities have also affected the people's time and energy, leading to their purchasing of cooked meals or dining out instead of preparing food from scratch at home. A study conducted by Nielsen showed that this could also pave way for growth of outlets such as rotisserie/ lechon/ barbecue stalls, food carts, and kiosks.

Millennials, who comprise a third of the total Philippine population were seen to continue to drive the sector's growth, being the biggest spends for food. The demographic group is willing to spend more money dining out as long as the dining experience is convenient, fun exciting, has great quality food and service, and at the same time affordable.

According to Nielsen, dining out has become a normal routine in Metro Manila based on the Nielsen Food Report, a study conducted to understand out of home dining behaviors and preferences. Consumers have claimed that they eat out of home approximately 42 times per month or more than once a day on the average. Lunch and afternoon snacks or *merienda* are the most common meals eaten outside the home. Respondents of the study claimed that they visit five or more different types of eating channels in a month - quick service restaurants, convenience stores, neighborhood bakeries or bakeshops, and eateries or *carinderias* are the most popular. Frequencies of eating or buying food from these vary from once a week to almost daily.

The drivers for the patronage of these food channels are their accessibility to either home or work area, offer of convenience, value for money. Consumers usually eat-and-go or grab-and-go in these establishments. Convenience stores offer variety of choices, on top of convenience. More costly outlets such as casual dining, buffets, and eat-all-you-can channels still tend to be patronized but less frequently, and usually for special occasions.

II.3 Effects of the COVID-19 Pandemic

With the outbreak of the pandemic however, the GAIN report stated that the Philippines' food service sector sales were projected to plunge by more than half to USD 6.9 billion from the previous year's recorded USD14.9 billion due to the out of home food consumption drastically cut by the movement restrictions and lockdowns imposed.

The decline in dining out occasions resulted to weaker consumption. People have shifted from dining out to preparing and cooking meals at home. Since the start of the pandemic in mid-March of 2020, the food service industry sales have gone down by 70 percent on an annual basis. According to analysts, the Philippine dine-in sector is expected to bounce back within at least 6 months once the pandemic eases.

In the meantime, establishments that have managed to stay in business are enlisting in food delivery platforms such as FoodPanda and Grabfood, pivoting to cater to new consumer preferences such as curbside pick-up and cashless payment platforms such as GCash and PayMaya. Niche markets and trends have also started to emerge such as the higher demand for plant-based food as people have moved into being more health conscious amid the pandemic. Due to the closure of physical restaurants and stores, businesses were also forced to establish presence in social media and other digital platforms, paving way to a new food service distribution channel.

This led to a wide range of imported food service products suddenly becoming accessible and more affordable to the consumers. Community and home-based resellers have become more relevant, and the importers are hopeful that this will continue even after the pandemic dies down. US exports of high-value food and beverage products to the Philippines grew at 6 percent annual basis (from January to July of 2020). Bulk of the products were comprised of dairy, meat, and poultry products.

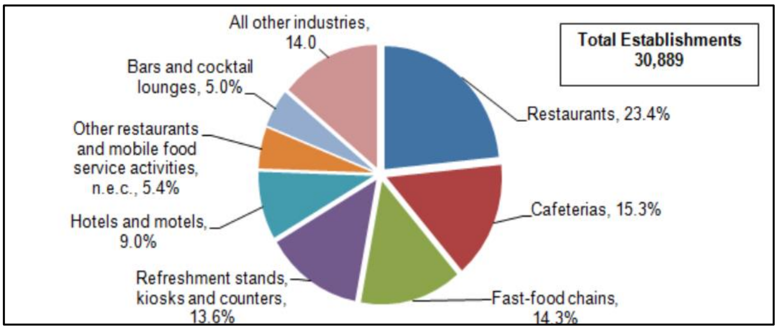
III. ACCOMMODATION AND FOOD SERVICE, KIOSK-BASED FOOD AND BEVERAGE INDUSTRY

III.1 Accommodation and Food Service Including Kiosk-based

According to the Department of Trade and Industry (DTI), the top five industry sectors based on the number of Micro, Small, and Medium Enterprises (MSME) in 2020 were Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles, Accommodation and Food Service Activities; Manufacturing; Other Service Activities; and Financial and Insurance Activities. These industries accounted for about 84 percent of the total number of MSME establishments.

In 2016, results of the 2016 Annual Survey of Philippine Business and Industry (ASPBI) showed that a total of 30,889 establishments in the formal sector of the economy were engaged in Accommodation and Food Service Activities. Restaurants led the sector with 7,218 establishments, accounting for 23.4 percent of the total number of establishments. This was followed by cafeterias with 4,725 establishments (15.3 percent) and fast-food chains with 4,411 establishments (14.3 percent). Other industries which had more than a thousand in number of establishments were refreshments, stands, kiosk and counters (4,209 establishments), hotels and motels (2,767 establishments), other restaurants and mobile food service activities (1,679 establishments), bars and cocktail lounges (1,548 establishments), and resort hotels (1,112 establishments).

Figure 7: Percentage Distribution of Accommodation and Food Service Activities Establishments by Industry Sub-class in 2016



Source: Department of Trade and Industry.

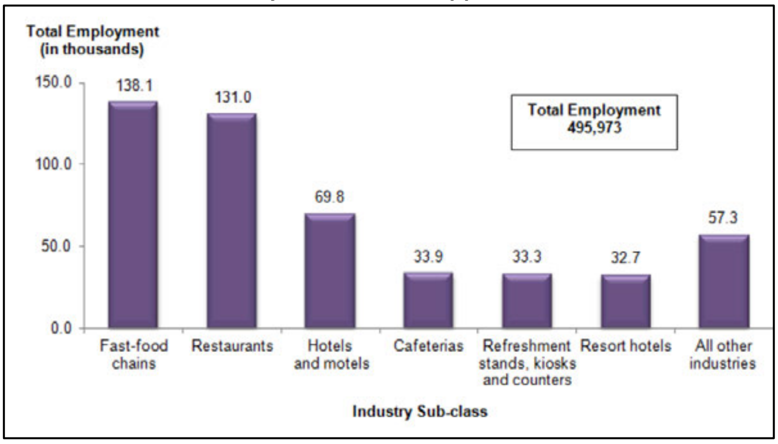
In 2016, the entire Accommodation and Food Service Sector generated employment for 495,422 workers, which is 97.9 percent of the total. The balance would be for the working owners and unpaid workers. Within the sector, fast-food chains employed the greatest number of workers with 138,051 employees or 27.8 percent of the sector. Restaurants comes next with 130,965 workers or 26.5 percent. Third would be hotels and motels with 69,828 workers or 14.1 percent. Fast food chains also generate the largest share of income and expense at Php 203 billion or 36.8 percent, followed by restaurants at Php 129.8 billion or 23.5 percent of the total. However, fast food chains also had the highest expense of Php 181.7 billion or 38 percent, followed by restaurants at Php 112.5 billion or 23.5 percent.

The Philippines foodservice market is growing at a CAGR of 4.5 percent during the forecast period of 2019-2024 according to a study by Research and Markets. The strong economic performance and the increase in number of foodservice establishments in the recent years led to the continuous increases of the country's foodservice market sales. The number of establishments have also increased due to the frequency of dining out, influenced by mounting affluence, increasingly busy lifestyles, the yearning for convenience and the entry of numerous international brands in the country's foodservice industry. Drivers for the foodservice market would be the rise in the willingness of value-conscious consumers to try new restaurants with a wide range of menu options. These restaurant options include both interesting international and local cuisines and also cater to the progressing busy lifestyle.

III.2 Kiosk-Based

The kiosk-based industry comprised of refreshments, stands, and kiosk and counters registered 4,209 establishments in 2016 according to the ASPBI. This makes up 13.6 percent of the total establishments under the Accommodation and Food Service sector. In terms of employment opportunities provided, the refreshment stands, kiosk and counters industry are at approximately 33,000 out of the 495,975 total employments provided by the sector or 6.6 percent.

Figure 8: Distribution of Employment for All Accommodation and Food Service Activities Establishments by Industry Sub-class: Philippines, 2016



Source: Philippine Statistics Authority.

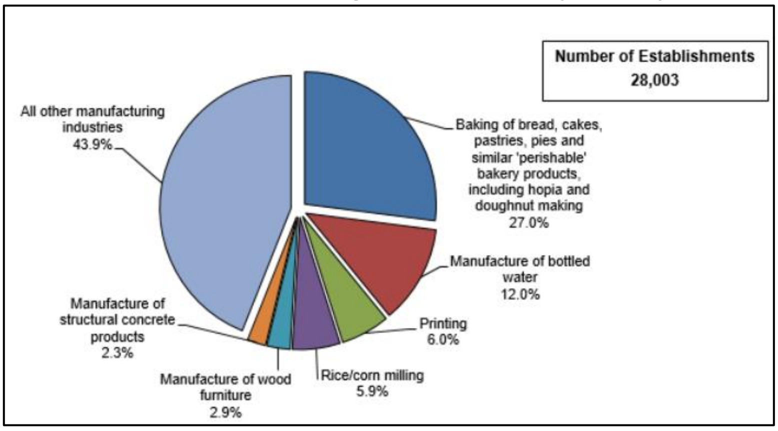
While fast food chains and restaurants generated the highest income, the kiosk-based industry contributed more than Php 20 billion or 4.7 percent in total income. Income-wise, the kiosk-based industry performed at par with cafeterias with sales at Php 27.9 billion or 5.1 percent and resort hotels at Php 29.6 billion or 5.4 percent. In terms of expense where fast food chains and restaurants also topped the list, the kiosk-based industry spent Php 21.9 billion or 4.6 percent. Again, its expenses were comparable to cafeterias – Php 24.3 billion or 5.1 percent, and resort hotels – Php 23.6 billion or 4.9 percent.

III. 3 Baked Goods

In 2020, the Southeast Asia bakery products market was valued at USD 13,470 million and is projected to growth at 7.7percent CAGR in the forecast period of 2021-2026. According to Mordor Intelligence, Bakery products is defined as food products that have been baked in an oven, for example, cakes, biscuits, and bread. The leading key players in the market include QAF Limited (Gardenia Bakery KL SDN BHD), President Bakery Public Company Limited, PT Nippon Indosari Corpindo TBK, Mondelez International Inc, and others.

In the Philippines, the total number of manufacturing establishments in the formal sector reached 28,003 based on the 2016 Annual Survey of Philippine Business and Industry (ASPBI). The top ten manufacturing industries in terms of establishments make up 62 percent of the total manufacturing establishments in the Philippines. The baking of bread, cakes, pastries, pies and similar perishable bakery products appeared to be the top industry with its 7,563 establishments or 27 percent. The industries that followed were bottled water with 3,372 establishments or 12 percent, and printing with 1,683 or 6 percent. Rice and corn milling is at 1,641 establishments or 5.9 percent.

Figure 9: Percent Distribution of All Manufacturing Establishments by Industry Sub-Class: Philippines 2016



Source: Philippine Statistics Authority.

Baking of bread, cakes, pastries, pies, and other similar perishable bakery products comes in second in terms of total employment generated. The industry has 85,106 workers or 6.7 percent. The industry came in second to the manufacturing of semi-conductor devices and other electronic components with 150,187 workers or 11.8 percent.

Among bread products in the Philippines, *pandesal* is the most popular with 54.3 percent of households reporting its consumption. For buns, consumption was reported to be at 30.4 percent while sliced or loaf bread was at 23.9 percent of households. Buying bread for consumption is seen to be the common practice of almost all households – 97.9 to 98.8 percent. The balance of about 1 to 2 percent are for households who consumed bread that was received from others. A very minimal number of households, about 1 percent claimed that they baked or produced their own bread for consumption.

Despite *pandesal* being the most popular type of bread in the country, we see regional disparity in the consumption of the different types of bread. The per capita consumption of the top bread product *pandesal* averaged at 211 pieces per year, which translates to around 4 pieces on a weekly basis. Among the regions, NCR recorded the biggest per capita consumption of *pandesal* at 254 pieces annually.

Pandesal consumption is indirectly proportional to household size as consumption is seen to decrease as household size increases. Households with one to three members ate the most quantity of *pandesal* at 284 pieces per person in an annual basis. Meanwhile, households with ten to eleven members consumed less at 139 pieces per person in a year. Households with 12 or more members have consumption at 189 pieces per person per year. The average per capita consumption of buns was high at 59 pieces among the smallest–sized households. It decreased to around 35 pieces among households with eight to nine members. Conversely, as the number of household members increased to twelve or more, per person consumption of buns also increased to approximately 61 pieces annually. Sliced or loaf bread consumption was at 8 packs per person in households with one to three members. Consumption declined to 4 packs per person per year among households with eight to nine members and increasing again to as much as 10 packs per person in households with 12 or more members.

Urbanity also seems to be affecting the type of bread preference of consumers. *Pandesal* is highly preferred in urban barangays and reaches an average per capita consumption of 314 pieces yearly. This is more than double the consumption of rural barangays which is at 146 pieces. Buns on the other hand were consumed slightly more by those in rural areas at 49 pieces per year, while urban households are at 41 pieces. Sliced or loaf bread consumption was more at par between urban and rural households – 5.66 packs in urban barangay and 5.17 packs in rural barangays per year.

Rice substitution is also a factor that needs to be considered in assessing the baked goods territory. While rice remains to be the staple food among Filipinos, there is a certain percentage of the population that is willing to do substitution for it. According to the survey conducted by the PSA, rice substitution was mentioned by 21.2 percent to 26.7 percent of the households who considered rice as staple food.

Bread is the top substitute commodity for rice during meals with 65.1 percent of households reporting it nationwide, which translates to notable opportunity for players in the baked goods industry. Other substitutes trail behind – banana saba at 10.6 percent, sweet potato and instant noodles at 7 percent, corn and cassava at 4 percent, and other substitutes such as white potato, cereals and rice-based products, other noodles, and root crops at 1 percent

Bakeries are either wholesale or retail. Retail bakeries sell directly to customers versus selling through other business or via distributors. Under the Retail bakery, there are various service styles that exist in the market:

- Bakery Café – a retail bakery that includes a dining area for customers; Players usually offer food and beverages in addition to baked goods
- Counter Service Bakery – similar to a bakery café where space is needed for customers to purchase products and other products such as beverage could also be offered; however, there is no dining area.
- Home Bakery – bakeries that are home-based with lower capital investment; Distribution and advertising channels are usually online and through word of mouth
- Specialty bakery – a retail bakery that focuses on making only one or a small number of baked goods.
- Kiosk/ display – bakeries that are kiosk-based usually located in high foot traffic places such as malls, terminals, etc.

Table 4: Retail Bakery Key Players

	Low Price Tier	Mid Price Tier	High Price Tier
Bakery Cafe	Goldilocks	Goldilocks Red Ribbon French Baker	Conti's Wildflour Little Flour Mr. Park's Bizu Mary Grace
Counter Service	Julie's Bakeshop Bread & Butter Bakeshop Pan de Pidro	Breadtalk Balai Pandesal Pan de Manila All Day Panaderia	Erik Kayser Purple Oven Tous les Jours
Home Bakery		Enseimaditas	Becky's Kitchen Estrel's
Specialty Bakery	Bicho Bicho	Cinnabon Auntie Anne's Cupcakes by Sonja Bake Cheese Tart	Pablo Cheese Tart
Kiosk/ Display	Muhlach Ensaymada Quickmelt Ensaymada		Mary Grace (kiosk format)

Source: Authors' notes.

Table 5: Key Baked Goods Industry Players

	Store Count	Revenue (Php)	Others
Balai Pandesal	31[7]	2020: 5,963,927[8]	
Pan De Manila Food Co, Inc.	Approx. 80 (including Golden Pan de Sal Inc)	2020: 407,020,733 2019: 628,204,214 2018: 588, 795, 539	
Golden Pan De Sal Inc.		2020: 177,661,853	

[7] Refers to the number of Balai Pandesal stores operated by Balai ni Fruitas Inc. as of December 31, 2021

[8] Refers to the sales of Balai Pandesal Corp. prior to the acquisition of selected assets by Balai ni Fruitas Inc. in 2021

(Pan de Manila)	Approx. 80 (including Pan De Manila Food Co, Inc.)	2019: 168,479,736 2018: 141,615,411	
RMG Management Corporation (Julie's Bakeshop)	494	2020: 439,141,085 2019: 533,715,022 2018: 469,959,165	Large number of branches with various types of locations – within mall premises, stand alone within neighborhoods
Cheezymada Inc. (BreadTalk)	70	2020: 80,769,522 2019: 23,906,553	
MNO All Day Panaderia Inc. (All Day Panaderia)		2020: 3,267,398 2019: 3,282,314	24-hour operations Drive-thru available
The French Baker Inc. (The French Baker)	27		Prime locations with high foot traffic such as SM Malls Offers other food and drinks aside from baked goods

Source: Authors' notes.

Balai ni Fruitas' bakery venture Balai Pandesal can be considered as a challenger within its segment – mid price counter service retail bakery. Its direct competitor would be Pan De Manila, given the similarities in the product offering, pricing, target market, and locations of its branches. Location-wise, Balai Pandesal is on the right track, currently having branches situated mostly within residential areas and central business districts. The bakery also has online presence, as it is enlisted in food aggregators such as Food Panda, Grab Food and Babot's Mart.

Comparing the brand to Pan De Manila, its primary direct competitor within the Baked Goods industry, Balai Pandesal has already expanded its product portfolio to almost similar with Pan De Manila within a shorter period of time. Aside from the similar spreads, both bakeries offer bottled food items that can be consumed with bread, such as Spanish style sardines, *tuyo* or dried herring. Both also offer beverages inside their respective stores such as sweetened carbonated drinks and fresh fruit juices. Lastly, frozen desserts such as ice cream and popsicle bars are also included in the portfolio. The recent growth of Balai Pandesal under Fruitas Holdings Inc.'s umbrella shows the high potential of the brand to expand and establish a more significant market share in the industry.

III. 4 Beverage Industry

The Philippine drinks market has consistently been dominated by carbonated soft drinks (CSD) when it comes to non-alcoholic drinks consumption. In 2019, CSD sales reached 4.86 billion liters, followed by bottled water which amounted to 2.86 billion liters. The consumption of water has been observed to be increasing along with other non-CSDs. The introduction of the sugar tax in 2018 led to businesses downsizing product content to lessen sugar tax impact, using different ingredients, and producing healthier drinks. A forecast from Euromonitor suggests that there will be minimal change in consumption of non-alcoholic drinks for the rest of the year. Growth is foreseen to be in modest decline for CSDs, bottled water, ready to drink (RTD) tea, sports, and soy drinks. Consumption of energy drinks is expected to remain flat while RTD coffee may increase by a few percentage points.

The other juice, juice mixtures & smoothies industry in Philippines reached 170.10 million USD (in retail prices) in 2015. The smoothies market in the Philippines is forecasted to reach 286.53 million USD (in retail prices), increasing at a CAGR of 4.23 percent per annum for 2020-2025. This appears to be a decrease, compared to the previous growth of around 6.65 percent per year registered in 2015-2019. The average consumption per capita in value reached 1.70 USD per capita (in retail prices) in 2015. In the next five years, consumption grew at a CAGR of 5.02 percent per annum. By 2025, growth is forecasted to slow down at a CAGR of 2.75 percent per annum.

Table 6: Key Juice Mixtures & Smoothies/ Fruit-based Desserts Segment Players

	Store Count	Revenue (Php)
Balai ni Fruitas Inc (Fruitas House of Desserts and Buko ni Fruitas)	46	2020: 110,143,631 2019: 233,191,964 2018: 210,161,975
Iceberg's Food Concepts, Inc. (Iceberg's)	5	2019: 65,953,892
Kabigting's Halo-halo Corporation (Kabigting's Halo Halo)	7	2019: 16,853,640 2018: 17,633,005
Avocadoria.ph Food and Beverage, Inc (Avocadoria)	115	2020: 20,542,472
VQZ Maxi Mango Frozen Foods (Maxi Mango)	37	NA

Source: Authors' notes.

Currently, consumers are drinking less but better-quality juices. People are willing to pay more for the health benefits that are associate with the drinks. Hence, the category of juices especially those with 100 percent fruit content has gained popularity among consumers globally. However, there is also a concern among the health-conscious consumers regarding the high sugar content of the 100 percent apple juice, which has been an obstacle for the development of the market in the last few years. Nonetheless, people are also becoming more educated recently, recognizing the difference between added sugar and natural sugar, which makes the product more positive as an overall.

Globally, an emerging trend on the juice market is the production of cold pressed juices. The specific way of processing preserves both the flavor of fruit juices as well as their micronutrients, vitamins, and minerals. Consumers are also becoming increasingly interested in homogenous juices, with most Europeans preferring to drink juice made from a specific variety of fruit.

When it comes to relevance, the current pandemic situation could be beneficial for Balai ni Fruitas Inc.'s beverage-related ventures – Fruitas House of Desserts ("FHOD") and Buko ni Fruitas ("BNF"). With the emerging trend of people turning more health conscious and including better quality juices into their diet, this means that there is opportunity for Balai ni Fruitas Inc. to push its products more. This could mean possibly highlighting more the health benefits of consuming their products via refined communications or messaging. Location-wise, the two beverage ventures of Balai ni Fruitas Inc. are situated more in commercial areas such as malls, supermarkets. Such locations have proven to be good pre-pandemic when foot traffic was high. However, the lockdowns during the pandemic have restricted people from leaving their homes hence lowering the previously high foot traffic levels in malls and other commercial areas. Nonetheless, Fruitas House of Desserts and Buko ni Fruitas are enlisted in food aggregators such as Food Panda, allowing them to reach consumers even at the comforts of their homes.

For Fruitas House of Desserts, variety is an edge that it could bank on. Versus other key players within the Juice Mixtures & Smoothies/ Fruit Desserts Industry, it is able to provide options of having only one fruit, two fruit, or four season variants. Other players such as Avocadoria and Maxi Mango offer only single fruit options. The variety which FHOD can offer is considered an advantage amongst its peers in the industry.

For Buko ni Fruitas, Buko is considered to be relatively young in the kiosk-based industry as consumers have just started noticing and patronizing such products sold in kiosks. BNF is able to accessibly offer its buko-based desserts conveniently to its customers through its presence inside commercial centers. Despite the early years of the industry, the brand value which BNF has been able to establish for over 15 years is considered to be an advantage amongst the players in the industry.

IV. AGRICULTURE AND RURAL LINKAGES

This section discusses the forward and backward linkages of the industries of interest with the broader agricultural sector.

IV.1 Trends in Production

Baking has evolved into a large industry providing larger business and more employment opportunities in the Philippines. The baking of bread, cakes, pastries, pies and similar perishable bakery products tops the manufacturing sector, contributing to 27 percent of the establishments as of 2016. The baking industry, which is primarily traditional in nature, has continued to flourish in the present modern era as it embraces technology and culinary trends. The local baking industry remains strong in the country, with the number of bake shops and stores located in commercial malls and busy streets across the country.

In terms of production, the traditional method of making bread and other baked goods was through a brick oven fired with wood called a *pugon*. Today, most bakeries in the country use electric or gas oven that requires less labor for operation and maintenance. Traditional plastic or wooden measuring cups are also decreasing as digital weighing scales, which are more accurate is now being utilized. Recipes which used to be written or printed in paper or passed on by word of mouth are now stored digitally and are even shared on social media making it accessible to more bakers, including home bakers, or even hobbyists. This resulted to an increase in home-based bakeries which is less capital intensive. Better equipment and the advancement of technology has made operations for bakeries easier. The Department of Science and Technology (DOST) has also been providing assistance for small and medium bake shops to be able to adapt to technological innovation as well. Through the Small Enterprise Technology Upgrading Program (SETUP), DOST is able to help small businesses acquire baking technologies such as spiral and planetary mixers, roller machines, proofers, bread slices, and gas ovens. Upgrading technologically has led to more efficiency and yielded better quality products as recipes and processes have become mostly standardized. Standardization has paved way to expansion opportunities such as franchising.

Innovation has also made its way into the development of baked products themselves. Baked goods businesses have also ventured into creating products that are healthier and better tasting. For instance, flavored *pandesal* has become a trend in late 2019. The traditional plain *pandesal* now comes in *ube*, matcha, red velvet, Nutella, butternut, blueberry flavors. Back in 2016, bakers offering artisanal baked goods led the segment with a combined retail value share of 44 percent. Shares were obtained from neighborhood community bakeries as well as high-end artisanal bakeries located in malls or shopping centers.

As of 2018, inflation has been taking a toll on the baked goods industry. A lot of costs have increased including fuel and LPG. Distribution costs and baking process costs have been affected. The Philippine currency has also devalued significantly which has effect on the cost of ingredients that need to be imported such as milk, shortening, and whey. Flour, although sourced locally is also impacted by the price of global wheat, cost of freight, and foreign exchange. Wage hikes that affect labor cost also need to be factored in. While big players such as Gardenia are able to employ less people for manufacturing due to its fully automated production line, there is still a big number of people to employ for delivery, and for promotions and marketing to be able to cater to the nationwide market.

According to the Philippine Statistics Authority, food prices in the Philippines increased by 6.4 percent vs previous annual in September 2021, following a 6.5 percent gain the previous month. Prices for fruits dropped -0.4 percent to 0.1 percent. Meanwhile, prices increased for corn (10 percent vs 8.7 percent), other cereals, flour, cereal preparations (2 percent vs 1.8 percent), oils and fats (5.2 percent vs 4.8 percent), vegetables (16.2 percent vs 15.7 percent), milk, cheese, egg (0.7 percent vs 0.6 percent), sugar, jam, honey, chocolate & confectionery (1.4 percent vs 1.2 percent). These items would also have an effect on the both the fruit desserts and baking industries.

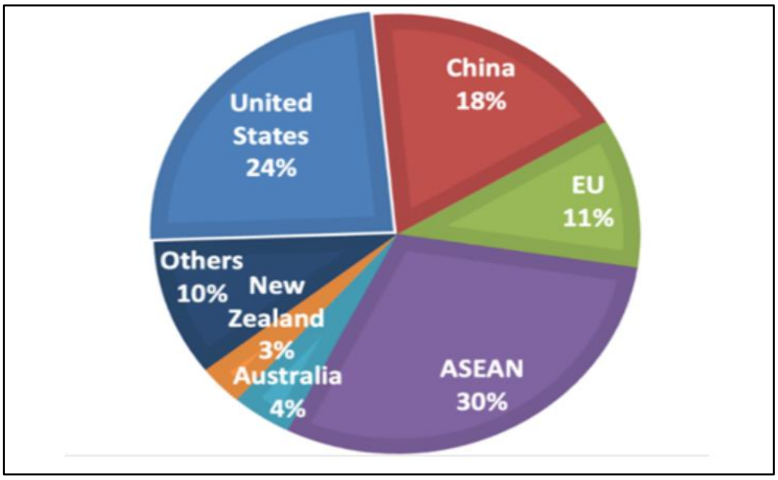
On a broader note, reports show that following two years of contraction, the Philippine food manufacturing sector has been expected to expand 1 percent in 2021. Due to supply disruptions in March to April 2020 and designation as an essential industry, capacity utilization rates continue to fall. Value of production in January 2021 dropped 18 percent year on year.

IV.2 Trends in Imports

The Philippines is a developing market with a young, increasing working-age population. The economy is expected to have partially recovered in 2021 with an estimated 5.5 percent GDP growth.

Currently, the Philippines is the ninth largest export market of U.S. agricultural products. It has remained resilient in 2020, reaching a record USD 3.2 billion. Meanwhile, the United States remains to be the largest single-country supplier of agricultural products at 24 percent market share. In 2020, the top five exports of U.S. agricultural products in terms of value were soybeans & soybean meal (USD 953 million); wheat (USD 826 million); dairy products (USD 410 million); meat products (USD 241 million); and prepared food (USD 109 million). Next to US, China is the second largest single-country agricultural products supplier.

Figure 10: Agricultural Exports to the Philippines in 2020



Source: United Nations Direction of Trade Statistics.

The Philippines remains to be the largest market in Southeast Asia for the U.S. for consumer-oriented food & beverage products, which is a sub-sector of total agricultural products. Export sales in 2020 reached USD 1.1 billion and has grown by 44percent from January to May 2021 versus the previous year.

The sub-sectors under the Agricultural sector are the Food Retail Sector, Food Service Sector and Food Processing Sector. Despite the restrictions brought about by the pandemic, the Food Retail continues with its modernization. It has shifted the purchasing habits of consumers to opt for upscale vendors and online platforms. The Food Retail sector is expected to remain strong with a projected growth of 10 percent in 2021. The Food Service sector has been negatively hit by the pandemic, recording a decline of 34 percent in 2020. The food service providers that remained in operation have moved to online delivery platforms and curbside pickups to adapt to the mandated restrictions. For the Food processing or manufacturing sector, it is expected to remain relatively stable or flat but still with potential. The country's food manufacturing segment continues to offer opportunities for US products which include dairy, milling wheat, and raw materials for processed meat products.

According to the National Statistics Office, imports to the Philippines grew by 30.8 percent vs previous year to a 35-month high of USD 10 billion in August 2021. The previous month growth was at 29.5 percent. The increased growth rate is due to a strengthened domestic demand, following the hastening of in COVID-19 vaccinations.

V. PROSPECTS OF THE FOOD SERVICE INDUSTRY (WHICH INCLUDES KIOSK-BASED AND BEVERAGE INDUSTRY)

This section takes a forward-looking approach and discusses some key trends affecting the industries of interest in this study.

V.1 Key Industry Trends

Prior to the pandemic, the food service industry in the Philippines has been growing at a phenomenal rate. The food service industry which includes fast-food chains, food kiosks, cafes, bars, take-out and delivery stores, and full-service restaurants generated Php 535.9 billion in revenues on the back of 84,503 food outlets operating in the country in 2016. In 2019, revenues were seen to top Php 616 billion with 3,126 more food service establishments in operation than in 2016.The food service industry is seen to expand along with the growing population and rising incomes. For the year 2020 and 2021, revenues are seen to reach Php 637.3 billion and Php 656.5 billion, respectively, without the pandemic.

Several trends were observed for the food service industry prior to the pandemic. Most can be taken into consideration even for the kiosk based and beverage industries currently and post-pandemic. First, there will be more foreign competition. Big local companies will bring in more food establishments from abroad rather than build their own brands from scratch. Online platforms have become an integral platform in the food service industry. Customized food delivery is also an emerging trend. The increasing demand for niche cuisines like halal, keto, pure organic, and vegan will push many restaurants and private chefs to offer these options through online delivery platforms. Local manufacturers have also ventured into online selling direct to consumers; however volumes remain limited. Alternative locations are likely to emerge. High rental costs and market cannibalization among malls and commercial centers will drive restaurants to set up branches in uncustomary sites. There has also been increasing popularity of artisanal coffee (such as Toby's Estate and Single Origin). Gastropubs, craft beer establishments, and gin bars are also emerging.

Specific to the baked goods industry, opportunity for bread is still highly present given its substitution for rice as a staple food. *Pandesal* remains to be the most popular type of bread especially in key areas NCR, and in other urban areas where per capita is higher. Improvements in technology has been a trend in the industry which results to greater efficiency and allows for standardization of products. Innovation has been a notable trend as well, leading to new products such as flavored *pandesal.*

With the lockdowns imposed during the pandemic, consumers have taken less trips to retail channels such as supermarkets and groceries, as they have been rediscovering neighborhood stores such as sari-sari stores, and neighborhood bakeries. The smaller bakeries have been performing better than the industrial bakeries. However, the surge in online purchases via platforms such as Food Panda, and Grab Food could not be disregarded as well. Online bakeries have also boomed as chefs, people who lost their jobs, and hobbyists had to cope with the pandemic.

Balai ni Fruitas Inc's bakery, Balai Pandesal, would be a relevant player in the industry especially at present times when consumers have gone back to purchasing bread from the traditional neighborhood bakeries more than in supermarkets or in bakery chains located inside the malls. Locations that are near residential areas or condominiums would benefit from this change in shopping behavior. Balai Pandesal should also capitalize its presence in digital platforms, as other consumers opt to not leave their homes and just have food items delivered. In terms of offerings, Balai Pandesal should continue exploring innovative products and flavors to keep consumers interest in the brand's portfolio, and to also compete with home-based online bakeries who offer a wide variety of options.

V.2 Key Industry Forecast

Retail sales in the packaged food market in the Philippines had been estimated to reach nearly USD 14 billion in 2020. This translates to a growth of 32.6 percent or USD 3.4 billion since 2016. By the year 2025, the retail sales in the Philippine packaged food market is expected to reach USD 19 billion, a growth rate of 26.2 percent or USD 3.9 billion. Baked goods are among the high growth products in the said forecast.

Retail food sales was positively affected by COVID-19 and has been expected to further increase 10% in 2021. Since the onset of the COVID-19 outbreak, consumers have been increasingly cooking food at home, propelling a surge in purchases of local and imported food and beverage products from supermarkets and online platforms. There has been a shift from food service to food retail which created more opportunities for food and beverage grocery products to enter the market. There has been a rise of resellers, and small and medium enterprises. Furthermore, the work from home and online schooling set up has driven the demand for pantry items. Demand for products with larger pack sizes and extended shelf-life also increased. While retail food sales have been positively impacted by the pandemic, the effect on the foodservice sector has been otherwise. A decline of -34 percent has been registered in 2020 and no current recovery seen in 2021.

During the pandemic, a growing number of middle- to upper-income consumers have also shifted to home delivery of grocery items. Modern retailers have pushed efforts to strengthen digital presence and take advantage of the growing trend. Local governments have also deployed farm-to-market stores within middle- and upper-income residential areas. Lower-income consumers though, still prefer to purchase from mom-and-pop stores that sell low-priced packaged food products and ingredients. Traditional wet markets that sell meat, poultry, seafood, fruits, and vegetables are also still patronized. Meanwhile, imported products from the US with good potential for success in the Philippines include apples, strawberries, and table grapes, baking pre-mixes, baked goods and snack foods, cheese, craft beer and wine, dog food, dried fruits and nuts, frozen meat and poultry products, frozen fruits and vegetables, and tomato paste and sauces.

A key trend to watch out for is on local manufacturers investing in plant-based meat alternatives for snacks and meals. This stems from consumers' mindset shifting into being more health conscious. In effect, advertising and highlighting health properties and attributes of products have also emerged. The market for functional foods has also been further increasing. The demand has surged since the onset of the pandemic. Functional foods are ingredients that claim to possess an additional function.

Food establishments that remained operational have been forced to adapt to changes in both regulatory requirements and consumer preferences. Payment methods have started to include cashless payment platforms. Businesses also began to increase their efforts in social media. Community resellers and home-based entrepreneurs were also given more opportunity to venture into businesses and would most likely continue even after the pandemic. Industry analysts foresee that it will take at least six months after the pandemic tapers, for the country's dining out scene to bounce back.

VI. PORTER'S FIVE FORCES ANALYSIS

VI.1 Baked Goods

This section takes a look at the key elements in Porter's Five Forces as applied to the baked goods industry.

VI.1.1 Competition

Balai Pandesal competes with several players in its segment such as Pan De Manila, Panaderia All Day Hot Pandesal, and Julie's Bakeshop. Economies of scale is an advantage to reach the market as a significant portion of the consumers are traditional and prefer to buy their breads inside the stores. Apart from having physical stores, players are also forced to have significant presence online through various food delivery platforms to remain significant. Competition is usually based on price, quality, and differentiation.

VI.1.2 Threat of New Entrants

Small businesses such as home-based bakeries can enter the industry even with a small amount of capital. However, several aspects are needed to ensure the success of the new entrants.

Drivers for the success of new players are having sufficient distribution channels and gaining brand recognition and loyalty. In the Philippines, having neighborhood bakeries is also a good way to reach residential areas. At the onset of the pandemic, online food deliveries have also become an important channel for the industry. We now see bakeries enlisted in food aggregator apps and taking orders through a website or social media accounts. Balai Pandesal should continue to reach its target consumers via the most effective distribution channels, including neighborhood branches and online food deliveries.

Innovation may also add to driving the success of new or even existing players. A new brand that introduces an innovation – new products or flavors may spark interest and intrigue among consumers. Flavored *pandesal*, bagels, Korean cream cheese garlic bread, and basque burnt cheesecake are some of the recent relatively "new" products that entered the market. Balai Pandesal has occasionally introduced innovative products in its portfolio to continue to spark interest and get the attention of consumers.

VI.1.3 Power of Suppliers

Suppliers of the baked goods industry do not have much negotiating power. They cater to well developed markets and are basically commodities in nature. There may be price volatility for the raw materials or ingredients, but these are driven more by global supply and demand factors rather than negotiating power of suppliers. A baked good establishment may also deal with multiple suppliers hence lessening the negotiating power of the individual suppliers.

VI.1.4 Power of Customers

Consumers have more power when they are fewer in number, as they would have higher bargaining power and greater ability to seek discounts and offers. Buying bread for consumption is seen to be the common practice among 97.9 to 98.8 percent of households in the country. As with rice, these baked goods are a staple in the Filipino homes and are typically consumed for breakfast or as a snack. Hence, there is a wide consumer base for baked goods in the Philippine market.

Buying power is low when consumers purchase products in minimal amounts. The per capita consumption of the top bread product *pandesal* averaged at 211 pieces per year or 4 pieces on a weekly basis, which appears to be minimal. Buying power is also less when the establishment's products are different or unique from its competitors.

The key for a bakery to keep the power of customers at a minimum, would be to build a large consumer base and continuously innovate and offer new, unique products.

VI.1.5 Threat of Substitute Products

In the Philippines, there are a number of substitute products for baked goods. Rice would still be the most staple food on a national level with 93.39 percent of households reporting its consumption and bread acts more as the substitute for it. Aside from bread, other food that are consumed as substitutes for rice would be corn, root crops such as sweet potato, white potato, and cassava, banana saba, and instant noodles, depending on the region. In effect, these could potentially also be substitutes for bread.

Affordability of the substitute items for rice appeared to be a top driver. Other reasons to substitute other items for rice include health-related, unavailability, accessibility, lack of time to cook. Baked goods, particularly bread could bank on these reasons to push for it being a good substitute for rice.

When looking at baked goods in particular, a common substitute would be items that consumers bake themselves in their own homes. Instead of purchasing from establishments, people can opt to produce their own baked goods. We saw this especially during the pandemic when people were forced to stay at home due to the lockdown restrictions. Bakeries can use convenience as a proposition to make people continue patronizing the industry. The availability of stores nearby and presence in online delivery channels are key to ensure the health of the industry despite the presence of substitute products.

The threat of substitution is high if there is a value proposition from another player that is unique. Baked goods establishments should look into being service-oriented as well, to expand the value proposition from more than just being product-oriented.

VI.2 Fruit-based Desserts

This section takes a look at the key elements in Porter's Five Forces as applied to the fruit-based desserts segment.

VI.2.1 Competition

Direct competition within the fruit-based desserts segment appears to be few with the presence of Fruitas House of Desserts, Buko ni Fruitas, Iceberg's, Kabigting's Halo Halo, Avocadoria, and Maxi Mango as the whole segment is relatively new in the industry. Despite the recentness of the segment, market size has started to expand and market shares amongst the well-known brands have started to be established. Several factors affect the success of the business but differentiation, varied product offerings, and unique value proposition are the essential drivers for businesses to prosper inside the fruit-based desserts segment.

VI.2.2 Threat of New Entrants

Barriers to entry into the fruit-based desserts segment is generally low or minimal considering the newness of the segment. In terms of economies of scale, it is not considered to be a barrier for entry for the other juice, juice mixtures, and smoothies/ fruit-based desserts. However, loyal consumers are most likely to value their trusted brands unless a new market entrant offers the same types of desserts at a lower price, but this would most likely affect the quality.

Location could also be a barrier to entry, as kiosk-based beverage establishments should strategically be placed in prime locations which the established players have already secured. New players, as well as current should ensure digital presence given the shift of a large number of consumers to this channel.

Considering these factors, the threat of new entrants is considered to be generally low. However, existing players should continue to innovate products and develop product quality to remain significant to their loyal consumers and in the industry.

VI.2.3 Power of Suppliers

Suppliers do not have much negotiating power because the establishments can easily switch from one supplier to another with the vast of fruit suppliers in the industry. In turn, suppliers would be competing on the basis of quality and price of products supplied to service the market successfully. Thus, allowing the major players in the segment more negotiating powers and improved fresh product offerings.

VI.2.4 Power of Customers

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There is a certain niche-like preference for establishments that offer fruit-based desserts. In this regard, customers would appear to be fewer in number. Apart from those looking for refreshment and fruit taste, an even smaller number would be characterized by those who are living a healthy lifestyle. Hence, consumers have more power.

However, when considering convenience as a factor, the buying power of customers would tend to be medium or moderate as there are a lot of options for establishments that offer beverage, which are outside the fruit-based dessert segment.

VI.2.5 Threat of Substitute Products

Within the segment, it is relatively easy for consumers to buy substitute products from a competitor especially those that are similar in price and quality. Availability could also be a factor. The variety which Fruitas House of Desserts possess is an advantage to reduce the threat to substitute. Apart from this, Buko ni Fruitas offers unique Buko desserts which is not normally available to other players. The threat of substitute products for both the brands is relatively low considering their variety and differentiated and unique offerings.

REGULATORY AND ENVIRONMENTAL MATTERS

The information in this section has been derived from various Government and private publications or obtained from communications with various Government agencies unless otherwise indicated and have not been prepared or independently verified by us, the Issue Manager, Bookrunner, and Underwriter, or any of our respective subsidiaries, affiliates or advisors in connection with the Offer and sale of the Offer Shares.

The Consumer Act

The Consumer Act (R.A. No. 7394) is principally enforced by the DTI, and seek to (1) protect consumers against hazards to health and safety, (2) protect consumers against deceptive, unfair and unconscionable sales acts and practices; (3) provide information and education to facilitate sound choice and the proper exercise of rights by the consumer; (4) provide adequate rights and means of redress; and (5) involve consumer representatives in the formulation of social and economic policies.

Furthermore, it regulates the following: (1) consumer product quality and safety; (2) the production, sale, distribution and advertisement of food, drugs, cosmetics and devices as well as substances hazardous to the consumer's health and safety; (3) fair, honest consumer transactions and consumer protection against deceptive, unfair and unconscionable sales acts or practices; (4) practices relative to the use of weights and measures; (5) consumer product and safety warranties; (6) compulsory labeling and fair packaging; (7) liabilities for defective products and services; (8) consumer protection against misleading advertisements and fraudulent promotion practices; and (9) consumer credit transactions. Under the Consumer Act, it is prohibited to manufacture, import, export, sell, offer to sell, distribute and transfer food products that do not conform to applicable consumer product quality or safety standards.

The Consumer Act establishes quality and safety standards with respect to the composition, contents, packaging, labeling and advertisement of products and prohibits the manufacture for sale, offer for sale, distribution, or importation of products which are not in conformity with applicable consumer product quality or safety standards promulgated under the law.

Manufacturers, distributors, importers or re-packers of consumer products are required to indicate in their labels or packaging a parallel translation in the English or Filipino language of the nature, quality, quantity and other relevant prescribed information or instructions of such consumer products in a manner that cannot be easily removed, detached or erased. In addition to the information required to be displayed in the principal and secondary panels, DTI Administrative Order No. 01-08 mandates that all consumer products sold in the Philippines, whether manufactured locally or imported shall indicate and specify the (a) country of manufacture; (b) required information of consumption duration safety; (c) warranty of the manufacturer; (d) weight content prior to packaging; (e) consumer complaint desk address; and (f) all other information necessary for giving effect to a consumer's right to information.

The DTI is tasked with implementing the Consumer Act with respect to labels and packaging of consumer products other than food products, and regulates product labeling, proper and correct description of goods, product labels with foreign characters/languages, data/information on product contents and origins and other similar matters. With respect to the packaging and repackaging of food products, such activities are regulated by the Department of Health ("DOH") and the Food and Drug Administration ("FDA"). Establishments engaged in these activities are required to comply with, among others, the current guidelines promulgated by the DOH on good manufacturing practice in manufacturing, packing, repacking, or holding food.

The law also prohibits the dissemination of any false, deceptive or misleading advertisement by Philippine mail or in commerce by print, radio, television, outdoor advertisement or other medium for the purpose of inducing or which is likely to induce directly or indirectly the purchase of consumer products or services. An advertisement shall be false, deceptive or misleading if it is not in conformity with the provisions of the Consumer Act or if it is misleading in any material respect. In determining whether any advertisement is false, deceptive or misleading, there shall be taken into account, among other things, not only representations made or any combination thereof, but also the extent to which the advertisement fails to reveal material facts in the light of such representations, or materials with respect to consequences which may result from the use or application of consumer products or services to which the advertisement relates under the conditions prescribed in said advertisement, or under such conditions as are customary or usual.

No person shall conduct any sales campaigns, including beauty contests, national in character, sponsored and promoted by manufacturing enterprises without first securing a permit from the DTI prior to the commencement thereof. A sales promotion which is intended for broad consumer participation and utilizes mass media shall indicate the duration, commencement and termination of the promotion, the deadline for submission of entries and the governing criteria or procedure to be followed therein. The winners in any sales promotion shall be determined at a definite time and place and shall be verified by a representative of the DTI and the sponsor.

Violation of the Consumer Act shall warrant administrative penalties and/or imprisonment of not less than one year but not more than five years, or a fine of not less than P5,000.00 but not more than P10,000.00 or both, at the discretion of the court. Should the offense be committed by a juridical person, the chairman of the board of directors, the president, general manager, or the partners and/or the persons directly responsible therefor shall be penalized.

The Price Act

To the extent that our Company's retail businesses touch on basic necessities and prime commodities, Republic Act No. 7581, or the Price Act, may apply. This law provides for price controls for basic necessities and prime commodities in certain situations, pursuant to the policy of the government to ensure the availability of basic necessities and prime commodities at reasonable prices at all times without denying legitimate business a fair return on investment. Basic necessities include rice, corn, bread, fish, dried and canned fish and other marine products, fresh vegetables, pork, beef, poultry, milk, coffee and cooking oil, salt, laundry soap, detergents, firewood, charcoal, candles and drugs classified as essential by the DOH. Prime commodities include fresh fruits, flour, dried, processed and canned pork, beef and poultry meat, dairy products not falling under basic necessities, noodles, onions, garlic, vinegar, patis, soy sauce, toilet soap, fertilizer, pesticides, herbicides, poultry, swine and cattle feeds, paper, school supplies, electrical supplies, batteries, among others.

Under the Price Act, the prices of basic commodities are automatically frozen at their prevailing prices or placed under automatic price control whenever:

1. That area is proclaimed or declared a disaster area or under a state of calamity;
2. That area is declared under an emergency;
3. The privilege of the writ of habeas corpus is suspended in that area;
4. That area is placed under martial law; or,
5. That area is in a state of rebellion or war.

If the prevailing price of any basic necessity is excessive or unreasonable, the implementing agency may recommend to the President the imposition of a price ceiling for the sale of the basic necessity at a price other than its prevailing price.

Unless sooner lifted by the President, price control of basic necessities under this section shall remain effective for the duration of the condition that brought it about, but not for more than 60 days.

The Price Act considers it unlawful for any person habitually engaged in the production, manufacture, importation, storage, transport, distribution, sale or other methods of disposition of goods to engage in price manipulation of any basic necessity or prime commodity through:

1. Hoarding, defined as the undue accumulation by a person or combination of persons of any basic commodity beyond his or their normal inventory levels or the unreasonable limitation or refusal to dispose of, sell or distribute the stocks of any basic necessity of prime commodity to the general public or the unjustified taking out of any basic necessity or prime commodity from the channels of reproduction, trade, commerce and industry;
2. Profiteering, defined as the sale or offering for sale of any basic necessity or prime commodity at a price grossly in excess of its true worth; and,
3. Cartels, defined as any combination of or agreement between two or more persons engaged in the production, manufacture, processing, storage, supply, distribution, marketing, sale or disposition of any basic necessity or prime commodity designed to artificially and unreasonably increase or manipulate its price.

The Department of Agriculture ("DA"), DTI, Department of Environment and Natural Resources ("DENR") and DOH are the implementing agencies responsible for the enforcement of the provisions of the Price Act. The implementing government agencies of the Price Act are granted the authority thereunder to issue suggested retail prices, whenever necessary, for certain basic necessities and/or prime commodities for the information and guidance of the concerned trade, industry and consumer sectors.

The Food Safety Act

The Food Safety Act (R.A. No. 10611) seeks to strengthen the food safety regulatory system in the country by principally delineating the mandates and responsibilities of the government agencies. The National Dairy Authority, National Meat Inspection Service, and Bureau of Fisheries and Aquatic Resources under the Department of Agriculture ("DA") are the government agencies responsible for the development and enforcement of food safety standards and regulations in the primary production and post-harvest stages for milk, meats, and fish, respectively, while the FDA under the DOH is responsible for the safety of processed and pre-packaged foods. The Food Safety Act created the Food Safety Regulation Coordinating Board to monitor and coordinate the performance and implementation of the mandates of the government agencies under the law.

Under the Food Safety Act, food business operators or those who undertake to carry out any of the stages of the food supply chain are held principally responsible in ensuring that their products satisfy the requirements of the law and that control systems are in place to prevent, eliminate, or reduce risks to consumers. Appropriate authorizations shall be developed and issued in the form of a permit, license and ccertificate of registration or compliance that would cover establishments, facilities engaged in production, post- harvest handling, processing, packing, holding or producing food for consumption in accordance with the mandated issuances of regulatory agencies issuing such authorizations. Special derogations shall be provided due to geographical location and after an assessment of risks, especially for micro, small and medium-sized food business operators and health products. Regular inspection of food business operators shall also be performed.

For the enforcement of the Food Safety Act, the food safety regulatory agencies are authorized to perform regular inspection of food business operators taking into consideration the compliance with mandatory safety standards; implementation of the Hazard Analysis at Critical Control Points or the science-based system that identifies, evaluates, and controls hazards for food safety at critical points; good manufacturing practices; and other requirements of regulations. It is prohibited to refuse access to pertinent records or entry of inspection officers of the food safety regulatory agencies. It is likewise prohibited, among others, to produce, handle, or manufacture for sale, offer for sale, distribute in commerce, or import any food or food product, which is banned or is not in conformity with applicable quality or safety standard is also prohibited. The commission of any of the prohibited acts under the Food Safety Act can result in imprisonment and/or a fine.

FDA Rules and Regulations

Consistent with the mandate to adopt and establish mechanisms and initiatives that are aimed to protect and promote the right to health of every Filipino, the FDA issued the Rules and Regulations on the Licensing of Food Establishments and Registration of Processed Food ("Rules"), which require all food establishments to obtain a License to Operate ("LTO") from the FDA before they can validly engage in the manufacture, importation, exportation, sale, offer for sale, distribution, and transfer of food products in the Philippine market. The Rules cover processed food and food products and exclude fresh or raw food derived from plant, animal, fisheries and aquaculture products or foods in the primary production and post-harvest stages of the supply chain. A food establishment must prove their capability and capacity to assure food safety and quality through compliance with Good Manufacturing Practice, Good Distribution Practice, Good Storage Practice, Hazard Analysis and Critical Control Points, and/or other best industry practices recognized by the Food and Agriculture Organization and the World Health Organization, as appropriate. An LTO must first be secured before filing for a Certificate of Product Registration ("CPR") initial application. An initial LTO is valid for a period of two years, while a renewed license is valid for five years.

In addition to an LTO, the FDA also requires a CPR for processed food products, including food additives, food supplements and bottled water, before said products are distributed, supplied, sold or offered for sale or use in the market. A CPR covering a particular health product constitutes *prima facie* evidence of the registrant's marketing authority for said health product in connection with the activities permitted pursuant to the registrant's LTO. In case of initial registration, a CPR shall be valid for a minimum period of two years to a maximum period of five years. Any renewal thereafter shall be valid for five years. In addition to the requirements stated above, the FDA may conduct inspection of the manufacturing or processing plant, or verification of documents submitted or may require additional documents or evidence to ascertain the safety and/or quality of the product.

The FDA follows a classification list. based from the *Codex Alimentarius* General Standard of Food Additives (GFSA) and the United Nations Food and Agriculture Organization (FAO) Risk Categories, wherein processed food products are classified according to microbiological risk:

- Low Risk (LR) Food – Food that are unlikely to contain pathogenic microorganisms and will not normally support their growth because of food characteristics and foods that are unlikely to contain harmful chemicals.
- Medium Risk (MR) Food – Food that may contain pathogenic microorganisms but will not normally support their growth because of food characteristics; or food that is unlikely to contain pathogenic microorganisms because of food type or processing but may support the formation of toxins or the growth of pathogenic microorganisms.
- High Risk (HR) Food – Food that may contain pathogenic microorganisms and will support the formation of toxins or the growth of pathogenic microorganisms and foods that may contain harmful chemicals.

The operation of a food business without the proper authorization from the FDA is prohibited and punishable with a fine. The closure of the establishment may also be imposed as a penalty upon a finding of a commission of a prohibited act.

The Retail Trade Liberalization Act

Republic Act No. 8762, or the Retail Trade Liberalization Act (Republic Act. No. 8762), as amended by Republic Act No. 11595, defines retail trade as any act, occupation or calling of habitually selling directly to the general public any merchandise, commodity or good for consumption. The Retail Trade Liberalization Act liberalized the retail industry to encourage Filipino and foreign investors to forge an efficient and competitive retail trade sector in the interest of empowering the Filipino consumer through lower prices, high quality goods, better services, and wider choices. Prior to the passage of the Retail Trade Liberalization Act, retail trade was limited to Filipino citizens or corporations that are 100% Filipino-owned.

Under the Retail Trade Liberalization Act, as amended, foreign-owned partnerships, associations or corporations may, upon registration with the Philippine SEC, or in the case of foreign owned single proprietorships, upon registration with the DTI, engage or invest in the retail trade business, under the following categories:

- A foreign retailer shall have a minimum paid capital of P25,000,000.00;
- The foreign retailer's country of origin does not prohibit the entry of Filipino retailers; and
- In the case of foreign retailers engaged in retail trade through more than one (1) physical store, the minimum investment per store must be at least P10,000,000.00; Provided, that this requirement shall not apply to foreign retailers who are legitimately engaged in retail trade and were not required to comply with the minimum investment per store at the time of effectivity of the Retail Trade Liberalization Act; Provided, further that proof of qualification to engage in retail trade under Republic Act No. 8762 and its implementing rules and regulations is submitted to the DTI.

The foreign retailer shall be required to maintain in the Philippines at all times the paid-up capital of P25,000,000.00, unless the foreign retailer has notified the SEC or the DTI, whichever is appropriate, of its intention to repatriate its capital and cease operations in the Philippines. Failure to maintain in the Philippines the required paid-up capital prior to notification of the SEC or the DTI, whichever is appropriate, shall subject the foreign retailer to penalties or restrictions on any future trading activiries / business in the Philippines.

Foreign Ownership Controls

The Philippine Constitution limits ownership of land in the Philippines to Filipino citizens or to corporations the outstanding capital stock of which is at least 60% owned by Philippine Nationals. While the Philippine Constitution prescribes nationality restrictions on land ownership, there is generally no prohibition against foreigners owning buildings and other permanent structures. However, with respect to condominium developments, the foreign ownership of units in such developments is limited to 40%. A corporation with more than 40% foreign equity may be allowed to lease land for a period of 25 years, renewable for another 25 years.

Republic Act No. 7042, as amended, otherwise known as the Foreign Investments Act of 1991, and the Tenth Regular Foreign Investment Negative List, provide that certain activities are nationalized or partly- nationalized, such that the operation and/or ownership thereof are wholly or partially reserved for Filipinos. Under these regulations, and in accordance with the Philippine Constitution, ownership of private lands is partly-nationalized and thus, companies owning land may only have a maximum of 40% foreign equity.

The Philippine Constitution limits ownership of land in the Philippines to Filipino citizens or to corporations the outstanding capital stock of which is at least 60% owned by Philippine Nationals.

The term “Philippine National” as defined under Republic Act No. 7042, or the Foreign Investments Act of 1991 (“FIA”), as amended, mean:

(1) A citizen of the Philippines;
(2) A domestic partnership or association wholly-owned by citizens of the Philippines;
(3) A corporation organized under the laws of the Philippines of which at least 60% of the capital stock outstanding and entitled to vote is owned and held by citizens of the Philippines;
(4) A corporation organized abroad and registered as doing business in the Philippines under the Corporation Code, of which 100% of the capital stock outstanding and entitled to vote is wholly owned by Filipinos; or
(5) A trustee of funds for pension or other employee retirement or separation benefits, where the trustee is a Philippine National and at least 60% of the fund will accrue to the benefit of Philippine Nationals.

The Company currently does not own land and is not subject to the foregoing restriction.

Environmental Laws

Philippine Environmental Impact Statement System

The Philippine Environmental Impact Statement System has been established in furtherance of the State policy to attain and maintain a rational and orderly balance between socio-economic growth and environmental protection. Development projects that are classified by law as environmentally critical or projects within statutorily defined environmentally critical areas are required to obtain an Environmental Compliance Certificate (“ECC”) prior to their commencement. As a prerequisite for the issuance of an ECC, an environmentally critical project is required to submit an Environmental Impact Statement (“EIS”) to the EMB while a project in an environmentally critical area is generally required to submit an Initial Environmental Examination (“IEE”) to the proper DENR regional office, without prejudice to the power of the DENR to require a more detailed EIS. The EIS refers to both the document and the environmental impact assessment of a project, including a discussion of direct and indirect consequences to human welfare and ecology as well as environmental integrity. The IEE refers to the document and the study describing the environmental impact, including mitigation and enhancement measures, for projects in environmentally critical areas.

While the terms and conditions of an EIS or an IEE may vary from project to project, at a minimum, they contain all relevant information regarding the environmental effects of a project. The entire process of organization, administration and assessment of the effects of any project on the quality of the physical, biological and socio-economic environment as well as the design of appropriate preventive, mitigating and enhancement measures is known as the EIS system. The EIS system successfully culminates in the issuance of an ECC. The ECC is a government certification that (i) the proposed project or undertaking will not cause a significant negative environmental impact; (ii) that the proponent has complied with all the requirements of the EIS system and; (iii) that the proponent is committed to implement its approved environmental management plan in the EIS or, if an IEE was required, that it will comply with the mitigation measures suggested therein. The ECC contains specific measures and conditions that the project proponent must undertake before and during the operation of a project, and in some cases, during the abandonment phase of the project to mitigate identified environmental impact.

Project proponents that prepare an EIS are required to establish an Environmental Guarantee Fund (“EGF”) when the ECC is issued to projects determined by the DENR to pose significant public risks to life, health, property and the environment. The EGF is intended to answer for damages caused by such projects as well as any rehabilitation and restoration measures. Project proponents that prepare an EIS are mandated to include a commitment to establish an Environmental Monitoring Fund (“EMF”) when an ECC is eventually issued. The EMF shall be used to support activities of a multi-partite monitoring team that will be organized to monitor compliance with the ECC and applicable laws, rules and regulations.

In certain instances, the EMB may determine and issue a certification that a certain project is not covered by the EIS System and an ECC is not required. Consequently, a Certificate of Non-Coverage ("CNC") may be issued in lieu of an ECC.

The Ecological Solid Waste Management Act of 2000

The Ecological Solid Waste Management Act of 2000 (Republic Act No. 9003) provides for the proper management of solid waste which includes discarded commercial waste and non-hazardous institutional and industrial waste. The said law prohibits, among others, the transporting and dumping of collected solid wastes in areas other than prescribed centers and facilities. The National Solid Waste Management Commission, together with other government agencies and the different local government units, are responsible for the implementation and enforcement of the said law.

Any violation of this law may be punishable by fine or imprisonment, or both, depending on the prohibited act committed. If the offense is committed by a corporation, the chief executive officer, president, general manager, managing partner or such other officer-in-charge shall be liable for the commission of the offense.

The Code on Sanitation of the Philippines

The Sanitation Code (Presidential Decree No. 856) provides for sanitary and structural requirements in connection with the operation of certain establishments such as food establishments which include such places where food or drinks are manufactured, processed, stored, sold or served. Under P.D. 856, which is implemented by the DOH, food establishments are required to secure sanitary permits prior to operation which shall be renewable on a yearly basis.

Further, the Code on Sanitation provides that no person shall be employed in any food establishment without a health certificate issued by the local health authority. This certificate will be issued only after the required physical and medical examinations are performed and immunizations are administered at prescribed intervals. The health certificate must be renewed every year or as often as required by local ordinance.

Non-compliance with the provisions of the Code on Sanitation may result in the revocation of the sanitary permit, which is a requisite for the operation of a food establishment. Moreover, a food establishment that employs a person without the appropriate health certificate may be punished by fine or imprisonment, or both.

DENR Rules on Disposition of Hazardous Waste

A waste generator or a person who generates or produces hazardous waste through any institutional, commercial, industrial or trade activities must register online and pay the registration fee to the EMB Regional Office having jurisdiction over the location of the waste generator. Upon registration, the EMB shall issue a DENR identification number, which is generally a one-time permit unless there is a change in the hazardous wastes produced.

Under DENR Administrative Order No. 2013-22, a duly registered waste generator must, among others: (a) designate a full-time Pollution Control Officer; (b) disclose to the DENR the type and quantity of waste generated; (c) implement proper waste management from the time the wastes are generated until they are rendered non-hazardous; (d) continue to own and be responsible for the wastes generated in the premises until the wastes have been certified by an accredited waste treater as adequately treated, recycled, reprocessed, or disposed of; (e) adhere to the hazardous waste transport manifest system when transporting hazardous wastes for offsite treatment, storage, and/or disposal; (f) prepare and submit to the DENR comprehensive emergency preparedness and response program to mitigate spills and accidents involving chemicals and hazardous wastes; (g) communicate to its employees the hazards posed by the improper handling, storage, transport, use and disposal of hazardous wastes and their containers; and (h) develop capability to implement the emergency preparedness and response programs and continually train core personnel on the effective implementation of such programs.

Failure to comply with DENR Administrative Order No. 2013-22 shall make the violator liable for a fine of P50,000.00. In addition to such penalty, a violation of any of its Governing Rules or rules covering the Contingency Program shall result in the immediate suspension of the permit.

DENR Rules against Air Pollution

DENR Administrative Order No. 2000-81, as amended by DENR Administrative Order No. 2004-26, requires a Permit to Operate for each source emitting regulated air pollutants, which shall be issued by the EMB. The permittee shall display the permit upon the installation itself in such manner as to be clearly visible and accessible at all times. In the event that the permit cannot be so placed, it shall be mounted in an accessible and visible place near the installation covered by the permit.

The Permit to Operate is valid for five years from the date of issuance, unless sooner suspended or revoked. It may be renewed by filing an application for renewal at least 30 days before its expiration date and upon payment of the required fees and compliance with requirements.

Moreover, under DENR Administrative Order No. 2014-02, the managing heads of establishments required to have pollution control officers must apply for accreditation of their appointed/designated Pollution Control Officer at the concerned EMB Regional Office within 15 days from the date of appointment/designation.

Laguna Lake Development Authority Clearance

R.A. No. 4850, as amended, created the Laguna Lake Development Authority ("LLDA") in order to promote and accelerate the balanced growth of the Laguna de Bay Region, with due regard for environmental management and control, preservation and preservation of the quality of human life and ecological systems, and the prevention of undue ecological disturbances, deterioration and pollution.

As an attached agency of the DENR, the LLDA is mandated to manage and protect the environmentally critical Laguna de Bay Region. It is empowered to pass upon and approve or disapprove all plans, programs, and projects proposed by local government offices or agencies within the region, public corporations, and private persons or enterprises where such plans, programs, and projects are related to the development of the region.

At present, the jurisdiction and scope of authority of the LLDA comprises the towns of Rizal and Laguna Provinces, towns of Silang, General Mariano Alvarez, Carmona, Tagaytay City in Cavite, Lucban, Quezon, City of Tanauan, towns of Sto. Tomas and Malvar in Batangas, Cities of Marikina, Pasig, Taguig, Muntinlupa, Pasay, Caloocan, Quezon and town of Pateros in Metro Manila. Accordingly, any person, natural and juridical, with existing and/or new development projects and activities within these areas are required to secure an LLDA Clearance, which is issued upon submission of an application and the supporting financial documents.

An administrative fine is imposed on establishments operating, developing, or constructing within the Laguna de Bay Region without the necessary LLDA Clearance. Any proposed, ongoing, or completed expansion inconsistent with a previously issued LLDA Clearance must be covered by a new LLDA Clearance.

Wastewater Discharge Permit

The Philippine Clean Water Act of 2004 (Republic Act No. 9275) prohibits the discharge of material of any kind into water bodies, which shall cause pollution or impede natural flow of water, discharge of substance into soil or sub-soil which would pollute groundwater, operating facilities that discharge regulated water pollutants without valid permits, and other related acts. The Clean Water Act also regulates the discharge of effluents on land.

Pursuant to this law, all industries that discharge in any manner wastewater into Philippine waters and/or land are required to secure a wastewater discharge permit from the EMB. This permit is valid for five years and renewable for five-year periods.

For operational purposes, we have no costs and effects of compliance with environmental laws, aside from some Local Government Units (LGUs) requiring clearances and permits.

Labor Laws

The Labor Code and Social Welfare Legislations

The Philippine Labor Code and other statutory enactments provide the minimum benefits that employers must grant to their employees, which include certain social security benefits, such as benefits mandated by the Social Security Act of 1997 (R.A. No. 8282), the National Health Insurance Act of 1995 (R.A. No. 7875), as amended, and the Home Development Fund Law of 2009 (R.A. No. 9679).

Social Security Act

Under the Social Security Act of 1997, social security coverage is compulsory for all employees under 60 years of age. An employer has the duty to report to the Social Security System ("SSS") the names, ages, civil status, occupations, salaries and dependents of its employees who are subject to compulsory coverage, and to pay and remit their monthly contributions. This enables the employees or their dependents to claim their pension, death benefits, permanent disability benefits, funeral benefits, sickness benefits and maternity-leave benefits. The failure of the employer to comply with any of its obligations may lead to sanctions, including the impositions of a fine of not less than ₽5,000.00 nor more than ₽20,000.00, or imprisonment for not less than six years and one day nor more than 12 years, or both, at the discretion of the court. The erring employer will also be liable to the SSS for damages equivalent to the benefits to which the employee would have been entitled had his name been reported on time to the SSS and for the corresponding contributions and penalties thereon.

National Health Insurance Act

The National Health Insurance Act, created the National Health Insurance Program ("NHIP") to provide health insurance coverage and ensure affordable and accessible health care services to all Filipino citizens. Under the law, all members of the SSS are automatically members of the NHIP. An employer is required to deduct and withhold the contributions from its employee's salary, wage or earnings, make a counterpart contribution for the employee, and remit both amounts to the Philippine Health Insurance Corporation ("PhilHealth"), the agency which administers the NHIP. The NHIP will then subsidize personal health services required by the employee subject to certain terms and conditions under the law. An employer who fails or refuses to register its employees, regardless of their employment status, or to deduct contributions from its employees' compensation or remit the same to our Corporation shall be punished with a fine of not less than ₱5,000.00 multiplied by the total number of employees of the firm.

Home Development Fund Law

The Home Development Fund Law (R.A. No. 9679) or the Pag-IBIG Fund Law, created the Home Development Mutual Fund ("HDMF"), a national savings program as well as a fund to provide for affordable shelter financing to Filipino workers. Coverage under the HDMF is compulsory for all SSS members and their employers. Under the law, an employer must deduct and withhold 2% of the employee's monthly compensation, up to a maximum of ₱5,000.00, and likewise make a counterpart contribution of 2% of the employee's monthly compensation, and remit the contributions to the HDMF. Refusal of an employer to comply, without any lawful cause or with fraudulent intent, particularly with respect to registration of employees as well as collection and remittance of contributions, is punishable by a fine of not less but not more than twice the amount involved, or imprisonment of not more than six years, or both such fine and imprisonment. When the offender is a corporation, the penalty will be imposed upon the members of the governing board and the president or general manager, without prejudice to the prosecution of related offenses under the Revised Penal Code and other laws, revocation and denial of operating rights and privileges in the Philippines and deportation when the offender is a foreigner.

The Labor Code

The Philippine Labor Code provides that, in the absence of a retirement plan provided by their employers, private-sector employees who have reached 60 years of age or more, but not beyond 65 years of age, the compulsory retirement age for private-sector employees without a retirement plan, and who have rendered at least five years of service in an establishment, may retire and receive a minimum retirement pay equivalent to one-half month's salary for every year of service, with a fraction of at least six months being considered as one whole year. For the purpose of computing the retirement pay, "one-half month's salary" shall include all of the following: fifteen days' salary based on the latest salary rate; in addition, one-twelfth of the thirteenth month pay and the cash equivalent of five days of service incentive leave pay. Other benefits may be included in the computation of the retirement pay upon agreement of the employer and the employee or if provided in a collective bargaining agreement.

Other Labor-Related Laws and Regulations

Contracting and Subcontracting

The Labor Code recognizes subcontracting arrangements, whereby a principal puts out or farms out with a contractor the performance or completion of a specific job, work or service within a definite or predetermined period, regardless of whether such job, work or service is to be performed or completed within or outside the premises of the principal. Such arrangements involve a "trilateral relationship" among: (i) the principal who decides to farm out a job, work or service to a contractor; (ii) the contractor who has the capacity to independently undertake the performance of the job, work, or service; and (iii) the contractual workers engaged by the contractor to accomplish the job, work, or service.

On March 16, 2017, the Department of Labor and Employment ("DOLE") issued DOLE Department Order No. 174-17 or Rules Implementing Articles 106 to 109 of the Labor Code, As Amended ("D.O. No 174-17"), under the principle that non-permissible forms of contracting and subcontracting arrangements undermine the constitutional and statutory right to security of tenure of workers. D.O. No 174-17 empowered the Secretary of Labor and Employment to regulate contracting and subcontracting arrangement by absolutely prohibiting labor-only contracting, and restricting job contracting allowed under the provisions of the Labor Code. Labor-only contracting refers to arrangement where the contractor or subcontractor merely recruits, supplies or places workers to perform a job or work for a principal, and the contractor or subcontractor does not have substantial capital, or the contractor or subcontractor does not exercise the right to control over the performance of the work of the employee. D.O. No. 174-17 expressly requires the registration of contractors with the Regional Office of the DOLE where it principally operates, without which, a presumption that the contractor is engaged in labor-only contracting arises.

The Department Order provides that in the event that there is a finding that the contractor or subcontractor is engaged in labor-only contracting and other illicit forms of employment arrangements, the principal shall be deemed the direct employer of the contractor's or subcontractor's employees. Further, in the event of violation of any provision of the Labor Code, including the failure to pay wages, there exists a solidary liability on the part of the principal and the contractor for purposes of enforcing the provisions of the Labor Code and other social legislations, to the extent of the work performed under the employment contract.

DOLE Mandated Work-Related Programs

Under the Comprehensive Dangerous Drugs Act, a national drug abuse prevention program implemented by the Department of Labor and Employment ("DOLE") must be adopted by private companies with 10 or more employees. For this purpose, employers must adopt and establish company policies and programs against drug use in the workplace in close consultation and coordination with the DOLE, labor and employer organizations, human resource development managers and other such private sector organizations. DOLE Department Order No. 053-03 sets out the guidelines for the implementation of Drug-Free Workplace policies and programs for the private sector.

The employer or the head of the work-related, educational or training environment or institution, also has the duty to prevent or deter the commission of acts of sexual harassment and to provide the procedures for the resolution, settlement or prosecution of such cases. Under the Anti-Sexual Harassment Act, the employer will be solidarily liable for damages arising from the acts of sexual harassment committed in the workplace if the employer is informed of such acts by the offended party and no immediate action is taken. Notwithstanding, the victim of sexual harassment is not precluded from instituting a separate and independent action for damages and other affirmative relief. Any person who violates the provisions of this law shall, upon conviction, be penalized by imprisonment of not less than one month nor more than six months, or a fine of not less than ₱10,000 nor more than ₱20,000, or both such fine and imprisonment, at the discretion of the court. Any action arising from the violation of the provisions of this law shall prescribe in three years.

Moreover, Department Order No. 102-10 requires all private workplaces to have a policy on HIV and AIDS and to implement a workplace program in accordance with the Philippines AIDS Prevention and Control Act. The workplace policies aim to manage sensitive issues, such as confidentiality of medical information and continuation of employment for HIV-positive staff, and to avoid the discrimination of any employee due to HIV/AIDS. Any HIV/AIDS-related information of workers should be kept strictly confidential and kept only on medical files, whereby access to it are strictly limited to medical personnel.

All private workplaces are also required to establish policies and programs on solo parenting, Hepatitis B, and tuberculosis prevention and control.

Local Government Code

The Local Government Code ("LGC") establishes the system and powers of provincial, city, municipal, and barangay governments in the country. The LGC general welfare clause states that every local government unit ("LGU") shall exercise the powers expressly granted, those necessarily implied, as well as powers necessary, appropriate, or incidental for its efficient and effective governance, and those which are essential to the promotion of the general welfare.

LGUs exercise police power through their respective legislative bodies. Specifically, the LGU, though its legislative body, has the authority to enact such ordinances as it may deem necessary and proper for sanitation and safety, the furtherance of the prosperity, and the promotion of the morality, peace, good order, comfort, convenience, and general welfare of the locality and its inhabitants. Ordinances can reclassify land, order the closure of business establishments, and require permits and licenses from businesses operating within the territorial jurisdiction of the LGU.

An ordinance may be repealed by a subsequent ordinance expressly repealing or declaring it as invalid. An ordinance may also be repealed by implication by a subsequent ordinance that is inconsistent or contrary, in whole or in part, to the previous ordinance. Under the LGC, the *Sangguniang Panlalawigan* (provincial council) has the power to review ordinances passed by a city or municipality council and can declare ordinances invalid, in whole or in part, if it finds that the lower council exceeded its authority in enacting the ordinance.

Intellectual Property Code

Under the Intellectual Property Code of the Philippines, the rights to a trademark are acquired through the registration with the Bureau of Trademarks of the Intellectual Property Office, which is the principal government agency involved in the registration of brand names, trademarks, patents and other registrable intellectual property materials.

Upon registration, the Intellectual Property Office shall issue a certificate of registration to the owner of the mark, which shall confer the right to prevent all third parties not having the owner's consent from using in the course of trade identical or similar signs or containers for goods or services which are identical or similar to those in respect of which the mark is registered. The said certificate of registration shall also serve as prima facie evidence of the validity of registration and the registrant's ownership of the mark. A certificate of registration shall remain in force for an initial period of ten (10) years, and may be renewed for periods of ten (10) years at its expiration.

The IP Code applies to franchise agreements and software license agreements which generally fall within the definition of technology transfer arrangements ("TTAs"). The IP Code defines TTAs as "contracts or agreements involving the transfer of systematic knowledge for the manufacture of a product, the application of a process, or rendering of a service including management contracts; and the transfer, assignment or licensing of all forms of intellectual property rights, including licensing of computer software except computer software developed for mass market." TTAs must comply with Sections 87 and 88 of the IP Code, *i.e.*, TTAs cannot contain the provisions which are prohibited under Section 87 but must contain the mandatory provisions under Section 88. Failure to comply with these provisions of the IP Code will automatically render the entire arrangement unenforceable.

We retain legal counsel to ensure our continued compliance with applicable laws and regulations affecting our operations. We have secured, applied for, or are in the process of applying or renewing all material permits and licenses required to conduct our business. We expect to obtain these permits and licenses in the ordinary course.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Pursuant to our Company's amended articles of incorporation, Balai Ni Fruitas Inc. board of directors consists of 7 members, of whom 3 are independent directors. The table below sets forth each member of our board of directors as of the date of this Prospectus.

Name	Age	Nationality	Position
Rogelio M. Guadalquiver	79	Filipino	Chairman
Lester C. Yu	47	Filipino	President, Chief Executive Officer
Madelene T. Sayson	33	Filipino	Director
Calvin F. Chua	42	Filipino	Director, Chief Financial Advisor
Lee Ceasar S. Junia	56	Filipino	Independent Director
David Jonathan Y. Bayot	51	Filipino	Independent Director
Bernardino M. Ramos	77	Filipino	Independent Director

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

Rogelio M. Guadalquiver, 79, was appointed as the Chairman of FHI in August 24, 2019 and was also appointed as the Chairman of BALAI in December 21, 2021. He is also currently a Director of Philippine Deposit Insurance Corporation. Rogelio was the Chairman and Chief Executive Officer of CG & Co. from 2000 to 2018. Prior to joining CG & Co., he was a senior partner of SGV & Co., a member practice firm of Ernst & Young where he was heavily involved in both domestic and global audit practices. He also specialized in initial public offerings, industry research studies, corporate restructuring, business process re-engineering, business risk management, and financial and tax management consulting. Mr. Guadalquiver is a Certified Public Accountant and holds a Master's in Management degree from the Asian Institute of Management and a Bachelor of Science in Commerce degree from University of San Jose-Recoletos.

Lester C. Yu, 47, was appointed as the President on April 26, 2021 and Chief Executive Officer on December 21, 2021. Currently, he holds the position of President and CEO of Fruitas Holdings Inc. since August 2019. He also served as the Chairman of FHI, the parent company of BALAI from February 2015 to August 2019. Mr. Lester Yu started his career with their family business, Janette Jewelry in 1989. Before founding the Company, he entered the banking industry and served as the youngest Branch Manager for Westmont Bank. Under his leadership, FHI has successfully introduced several well-known brands and has made strategic acquisitions such as Negril Trading, which houses the De Original Jamaican Pattie Shop and Juice Bar brand and Sabroso Lechon. Mr. Yu is also the Chairman and President of Ralproperties, Inc., One Fifty Food Place, Inc., Lush Properties Inc., Negril Trading, Inc., Themangofarm Corp., Fruitasgroup Incorporated, Lush Enterprises Corp., Bamazeh Incorporated, Lush Coolers, Inc., La Petite Parisienne, Inc., Dough Matters, Inc., Lush Harvest Manufacturing Inc., Toyoda Technik Corporation, and Cocodelivery Incorporated. He holds a Master's of Business Administration degree from the University of the Philippines and a degree in Industrial Management Engineering from De La Salle University.

Madelene T. Sayson**,** ***33***, was elected as our Director on April 26, 2021, she is also the Chief Operating Officer of FHI since January 2018 and has been with the Group since 2009. She also served as a Director of FHI from February 2015 to August 2019 and was reelected since December 2020. Ms. Sayson is also the Chairman and President of Gyuma Fragrance Inc. She is the Corporate Secretary and Director of One Fifty Food Place, Inc., Lush Properties Inc., Negril Trading, Inc., Bamazeh Incorporated, Dough Matters, Inc., Sure Jobs Academy, Inc., and Toyoda Technik Corporation Ms. Sayson is also the Vice President and Director of Themangofarm Corp. and La Petite Parisienne, Inc. She is the Treasurer and Director of Lush Coolers, Inc. She is also the Treasurer of BALAI since April 2021. She holds a Bachelor of Science degree in Accountancy from Garcia College of Technology.

Calvin F. Chua, 42, was elected as our Director and Chief Financial Adviser on December 21, 2021, he is also currently the Director and Chief Financial Adviser of FHI since Aug. 2019. He has served as a consultant of the Group since May 2017. He is also currently an Executive Director and Treasurer of AlphaPrimus Advisors Inc. He was part of the Corporate Finance team of ING Bank N.V., Manila Branch, most recently as a consultant up to June 2019 and Director up to July 2015. During his stint at ING Bank, he advised on mergers and acquisitions and capital-raising activities of various Philippine clients across several sectors. He holds a Bachelor of Science degree in Management Engineering and a Bachelor of Arts degree in Economics (Honors Program) from Ateneo de Manila University.

***Lee Ceasar S. Junia*, 56,** was elected as our Independent Director on December 21, 2021. Mr. Junia is currently the Executive Vice President and General Manager for Toyota Makati, Inc. since 2014 prior to working with Toyota Makati, he worked with Nissan Philippines, Inc. as the General Manager – Sales in 2014. From 2012 to 2014, Mr. Junia worked with Nissan Motor Philippines as the Vice President - Marketing Division. While he was in Knight Transportation Corp. as a Fleet Manager from 2001 to 2011, and Toyota Motor Philippines, Inc. as Assistant Vice President – After Sales Parts from 1991 to 2001. Mr. Junia holds a Bachelor of Science in Management from Ateneo de Manila University.

***David Jonathan Y. Bayot*, 51,** was elected as our Independent Director on December 21, 2021. Dr. David Bayot is a critic and academic publisher, he teaches literature and literary criticism at De La Salle University - Manila, Philippines, where he is the Executive Publisher of its university press, the De La Salle University Publishing House (DLSUPH) since 2005 until present. In 2020, he was the general editor of the Critics in Conversation series published by DLSUPH and the general editor of the Critical Voices series published by Sussex Academic Press (SAP). He was also a General Editor in the DLSU Leadership Chronicle Series in DLSUHPH in 2019. In the same year, he held the position of Professional Chair Holder in Chinese Literature and Liberal Arts in De La Salle University. In 2018, he was the Go Kim Pah Professional Chair Holder in Chinese Literature and Liberal Arts in De La Salle University. Dr. David Bayot holds a PhD in Literature from De La Salle University – Manila.

***Bernardino M. Ramos*, 77,** was elected as our Independent Director on December 21, 2021. He is currently the Chairman of GB Distributors, Inc. He is also a member of the board for Cirtek Holdings Philippines Corporation, State Investment House, Inc., State Properties, Inc., PILAC, Inc., Bunsuran Pawnshop Inc., Prince Plaza Condominium Corporation, Alabang Country Club, Inc. He was a partner of SGV & Co., a member practice firm of Ernst & Young where he was heavily involved in audit and business advisory services with 39 years of service with the firm, including almost 7 as Partner/Advisor of Drs Utomo & Co., SGV Group affiliated firm in Indonesia. He also specialized in power (IPPs) and infrastructure, real estate, and hospitality, financial services, mining, educational institutions and pharmaceutical industries. Mr. Ramos is a Certified Public Accountant and holds a Master's in Management Development Program from the Asian Institute of Management and a Bachelor of Science in Business Administration from Far Eastern University, Manila.

The table below sets forth our key executive and corporate officers as of the date of this Prospectus.

Name	Age	Nationality	Position
Roselyn A. Legaspi	44	Filipino	Managing Director
Ma. Teresa Trujillo	59	Filipino	Chief Financial Officer and Treasurer
Juneil Dominic P. Torio	30	Filipino	Investor Relations Officer
Lerma C. Fajardo	35	Filipino	Comptroller
Ralph Hector P. Adricula	27	Filipino	Compliance Officer
Marvin C. Yu	43	Filipino	Corporate Secretary
William V. Capuno	35	Filipino	Head of Operations

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

Roselyn A. Legaspi, 44, was appointed as our Managing Director on December 21, 2021 and is also the Managing Director – Visayas & Mindanao for FHI appointed last Aug. 2019. She is responsible for the overall operations of the Company for the said regions. She has been with the Group since 2002 and has served as a Director of FHI from Feb. 2015 to Aug. 2019. Ms. Legaspi is also the Vice President and Director of Negril Trading, Inc., Bamazeh Inc., Lush Properties Incorporated, Ralproperties Inc., and Sure Jobs Academy Inc. She is also a Director for Gyuma Fragrance Inc., Lush Harvest Manufacturing Inc., Themangofarm Corp., La Petite Parisienne, Inc., and Lush Enterprises Corp. Also, Ms. Legaspi is the Treasurer of Fruitasgroup Incorporated. She was a Director of BALAI since incorporation until December 2021. She obtained her Bachelor of Science degree in Accountancy in 1999 and also passed her Civil Service Exams in 1997. She is currently taking up her Master's in Business Administration degree at the University of San Carlos, Cebu City.

Ma. Teresa Trujillo, 59, was appointed as our Chief Financial Officer and Treasurer on December 21, 2021. She has been the Human Resources Department Head of FGI since Feb. 2018. She is responsible for overseeing activities within human resources management such as recruitment, compensation and benefits, and organizational development. She was the Officer-in-Charge of the Business Permits Department when she joined the Group. She completed 18 units for Ateneo Graduate School of Business' Master's degree in Business Administration for Middle Managers and holds a bachelor's degree in Commerce major in Accounting from Universidad De Sta. Isabel.

Juneil P. Torio, 30, was appointed as our Investor Relations Officer on December 21, 2021, and has been the Investor Relations Officer of FHI since July 2019. He is also currently the Chief Financial Officer and Treasurer of FHI since August 2020. He is responsible for all interactions with investors and financial institutions through creating programs which strengthens relationship of FHI to the various investment groups and individuals. Prior to joining FHI, he was a Manager in EXL Services Philippines where he started as a Management Trainee post his graduate studies. In 2013, he started his career as Management Trainee/Special Projects Officer in the Commercial Centers Division of Robinsons Land Corporation. He holds a Master's degree in Business Administration from the Asian Institute of Management and a Bachelor of Arts degree in Management Economics from the Ateneo de Manila University.

Lerma C. Fajardo**,** ***35***, was appointed as the Comptroller of BALAI on December 21, 2021 and has been FHI's Deputy Chief Financial Officer and Comptroller since 2018. She has over 10 years of experience in accounting and finance, previously working as an Assistant Manager for Extramind Global Outsourcing Group, Inc. She holds a Bachelor of Science degree in Accountancy from Polytechnic University of the Philippines and is a Certified Public Accountant.

Ralph Hector P. Adricula, 27, has been the Compliance Officer of BALAI since December 21, 2021. He has been with the Group for 6 years, where he started as an Accounting Staff in November 2015, and last held the position of an Assistant Accounting Manager. He holds a Bachelor of Science degree in Applied Mathematics from University of the Philippines Visayas.

Marvin C. Yu, 43, was appointed as the Corporate Secretary of BALAI on December 21, 2021, and has been FHI's Corporate Secretary since Aug. 24, 2019. He has more than 15 years of experience in the technical and engineering field. He was a Consultant in the SMC Telco Project, Master Planning Network Coverage Senior Manager for the Sun Cellular 2G and 3G Project, and RF Network Planning, Design and Optimization Engineer for Smart Communications Inc. Mr. Marvin Yu holds a Bachelor of Science degree in Electronics and Communications Engineering from De La Salle University and an Electronics and Communications Engineering Board Passer.

William V. Capuno, 35, has been the Head of Operations of BALAI since December 21, 2021. Prior to joining the Group, he was the Operations Head of Zagu Foods Corporation where he started his career. After working for 8 years in the company, he shifted his career to sales. He worked as a Sales Operations Manager in Marina Sales Incorporated, one of the well-known distributors of Del Monte, CDO and Sunquick products. Mr. William holds a Bachelor of Science degree in Computer Science in Polytechnic University of the Philippines - Sto. Tomas Batangas.

Corporate Governance

Our Company has a Manual on Corporate Governance ("Manual") which was approved and adopted by our Board on December 22, 2021. The Manual has been submitted to the SEC in compliance with SEC Memorandum Circular No. 19 Series of 2016, or the Code of Corporate Governance for Publicly-Listed Companies. The rules embodied in our Manual shall be used as reference by the members of our Board and Management. The following are the guidelines for the effective implementation of our Manual:

COMMUNICATION PROCESS

Our Manual shall be posted on our Company's website and shall also be available for inspection by any of our stockholders at reasonable hours on business days. All directors, executives, division and department heads are tasked to ensure the thorough dissemination of our Manual to all employees and related third parties, and to likewise enjoin compliance with its provisions. Our Company shall include media and analysts' briefings as channels of communication to ensure the timely and accurate dissemination of public, material and relevant information to our shareholders and other investors.

TRAINING PROCESS

A director of our Company shall, before assuming as such, be required to attend a seminar on corporate governance which shall be conducted by a duly recognized private or government institute. Attendance to an annual corporate governance training shall also be required for our Corporate Secretary and Compliance Officer

MONITORING AND ASSESSMENT

Our Compliance Officer shall establish an evaluation system to determine and measure compliance with our Manual.

The establishment of such evaluation system, including the features thereof, may be disclosed in our Company's annual report or in such form of report that is applicable to our Company.

To monitor our compliance with the Manual, we are required to accomplish annually a scorecard on the scope, nature and extent of the actions taken by our Board and Senior Management to meet the objectives of our Manual.

Our Company's policy on corporate governance is based on the Manual. The Manual lays down the principles of good corporate governance in the entire organization. The Manual provides that it is the Board's responsibility to initiate compliance with the principles of good corporate governance, to foster the long-term success of the Company and to 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.

Corporate governance rules/principles were established to ensure that the interest of stakeholders are always taken into account; that our directors, officers, and employees are conducting business in a safe and sound manner; and that transactions entered into between our Company and our related interests are conducted at arm's length basis and in the regular course of business.

Our Company is committed to doing business in accordance with the highest professional standards, business conduct and ethics and all applicable laws, rules, and regulations. BALAI, together with its Board of Directors, continues to develop its Manual on Corporate Governance thru annual trainings and consultations from leading practicioners on Corporate Governance. Our Company, our directors, officers, and employees are dedicated to promote and adhere to the principles of good corporate governance by observing and maintaining our core business principles of accountability, integrity, fairness, and transparency. The Board shall develop a rating system to measure the performance of the Board and Management in accordance with the criteria provided in the Manual and other rules and regulations on good corporate governance.

As of the date of this Prospectus, the Company has not committed any acts that deviate from the corporate governance rules set forth under the Manual.

Independent Directors

Based on the Manual, our Company to have at least three independent directors in its Board of Directors, or such number as to constitute at least one-third of the members of the Board, whichever is higher. Our Company's Board of Directors is composed of seven members, four of whom are regular directors and three are independent directors. Our Company's independent directors are Lee Ceasar S. Junia, David Jonathan Y. Bayot, and Bernardino M. Ramos. Independent directors must hold no interests or relationships with our Company that may hinder their independence from the Company or its management, or which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

Our Company's Manual provides that the independent directors shall endeavor to always attend board meetings, provided, however, that their absence shall not affect the quorum requirement. Our Company's Board may, to promote transparency, require the presence of at least one independent director in all its meetings.

Compliance Officer

The Compliance Officer designated by the Chairman of the Company's Board shall hold the rank of at least Vice President or its equivalent and shall not be a member of the Company's Board of Directors. He shall have direct reporting responsibilities to the Chairman of the Board. He shall have the following duties and responsibilities:

1. Ensure proper onboarding of new directors (i.e. orientation on our Company's business, charter, articles of incorporation and by-laws, among others);
2. Monitor compliance with the provisions and requirements of this Manual and the rules and regulations of regulatory agencies and, if violations are found, report the matter to the Board and recommend the adoption of measures to prevent a repetition of the violation;
3. Appear before the Commission upon summon on matters related to compliance with the provisions and requirements of this Manual that need to be clarified by the same;
4. Determine violation/s of the Manual and recommend appropriate penalty/ies for violation thereof for further review and approval of the Company's Board;
5. Collaborate with other departments to properly address compliance issues, which may be subject to investigation;
6. Ensure the integrity and accuracy of all documentary submissions to regulators;
7. Ensure the attendance of board members and key officers to relevant trainings;
8. Issue a certification every January 30th of the year on the extent of our Company's compliance with this Manual for the completed year, explaining the reason/s of the latter's deviation from the same; and
9. Identify, monitor and control compliance risks.

Chief Audit Executive

The Chief Audit Executive, who may be appointed when the Company's Board deems it necessary, shall directly report functionally to the Audit Committee and administratively to the Chief Executive Officer. He shall oversee and be responsible for the internal audit activity of our Company, including that portion that is outsourced to a third-party service provider.

Resolving Stockholders' Disputes

Stockholders who have matters for discussion or concerns directly resulting to the business of our Company may initially elevate such matters or concerns to: (a) the Corporate Secretary; (b) the Investor Relations Officer; (c) Management; or (d) the Company's Board.

Committees of the Board of Directors

The Company's Board of Directors has constituted certain committees to effectively manage the operations of our Company. Our Company's principal committees include the Executive Committee, Audit Committee, Nomination and Compensation Committee, and the Corporate Governance Committee. The respective charters of the principal committees of the Company have been adopted and can be accessed through the website of the Company (*See* https://www.balainifruitas.com/board-committees/). For ease of reference, a brief description of the functions and responsibilities of the key committees are set out below:

A. Executive Committee

The Executive Committee shall be composed of at least three board members, to be appointed by the Company's Board. The Executive Committee, when the Board is not in session, shall have and may exercise the powers of the Board in the management of the business and affairs of the Corporation except with respect to: (1) approval of any action for which stockholders approval is also required; (2) filling of vacancies in the Board: (3) the amendment or repeal of these By-Laws or the adoption of new By-Laws; (4) the amendment or repeal of any resolution of the Board which by its express terms is not so amenable or repealable; (5) a distribution of dividends to the stockholders; and (6) such other matters as may be specifically excluded or limited by the Board.

The charter of the Executive Committee may be accessed at: https://www.balainifruitas.com/wp/wp-content/uploads/2022/06/Executive-Committee-Charter_v2.pdf

B. Audit Committee

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

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

The assessment of the performance of the Audit Committee shall be conducted by the Company within one (1) year from Listing Date, in accordance with applicable rules and regulations.

The charter of the Audit Committee may be accessed at: https://www.balainifruitas.com/wp/wp-content/uploads/2022/06/Audit-committee-charter_V2.pdf

C. Nomination and Compensation Committee

The Nomination and Compensation Committee of the Company's Board shall have at least three members, one of whom shall be an independent director and one non-voting member in the person of the Vice President for Corporate Human Resources of our Company. The Nomination and Compensation Committee shall review and evaluate the qualifications of all individuals nominated to the Company's Board and other appointments that require Board approval, and to assess the effectiveness of the Company's Board's processes and procedures in the election or replacement of directors. The Committee shall also establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages or corporate officers and directors, and provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with our Company's culture, strategy and control environment.

The charter of the Nomination and Compensation Committee may be accessed at: https://www.balainifruitas.com/wp/wp-content/uploads/2022/06/Nomination-and-Compensation-Committee-Charter_v2.pdf

D. Corporate Governance Committee

The Corporate Governance Committee shall consist of at least three (3) voting members who are members of the Company's Board of Directors (all of which shall be Independent Directors). Among other functions that may be delegated by the Company's Board, the Committee shall be responsible for overseeing the implementation of the corporate governance framework and periodically reviews the said framework; overseeing the periodic performance evaluation of the Company's Board and its committees as well as executive management, and conducts an annual self-evaluation of its performance; and recommending continuing education/training programs for directors, assignment of tasks/projects to board committees, succession plan for the Company's Board members and senior officers, and remuneration packages for corporate and individual performance.

The charter of the Corporate Governance Committee may be accessed at: https://www.balainifruitas.com/wp/wp-content/uploads/2022/06/Corporate_Governance_Committee_Charter_v2.pdf

Composition of Committees of the Company's Board of Directors

a) Executive Committee	Lester C. Yu - *Chairman* Madelene T. Sayson - *Member* Rogelio M. Guadalquiver - *Member*
b) Nominations and Compensation Committee	David Jonathan Y. Bayot - *Chairman* Lester C. Yu - *Member* Madelene T. Sayson – *Member*
c) Audit Committee	Bernardino M. Ramos - *Chairman* Lee Ceasar S. Junia – *Member* Madelene T. Sayson - *Member* Rogelio M. Guadalquiver – *Member*
d) Corporate Governance Committee	Lee Ceasar S. Junia - *Chairman* David Jonathan Y. Bayot - *Member* Bernardino M. Ramos - *Member*

Executive Compensation Table

Compensation

The following table sets forth our most highly compensated executive officers, including Balai Ni Fruitas Inc. Chief Executive Officer, for the year ending December 31, 2021:

Name	Position
Lester C. Yu	President and CEO
Roselyn A. Legaspi	Managing Director
William V. Capuno	Head of Operations
Katrina Catabay	Area Manager
Richard Picart	Area Manager

The following table identifies and summarizes the aggregate compensation of our President and CEO and the four most highly compensated executive officers of the Companyfor the years ended December 31, 2019, 2020 and 2021:

Aggregate Compensation – Executive Officers (Key Management Personnel)

Year	Salary	Bonuses	Other Annual Compensation	Total (₱ million)
2019	2.1	0.2	N/A	2.3
2020	1.4	0.1	N/A	1.5

2021	2.1	0.2	N/A	2.3

The following table identifies and summarizes the aggregate compensation paid to all other officers and Directors of theCompany, for the years ended December 31, 2019, 2020 and 2021:

Aggregate Compensation – other Directors and Executive Officers (Excluding above)

Year	Salary	Bonuses	Other Annual Compensation	Total (₱ million)
2019*	N/A	N/A	N/A	N/A
2020*	N/A	N/A	N/A	N/A
2021	0.2	0.01	N/A	0.2

*****Note: salaries and bonuses are unavaible as other executive officers were employed under the parent company during the reporting years.*

Standard Arrangements

Other than payment of reasonable per diem as may be determined by the Board for every meeting, there are no standard arrangements pursuant to which directors of the Company are compensated, or were compensated, directly or indirectly, for any services provided as a director and for their committee participation or special assignments for 2021 up to the present.

Other Arrangements

There are no other arrangements pursuant to which any director of the Company was compensated, or to be compensated, directly or indirectly for 2021 up to the present for any service provided as a director.

Warrants and Options

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

Involvement in Certain Legal Proceedings of Directors and Executive Officers

The Company believes that none of the Company's directors, nominees for election as director, or executive officers have in the five-year period prior to the date of this Prospectus: (1) had any petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within a two-year period of that time, (2) have been convicted by final judgment in a criminal proceeding, domestic or foreign, or have been subjected to a pending judicial proceeding of a criminal nature, domestic or foreign, excluding traffic violations and other minor offenses, (3) have been the subject of 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 their involvement in any type of business, securities, commodities or banking activities, or (4) have been found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC 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, such judgment having not been reversed, suspended, or vacated.

Significant Employees

We consider the collective efforts of our employees as vital to our success. We do not solely rely on key individuals for the conduct of our business. Therefore, the resignation or loss of any non-executive employee will not have any significant, adverse effect on our business. No special arrangement with non-executive employees to assure their continued stay with us exists, other than standard employment contracts.

While the Company values the contribution of each of its employees, the Company does not believe that its business is dependent on the services of any particular employee.

Family Relationships

Mr. Lester C. Yu and Mr. Marvin C. Yu are brothers. Aside from the foregoing, there are no family relationships between any Directors and any members of the Company's senior management as of the date of this Prospectus.

PRINCIPAL SHAREHOLDERS AND SELLING SHAREHOLDER

Principal Shareholders

The following table sets out our Company's principal shareholders and each of our directors and officers, their respective number of Shares and their corresponding percentage ownership as of the date of this Prospectus:

Name of Shareholder	No. of Shares Held (Pre-stock split)	No. of Shares Held (Post stock split)	% of Shareholding
Fruitas Holdings, Inc.	584,994	1,169,988,000	100.0%
Lester C. Yu	2	4,000	0.0%
Sherlyn G. Danguilan	1	2,000	0.0%
Roselyn A. Legaspi	1	2,000	0.0%
Marvin C. Yu	1	2,000	0.0%
Madelene T. Sayson	1	2,000	0.0%
Calvin F. Chua		1,000	0.0%
Roger M. Guadalquiver		1,000	0.0%
Lee Ceasar S. Junia		1,000	0.0%
David Jonathan Y. Bayot		1,000	0.0%
Bernardino M. Ramos		1,000	0.0%
Total	585,000	1,170,005,000	100%

Voting Trust Holders of 5.0% or More

There are no persons holding more than 5.0% of a class of Shares of the Company under a voting trust or similar agreement as of the date of this Prospectus.

Selling Shareholder

The following table below sets forth, for the Selling Shareholder, the number of Shares and percentage of outstanding Shares held before the Offer, the maximum number of Shares to be sold in the Offer and the number of Share and percentage of outstanding Shares owned immediately after the Offer, assuming the full exercise of the Over-Allotment Option.

Selling Shareholder	Number of Shares held	% of Shares held before the Offer	Maximum Number of Shares to be sold in the Offer	% of Shares after Offer without the Over-allotment	Maximum Number of Shares to be sold in the Over-Allotment Option	% of Shares after the Offer and with Full Exercise of the Over-allotment Option
Fruitas Holdings, Inc.	1,169,988,000	100%	50,000,000	74.92%	37,500,000	72.41%

The authorized representative of the Selling Shareholder is Mr. Lester C. Yu.

Changes in Control

In June 2016, Fruitas Holdings, Inc. subscribed to 130,000 Shares (pre-stock split) of BALAI resulting in FHI gaining majority control of the Company.

See "*Business— Overview and Corporate History*."

SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS AND MANAGEMENT

The following table sets out our Company's shareholders of more than 5% of our voting securities and their respective shareholdings and corresponding percentage ownership as of the date of this Prospectus.

Title of Class	Name and Address of Record Owners and Relationship with FHI	Name of Beneficial Owner and Relationship with Record Owner	Citizen	No. of Shares Held	% of Total Outstanding Shares
Common	Fruitas Holdings, Inc. 60 Cordillera St., Doña Josefa Quezon City Principal Shareholder	Lush Properties Inc. (Owner of 57.6% of Fruitas Holdings, Inc.)	Filipino	1,169,988,000	100.00%

Lock-up

The PSE rules require that the Company shall cause its existing non-public stockholders and their related parties to refrain from selling, assigning, encumbering or in any manner disposing of their shares for a period of one (1) year after the listing of the subject shares. All other stockholders shall not be subject to mandatory lock-up under this provision.

For this purpose, the term "non-public stockholders" shall mean the corporation's:
(i) principal stockholders (i.e., the owner of ten percent (10%) or more of the issued and outstanding shares);
(ii) subsidiaries or affiliates;
(iii) directors;
(iv) principal officers; and
(v) any other person who has substantial influence on how the corporation is being managed.

The term "related parties" shall mean the non-public stockholder's:
(i) principal stockholders (i.e., the owner of ten percent (10%) or more of the issued and outstanding shares);
(ii) subsidiaries or affiliates;
(iii) directors;
(iv) principal officers; and
(v) members of the immediate families sharing the same household of any of its principal stockholders, directors, or principal officers.

If there is any issuance or transfer of shares (i.e., private placement, asset for shares swap or a similar transaction) or of instruments which leads to an issuance of shares (i.e., convertible bonds, warrants or a similar instrument) done and fully paid for within six (6) months prior to the start of the Offering Period, or, prior to the listing date in case of Applicant Companies listing by way of introduction, and the transaction price is lower than that of the offer price in the Initial Public Offering, or than that of the listing price in the case of Applicant Companies listing by way of introduction, all shares subscribed or acquired shall be subject to a lock-up period of at least one (1) year from listing of the aforesaid shares.

Thus, the following shall be subject to such 1-year lock-up period:

Shareholder	Before the Offer		No. of Shares after the Firm Offer	% of Total Outstan-ding Shares after the Firm Offer	No. of Shares after the Firm Offer and Assuming Full Exercise of the Over-Allotment Option	% of Total Outstanding Shares after the Firm Offer and Assuming Full Exercise of the Over-Allotment Option
	No. of Shares Held	% of Total Outstan-ding Shares				
Fruitas Holdings, Inc.	1,169,988,000	100.00%	1,119,988,000	74.92%	1,082,488,000	72.41%
Lester C. Yu	4,000	0.00%	4,000	0.00%	4,000	0.00%
Roselyn A. Legaspi	2,000	0.00%	2,000	0.00%	2,000	0.00%
Marvin C. Yu	2,000	0.00%	2,000	0.00%	2,000	0.00%
Madelene T. Sayson	2,000	0.00%	2,000	0.00%	2,000	0.00%
Calvin F. Chua	1,000	0.00%	1,000	0.00%	1,000	0.00%
Rogelio M. Guadalquiver	1,000	0.00%	1,000	0.00%	1,000	0.00%
Lee Ceasar S. Junia	1,000	0.00%	1,000	0.00%	1,000	0.00%
David Jonathan Y. Bayot	1,000	0.00%	1,000	0.00%	1,000	0.00%
Bernardino M. Ramos	1,000	0.00%	1,000	0.00%	1,000	0.00%

To implement the foregoing lock-up requirements, the PSE requires the applicant company to lodge the shares with the PDTC through a Philippine Central Depository participant for the electronic lock-up of the shares or enter into an escrow agreement with the trust department or custodian unit of an independent and reputable financial institution.

Security Ownership of Directors and Officers

The following comprise our Company's board of directors and officers owning Shares as of the date of this Prospectus.

Title of Class	Name of Record Owner	Number of Shares (in '000)	Amount (in ₱ '000)	Nature of Beneficial Ownership	Citizenship	% of Total Outstanding Shares
Common	Fruitas Holdings, Inc.	1,169,988,000	58,499.40	Direct	Filipino	100.00%
Common	Lester C. Yu*	4,000	0.20	Direct	Filipino	0.00%
Common	Roselyn A. Legaspi	2,000	0.10	Direct	Filipino	0.00%
Common	Marvin C. Yu	2,000	0.10	Direct	Filipino	0.00%
Common	Madelene T. Sayson	2,000	0.10	Direct	Filipino	0.00%
Common	Calvin F. Chua	1,000	0.05	Direct	Filipino	0.00%
Common	Roger M. Guadalquiver	1,000	0.05	Direct	Filipino	0.00%
Common	Lee Ceasar S. Junia	1,000	0.05	Direct	Filipino	0.00%
Common	David Jonathan Y. Bayot	1,000	0.05	Direct	Filipino	0.00%
Common	Bernardino M. Ramos	1,000	0.05	Direct	Filipino	0.00%

* Lester C. Yu beneficially owns 63.44% of Fruitas Holdings, Inc., which in turn owns 100.00% of the Company's Shares prior to the Offer.

Dilution of Principal Shareholders

The table below shows the dilution of our principal shareholders as a result of the Offer.

Name of Shareholder	Number of Common Shares Held before the Offer	Percentage Total of Shareholding before the Offer	Number of Common Shares after the Firm Offer	Percentage Total of Shareholding after the Firm Offer
Fruitas Holdings, Inc.*	1,169,988,000	100.00%	1,119,988,000	74.92%
Lester C. Yu	4,000	0.00%	4,000	0.00%
Sherlyn G. Danguilan	2,000	0.00%	2,000	0.00%
Roselyn A. Legaspi	2,000	0.00%	2,000	0.00%
Marvin C. Yu	2,000	0.00%	2,000	0.00%
Madelene T. Sayson	2,000	0.00%	2,000	0.00%
Calvin F. Chua	1,000	0.00%	1,000	0.00%
Rogelio M. Guadalquiver	1,000	0.00%	1,000	0.00%
Lee Ceasar S. Junia	1,000	0.00%	1,000	0.00%
David Jonathan Y. Bayot	1,000	0.00%	1,000	0.00%
Bernardino M. Ramos	1,000	0.00%	1,000	0.00%

* Ownership of Fruitas Holdings, Inc. will drop to 1,082,488,000 shares and 72.41% of the total shareholding after the Firm Offer if the Over-Allotment Option is fully exercised.

See "*Business— Overview and Corporate History*."

There are no existing arrangements which may result in a change in control of the registrant.

RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Company has transactions with related parties. Under the Company's policies, these transactions are made substantially on the same terms as transactions with other individuals and businesses of comparable risk.

For further information on the Company's related party transactions, including detailed breakdowns of amounts receivable from related parties and the income and expenses relating to related party transactions, see Note 20 to the Company's audited financial statements for the years ended December 31, 2021, 2020 and 2019.

Certain Relationships and Related Party Transactions

Due from Related Parties

The Company has due from related parties amounting to ₱7.6 million as of December 31, 2021. On October 3, 2021, due from related parties amounting to ₱60.0 million was reclassified to unsecured notes receivable. The notes receivable has a term of one year and bears 5% fixed interest and is payable in lump sum at maturity date while interest is payable monthly.

Administrative Consulting Agreement

FHI, the parent Company, has an Administrative Consulting Agreement with BALAI for the parent company to provide administrative services for a fixed monthly fee. FHI and its management shall provide strategic direction and assistance in managing BALAI's overall corporate and store level operations. Management fees amounted to P6 million or P0.5 million per month in 2021 and P3 million or P0.25 million in 2020. The term of the agreement is valid for twelve (12) months. The current administrative consulting agreement was entered on January 1, 2022, and will be in effect until December 31, 2022. The administrative consulting agreement is renewed on an annual basis.

Transfer of Assets and Assignment of Lease

In May 2021, the Board of Directors of the Company approved certain reorganization activities wherein certain assets and rights to the lease of various outlets previously owned and operated by the Company were transferred to FGI. The outlets transferred to FGI included outlets for products under the following brands: *Buko ni Fruitas, House of Desserts, Fruitas and Buko Loco (which is an FGI-owned brand).* The primary purpose of the reorganization activities is for the Company and FGI to capitalize on the economies of scale and efficiency of operations and more productive use of the assets. FGI continued to operate the outlets until the end of its respective lease terms. The outlets' leases were renewed based on its sales performance. The obligations for rental deposits on leases were transferred to FGI through an assignment of lease agreement.

Summary of Related Party Transactions

(a) Supplier Agreements

Date	Title of Document	Parties	Particulars	Term / Maturity
January 15, 2021	Supplier Agreement	Company and Fruitasgroup Inc.*	Supply of bottled juices, raw and packaging materials to the Company	January 1, 2021 to December 31, 2023
January 15, 2021	Supplier Agreement	Company and Negril Trading, Inc.*	Supply of soy products, raw and packaging material to the Company	January 1, 2021 to December 31, 2023

*Affiliates of the Company

For the year ended 31 December 2021, 88% of total purchases of the Company are from its related parties.

(b) Administrative Consulting Agreement

Date	Title of Document	Parties	Particulars	Term / Maturity
1 January 2021	Administrative Consulting Agreement	Company and Fruitas Holdings, Inc.**	Appointment of FHI as service provider for administrative services to the Company	1 year

*Parent of the Company

(c) Lease Agreements

<u>Company as Lessee - Short-term Lease</u>

In October 2021, the Company entered into a lease agreement with FHI for its store space in Sta. Mesa, Manila for a period of one year and renewable annually. The lease contract for the store provides for a monthly fixed rental. The lease agreement is generally renewable through a notice of lease renewal and upon mutual agreement with the lessor.

(d) Others

In October 2021, FGI began sourcing baked goods from the Company.

<u>Related Party Transaction Policy</u>

The Company enters into transactions with affiliates and other related parties on an arm's length basis.

Aligned with this thrust, the Company, in dealing with affiliates and other related parties, ensures above-board transactions and fairness and equity among all parties.

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

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

Moving forward, the related party transaction committee, whose functions are presently discharged by the Audit Committee, shall review all related party transactions of the Company. Under its charter, the Audit Committee is tasked, among others, to evaluate on an ongoing basis existing relation between and among businesses and counterparties to ensure that all related parties are continuously identified, related party transactions are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. Audit Committee shall also evaluate all material related party transactions to ensure that these are not undertaken on more favorable economic terms (e.g. price, commission, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with nonrelated parties under similar circumstances and that no corporate or business resources of the Company are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions.

To date, all related party transactions of the Company have been approved unanimously by the members of the board (including independent directors). Moving forward, related party transactions of the Company shall first require evaluation of the Audit Committee. Upon favorable recommendation of the Audit Committee, the approval of the majority members of the board (including independent directors) in a quorate meeting shall be secured. In accordance with SEC Memorandum Circular No. 10, series of 2019, the Company shall adopt and submit its material related transactions policy within six months from listing date.

DESCRIPTION OF THE SHARES

The Firm Offer shall be 375,000,000 Offer Shares, consisting of 325,000,000 Primary Shares and 50,000,000 Secondary Shares, with a par value of ₱0.05 per share. In addition, 37,500,000 existing common Shares will be offered by the Selling Shareholder as part of the Over-Allotment Option. A total of 1,495,005,000 shares of our Company shall be outstanding after the Offer.

Share Capital Information

On November 24, 2021, the Company received the approval for the amendment of its Articles of Incorporation including the increase of its authorized capital stock to ₱75,000,000.00, which previously stood at ₱55,000,000.00 comprising entirely of common shares. On December 21, 2021, the Company received the approval for the amendment of its Articles of Incorporation including the change of its par value from ₱100 per common share to ₱0.05 per common share, such that its authorized capital stock was amended from 750,000 common shares with par value of ₱100 per common share to 1,500,000,000 common shares with a par value of ₱0.05 per common share. Upon listing, the Company will have 1,495,005,000 issued and outstanding common shares.

Objects and Purposes

Primary Purpose

To engage in the business of processing, manufacturing, packaging, servicing, repacking, marketing, buying, selling, trading, or otherwise dealing in, (on wholesale and/or to the extent allowed under Philippine law, on retail basis) wet and dry goods such as fresh fruit drinks, baked goods and other related products, and conduct, maintain, and carry on the general business of bakery, restaurant, cafeteria, kiosk, supermarket, and any articles of food products; and to engage in such other activities as may be reasonably incidental to or necessary in connection with the conduct of the business of the corporation as aforementioned.

Secondary Purposes

- To enter into all kinds of contracts for the exportation, importation, purchase, acquisition, sale at wholesale and other disposition for its own account as principal or in a representative capacity as manufacturer's representative, merchandise broker, indentor, commission merchant, factor or agent, upon consignment, of all kinds of food products, goods, commodities, wares, merchandise or other products, whether natural or artificial

- To engage in the business of acquiring, developing, managing and utilizing any and all tradenames, trademarks, service marks, and other intellectual property rights, necessary to operate the business as well as to grant, issue, allow, and accredit the use, employment, exploitation and availment of such tradenames, trademarks, service marks, and other intellectual property rights, whether exclusive or non-exclusive, for and in consideration of the payment of fees, dividends, royalties, charges, dues, commissions and remunerations, and in connection therewith, to set up, create and establish management services, systems, techniques, technologies and networks for the expansion of the business

- To act as managers or managing agents of persons, firms, associations, corporations, partnerships, and other entities; to provide management investment and technical advice for commercial, industrial and other kinds of enterprises; and to undertake, carry on, assist or participate in the promotion, organizations, management, liquidation, or reorganization of corporations, partnerships and other entities except the management of funds, portfolio and similar assets of the managed entity

- To purchase, acquire, own, lease, let, sell, convey, mortgage, encumber, and otherwise deal with real properties, such as lands, buildings, factories and warehouses and machineries, equipment, and personal properties as may be necessary or incidental to the conduct of the corporate business, and to pay in cash, shares of its capital debentures and other evidences of indebtedness, or other securities, as may be deemed expedient for any business or property acquired by the corporation.

- To borrow or raise money from not more than nineteen (19) lenders including its stockholders necessary to meet the financial requirements of its business by the issuance of bonds, promissory notes and other evidence of indebtedness and to secure the repayment thereof by mortgage, pledge, deed of trust or lien upon the properties of the corporation or to issue pursuant to law shares of its capital stock, debentures, and other evidence of indebtedness in payment for properties acquired by the corporation or for money borrowed in the prosecution of its lawful business.

- To invest and deal with moneys and properties of the corporation in such manner as may from time to time be considered wise or expedient for the advancement of its interest and to sell, dispose of or transfer the business, properties, and goodwill of the corporation or any part thereof for such consideration and under such terms as it shall see fit to accept.

- To aid in any manner any corporation, association or trust estate, domestic or foreign, or any firm or individual, any shares of stock in which or any bonds, debentures, notes, securities, evidences of indebtedness, contracts or obligations of which are held by or for the corporation, directly or indirectly or through other corporations or otherwise.

- To enter into any lawful arrangement for sharing profits, union of interests, unitization of farmout agreement, reciprocal concession, or cooperation, with any corporation, association, partnership, syndicate, entity, person or governmental, municipal, or public authority, domestic or foreign, in the carrying on of any business or transaction deemed necessary, convenient or incidental to carrying out any of the purposes of the corporation.

- To acquire, or obtain from any government or authority, national, provincial, municipal, or otherwise, or any corporation, company or partnership or person, such charter, contracts, franchise, privileges, exemption, licenses, and concessions as may be conducive to any of the objects of the corporation.

- To establish and operate one or more offices or agencies and to carry on any or all of its operations and business without any restrictions as to place or amount including the right to hold, purchase or otherwise deal in and with real and personal property anywhere Within the Philippines.

- To distribute dividends, the surplus profits of the corporation to the stockholders thereof in kind or in cash. namely, properties of the corporation, particularly any shares of stock, debentures or securities of other companies belonging to this corporation.

- To assume, undertake, guarantee, or secure, whether as solidary obligor, surety, guarantor, or security provider, or in any other capacity, and either on its general credit or on the mortgage or security over any of its property, the whole or any part of the liabilities and obligations of any of its direct or indirect parent, stockholders, subsidiaries, or affiliates, or any person, firm, association, or corporation, whether domestic or foreign, in which the corporation has lawful interest and for the benefit of the corporation.

  To conduct and transact any and lawful activities, and to do or cause to be done any one or more of the acts and things herein set forth as its purposes, within or without the Philippines, and in any and all foreign countries, and to do everything necessary, desirable or incidental to the accomplishment of the purposes or the exercise of any one or more of the powers herein enumerated, or. which shall at any time appear conducive to or expedient for the protection or benefit of this corporation.

Share Capital

A Philippine corporation may issue common or preferred shares, or such other classes of shares with such rights, privileges or restrictions as may be provided for in its articles of incorporation and by-laws. A Philippine corporation may also increase or decrease its authorized capital stock, provided that the increase or decrease is approved by a majority of the board of directors and by shareholders representing at least two-thirds of the outstanding capital stock of the corporation voting at a shareholders' meeting duly called for the purpose and is duly approved by the SEC.

All of the Company's shares that are currently issued or authorized to be issued are common shares and have a par value of ₱0.05 per share. If par value shares are issued at a price above par, whether for cash or otherwise, the amount by which the subscription price exceeds the par value is credited to an account designated as paid-in surplus.

The Company may acquire its own shares for a legitimate corporate purpose as long as it has unrestricted retained earnings or surplus profits sufficient to pay for the shares to be acquired, such as in the following instances: (i) elimination of fractional shares arising out of stock dividends, (ii) the purchase of shares of dissenting shareholders exercising their appraisal right and (iii) the collection or compromise of an indebtedness arising out of an unpaid subscription in a delinquency sale or to purchase delinquent shares during such sale. Upon repurchase of its own shares, the shares become treasury shares, which may be resold at a reasonable price fixed by the board of directors.

The Board is authorized to issue shares from the treasury from time to time.

Foreign Ownership Limits

As a general rule, only Filipino citizens and corporations wholly-owned by such citizens are allowed to engage in retail trade business. However, under Retail Trade Liberalization Act of 2000, as amended, foreign-owned partnerships, associations and corporations may, upon registration with the SEC or in case of foreign-owned single proprietorships, with the DTI, engage or invest in the retail trade business, provided that such foreign-owned partnerships, corporations, or single proprietorships comply with, among others, the required paid-up capitalization amounts, investment per store and equity requirements. See "*Regulatory and Environmental Matters—The Retail Trade Liberalization Act*" on page 113.

The Philippine Constitution and other Philippine laws and regulations require that ownership of companies who own land be limited to citizens of the Philippines, or Philippine Nationals who are corporations or associations organized under the laws of the Philippines of which at least 60% of the capital stock outstanding is owned and held by citizens of the Philippines. Thus, since our Company currently owns land, we will have to comply with the said nationality restrictions.

Rights Relating to Shares

Voting Rights

The Company's shares have full voting rights. Each common share entitles the holder to one vote at all shareholders' meeting for each Share standing in his name on the books of the Company at the time or closing thereof for the purpose of the meeting. In determining the shareholders who are entitled to vote at any meeting of the stockholders, the Board may provide that the stock and transfer book be closed for a stated period not exceeding 20 days.

The directors are elected by its shareholders at the annual shareholders' meeting. Cumulative voting is allowed whereby a shareholder may cumulate his votes by giving one candidate as many votes as the number of directors to be elected multiplied by the number of his shares. Under Philippine law, voting rights cannot be exercised with respect to shares declared delinquent, treasury shares, or if the shareholder has elected to exercise his appraisal rights.

Dividend Rights

Dividends are payable to all shareholders on the basis of outstanding shares held by them, each common share being entitled to the same unit of dividend as any other outstanding common shares. Dividends are payable to shareholders whose names are recorded in the stock and transfer book as of the record date fixed by our directors. The PDTC has an established mechanism for distribution of dividends to beneficial owners of the shares which are traded through the PSE and lodged with the PDTC as required for scripless trading.

Under Philippine law, our corporation can only declare dividends to the extent that we have unrestricted retained earnings that represent the amount of accumulated profits and gains realized out of the normal and continuous operations of the Company after deducting therefrom distributions to stockholders and transfers to capital stock or other accounts, and which is: (1) not appropriated by its Board of Directors for corporate expansion projects or programs; (2) not covered by a restriction for dividend declaration under a loan agreement; and (3) not required to be retained under special circumstances obtaining in the corporation such as when there is a need for a special reserve for probable contingencies. Our Company may pay dividends in cash, property or by the issuance of shares. Dividends may be declared by the board of directors except for stock dividends which may only be declared and paid with the approval of shareholders representing at least two-thirds of the issued and outstanding capital stock of our corporation voting at a shareholders' meeting duly called for the purpose.

The Philippine Corporation Code prohibits a Philippine corporation from retaining surplus profits in excess of 100% of its paid-in capital stock. Notwithstanding this general requirement, a Philippine corporation may retain all or any portion of such surplus in the following cases: (i) when justified by definite expansion plans approved by the board of directors of our corporation; (ii) when the required consent of any financing institution or creditor to such distribution has not been secured; (iii) when retention is necessary under special circumstances, such as when there is a need for special reserves for probable contingencies; or (iv) when the non-distribution of dividends is consistent with the policy or requirement of a Government office.

Philippine corporations whose securities are listed on any stock exchange are required to maintain and distribute an equitable balance of cash and stock dividends, consistent with the needs of shareholders and the demands for growth or expansion of the business.

See "*Dividends and Dividend Policy*" on page 44.

Pre-emptive Rights

The Philippine Corporation Code confers pre-emptive rights on shareholders of a Philippine corporation entitling such shareholders to subscribe for all issues or other dispositions of equity-related securities by our corporation in proportion to their respective shareholdings, regardless of whether the equity-related securities proposed to be issued or otherwise disposed of are identical to the shares held. A Philippine corporation may, however, provide for the denial of these pre-emptive rights in its articles of incorporation. Likewise, shareholders who are entitled to such pre-emptive rights may waive the same through a written instrument to that effect. The articles of incorporation of our Company deny shareholders the pre-emptive right to subscribe to all classes of shares that we may issue in the future including any increases in the capital stock of our Company.

Derivative Rights

Philippine law recognizes the right of a shareholder to institute proceedings on behalf of our corporation in a derivative action in circumstances where our corporation itself is unable or unwilling to institute the necessary proceedings to redress wrongs committed against our corporation or to vindicate corporate rights as, for example, where the directors themselves are the malefactors.

Appraisal Rights

Under the Philippine Corporation Code, a shareholder has the right to dissent and demand payment of the fair value of his shares in the following instances: (i) an amendment of the articles of incorporation which has the effect of changing or restricting the rights attached to his shares or of authorizing preferences in any respect superior to those of outstanding shares of any class or of extending or shortening the term of corporate existence; (ii) the sale, lease, exchange, transfer, mortgage, pledge or other disposal of all or substantially all the corporate assets; (iii) in a merger or consolidation; and (iv) and investment by our corporation of funds in any other corporation or business or for any purpose other than the primary purpose for which it was organized. In these circumstances, the dissenting shareholder may require the corporation to purchase his shares at a fair value which, in default, is determined by three disinterested persons, one of whom shall be named by the stockholder, one by the corporation, and the third by the two thus chosen. The appraisal rights may be exercised by the dissenting stockholder by making a written demand within 30 days after the date on which the vote was taken on the corporate action. The failure to make the demand within the period shall be deemed a waiver of the appraisal rights.

The payment to the dissenting stockholder of the fair value of his shares will only be available if our corporation has unrestricted retained earnings to cover such purchase. From the time the shareholder makes a demand for payment until our corporation purchases such shares, all rights accruing on the shares, including voting and dividend rights, shall be suspended, except the right of the shareholder to receive the fair value of the share.

Right of Inspection and Disclosure Requirements

Philippine stock corporations are required to file an annual general information sheet, which sets forth data on their management and capital structure, and copies of their annual financial statements with the SEC. Corporations must also submit their annual financial statements to the BIR. Corporations whose shares are listed on the PSE are also required to file current, quarterly and annual reports with the SEC and the PSE.

Shareholders are entitled to require copies of the most recent financial statements of the corporation, which include a statement of financial position as of the end of the most recent tax year and a statement of income for that year. Shareholders are also entitled to inspect and examine the books and records which the corporation is required by law to maintain.

Provisions that Would Delay, Deter or Prevent a Change in Control

Article Eight of our amended Articles of Incorporation provides that should our Company apply for, and qualify to list our shares in the PSE, we shall comply with the lock-up requirements of the PSE Listing Rules. See "Security Ownership of Certain Record and Beneficial Owners and Management" on page 133 of this Prospectus.

Other than the foregoing, there are no existing provisions in the Company's amended articles of incorporation or the By-Laws which will delay, defer or in any manner prevent a change in control of the Company.

Board of Directors

Unless otherwise provided by law, the corporate powers of our Company are exercised, our business is conducted, and our property is controlled, by our board of directors. Pursuant to our articles of incorporation, as amended, our Company shall have seven directors, three of whom are independent directors within the meaning set forth in Section 38 of the SRC. Our directors shall be elected during each regular meeting of shareholders, at which shareholders representing at least a majority of the issued and outstanding capital shares of our Company are present, either in person or by proxy. Directors may only act collectively; individual directors have no power as such. Four directors, which is a majority of the Directors, constitute a quorum for the transaction of corporate business. In general, every decision of a majority of the quorum duly assembled as a Board is valid as a corporate act. Any vacancy created by the death, resignation or removal of a director prior to expiration of such director's term shall be filled by a vote of at least a majority of the remaining directors, if still constituting a quorum, Otherwise, the vacancy must be filled by our shareholders at a meeting duly called for the purpose. Any director elected in this manner by our board of directors shall serve only for the unexpired term of the director whom such director replaces and until his successor is duly elected and qualified.

Shareholders' Meetings

Annual or Regular Shareholders' Meetings

All Philippine corporations are required to hold an annual meeting of shareholders for corporate purposes including the election of directors. The by-laws of our Company provide for annual meetings every 3rd Monday of June of each year to be held at the principal office or at any place designated by the Board of Directors in the city or municipality where the principal office of the Corporation is located and at such hour as specified in the notice.

Special Shareholders' Meeting

Special meetings of shareholders, for any purpose or purposes, may at any time be called by any of the following: (a) the Chairman of the Board; (b) President; or (c) the Secretary at the order of the Board of Directors, or at the written request of one or more stockholders representing at least twenty percent (20%) of the total issued and outstanding capital stock of our corporation entitled to vote. Such request shall state the purpose or purposes of the proposed meeting and shall be delivered to and shall be called by the Secretary at our Company's principal office.

Notice of Shareholders' Meeting

Whenever shareholders are required or permitted to take any action at a meeting, a written or printed notice of the meeting stating the place, date and time of the meeting, and the general nature of the business to be considered, shall be sent by facsimile, personal delivery, by registered mail, by electronic-mail or other electronic means, or at the option of our Company, by publication in a newspaper of general circulation, provided that unless expressly required by law, no publication of any notice of a meeting of stockholders shall be required. The Revised Corporation Code provides that written notice of the regular meetings of stockholders shall be sent to all stockholders of record at least twenty-one (21) days prior to the meeting. Shareholders entitled to vote may, by written consent, waive notice of the time, place and purpose of any meeting of shareholders and any action taken at such meeting pursuant to such waiver shall be valid and binding.

Each stockholder shall provide his current address and electronic mail address to the Secretary not later than thirty (30) days after the regular meeting of the stockholders, and shall notify the Secretary of any change in his address or electronic mail address within five (5) days from the said change. The Secretary shall maintain a record of the current address, and the electronic mail address of each stockholder of the Company. Any notice of any regular or special meeting send by electronic mail to the last known electronic mail address of a stockholder shall be considered a valid service of the notice upon said stockholder.

When the meeting of stockholders is adjourned to another time or place, it shall not be necessary to give any notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which adjournment is teak. At the reconvened meeting, any business may be transacted at the meeting original convened

Quorum

A quorum at any meeting of our shareholders shall consist of a majority of the outstanding voting stock of our Corporation represented in person or by proxy, and a majority of such quorum shall decide any question that may come before the meeting, save and except those several matters in which the laws of the Philippines require the affirmative vote of a greater proportion. If no quorum is constituted, the meeting shall be adjourned until the requisite number of stockholders shall be present.

Voting

Our shareholders may vote at all meetings the number of shares registered in their respective names, either in person or by proxy duly appointed as herein provided. All elections and questions, except in cases specified by law or the Company's Articles of Incorporation, shall be decided by the vote of the stockholders representing majority of the outstanding capital stock of the Company, present in person or by proxy, a quorum being present. Unless required by law or demanded by a stockholder present in person or by proxy at any meeting, the vote on any question need not be by ballot. On a vote by ballot, each ballot shall be signed by the stockholder voting, or in his name by his proxy if there be such proxy, and shall state the number of shares voted by them.

Fixing Record Dates

Under existing Philippine SEC rules, cash dividends declared by corporations whose shares are listed on the PSE shall have a record date which shall not be less than ten and not more than 30 days from the date of declaration of cash dividends. With respect to stock dividends, the record date shall not be less than ten nor more than 30 days from the date of shareholder approval. In the event that a stock dividend is declared in connection with an increase in authorized capital stock, the corresponding record date shall be fixed by the Philippine SEC and shall be indicated in the Philippine SEC order which shall not be less than ten days nor more than 30 days after all clearances and approvals by the Philippine SEC shall have been secured. Regardless of the kind of dividends, the record date set shall not be less than ten trading days from receipt by the PSE of the notice of declaration of the dividend.

Proxies

Shareholders may vote at all meetings the number of shares registered in their respective names, either in person or by proxy duly given in writing and duly presented to and received by the Corporate Secretary for inspection and recording at or prior to the opening of the meeting. No proxy bearing the signature that is not legally acknowledged, if unrecognized by the Corporate Secretary, shall be honored at the meetings. Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to the Corporate Secretary. No proxy shall be valid and effective for a period longer than five years at any one time. No member of the PSE and no broker/dealer shall give any proxy, consent or authorization, in respect of any securities carried for the account of a customer to a person other than the customer, without the express written authorization of such customer. The proxy executed by the broker shall be accompanied by a certification under oath stating that before the proxy was given to the broker, he had duly obtained the written consent of the persons in whose account the shares are held.

There shall be a presumption of regularity in the execution of proxies and proxies shall be accepted if they have the appearance of prima facie authenticity in the absence of a timely and valid challenge. Proxies should comply with the relevant provisions of the Philippine Corporation Code, the SRC, the Implementing Rules and Regulations of the SRC (as amended), and Philippine SEC Memorandum Circular No. 5 (series of 1996) issued by the Philippine SEC.

Issues of Shares

Subject to otherwise applicable limitations, our Company may issue additional Shares to any person for consideration deemed fair by the Board, provided that such consideration shall not be less than the par value of the issued Shares. No share certificates shall be issued to a subscriber until the full amount of the subscription together with interest and expenses (in case of delinquent Shares) has been paid and proof of payment of the applicable taxes shall have been submitted to our Company's Corporate Secretary. Under the PSE Rules, only fully-paid shares may be listed on the PSE.

Transfer of Common Shares

All transfer of shares on the PSE shall be effected by means of a book-entry system. Under this system of trading and settlement, a registered shareholder transfers legal title over the shares to such nominee, but retains beneficial ownership over the shares. A shareholder transfers legal title by surrendering the stock certificate representing his shares to participants of the PDTC System (i.e., brokers and custodian banks) that, in turn, lodge the same with the PCD Nominee. A shareholder may request his shares to be uplifted from the PDTC, in which case a certificate of stock is issued to the shareholder and the shares are registered in the shareholder's name. See "*The Philippine Stock Market*" on page 148 of this Prospectus.

Philippine law does not require transfers of our Shares to be effected on the PSE, but any off-exchange transfers will subject the transferor to a capital gains tax that may be significantly greater than the stock transfer tax applicable to transfers effected on an exchange. See "*Philippine Taxation*" on page **155** of this Prospectus. All transfers of Shares on the PSE must be effected through a licensed stockbroker in the Philippines.

Share Register

Our Company's share register is maintained at the principal office of our share transfer agent, PNB Trust Banking Group located at the 3rd Floor, PNB Financial Center, President Diosdado Macapagal Boulevard, Pasay City.

Share Certificates

Certificates representing the Shares will be issued in such denominations as shareholders may request, except that certificates will not be issued for fractional Shares. Shareholders may request our stock transfer agent to split their certificates. Shares may also be lodged and maintained under the book-entry system of the PDTC. See "*The Philippine Stock Market*" on page **148** of this Prospectus.

Beneficial Ownership Disclosure

The Securities Regulation Code and the SRC Rules provide for disclosure of beneficial and legal ownership of shares in a reporting company, such as a public company. The term "beneficial owner" or "beneficial ownership" is defined under the SRC Rules.

Any person who acquires directly or indirectly the beneficial ownership of five percent (5%) or more of any class of equity securities of a public company shall within five (5) business days after such acquisition submit to the issuer, the exchange where the security is traded and to the SEC a sworn statement containing the information required by SEC Form 18-A. If the equity securities under the name of the legal owner are beneficially owned by another person/s, the legal owner and beneficial owner shall file individually or jointly. The regulations also provide that if any change occurs in the facts set forth in the statements, an amendment shall be transmitted to the issuer, the exchange and the SEC.

Every person who is, directly or indirectly, the beneficial owner of ten percent (10%) or more of any class of any security of a public company, or who is a director or an officer of the issuer of such security, shall: (i) within ten (10) calendar days after the effective date of the registration statement for that security, or within ten (10) calendar days after he becomes such beneficial owner, director or officer, subsequent to the effective date of the registration statement, whichever is earlier, file a statement with the SEC, and with the exchange, if the security is listed on an exchange, on SEC Form 23-A indicating the amount of securities of such issuer of which he is the beneficial owner; (ii) within ten (10) calendar days after the close of each calendar month thereafter, if there has been any change in such ownership during the month, file a statement with the SEC and with the exchange, if the security is listed on an exchange, on SEC Form 23-B indicating his ownership at the close of the calendar month and such changes in his ownership as have occurred during that calendar month, and (iii) notify the SEC if his direct or indirect beneficial ownership of securities falls below ten percent (10%), or if he ceases to be an officer or director of the issuer. However, a newly appointed officer, who has no beneficial ownership over the shares of the Company, shall notify the SEC of such fact within ten (10) calendar days from such appointment.

If the security is listed on an exchange, the report shall be filed on that exchange in accordance with the rules of the exchange, but not more than five (5) calendar days after such person became beneficial owner. The filing with the exchange may be deemed as filing with the SEC pursuant to a Memorandum of Agreement between the exchange and the SEC; provided that the Memorandum of Agreement shall provide for the ability of the SEC to download and upload the same information made available to the exchange.

The law and regulations contain a separate procedure and conditions by which the following entities may comply with the disclosure obligation: broker or dealer registered under the SRC, a bank authorized to operate as such by the BSP, an insurance company subject to the supervision of the Insurance Commission, an investment house registered under the Investment Houses Law, an investment company registered under the Investment Company Act, a pension plan subject to the regulation and supervision by the BIR and/or the Insurance Commission, or a Company where all its members are persons specified above.

Mandatory Tender Offer

In general, under the SRC and its implementing rules and regulations, it is mandatory for any person or Company of persons acting in concert to make a tender offer to all the shareholders of the target corporation before the intended acquisition of:

- at least 35% of the outstanding voting shares or such outstanding voting shares sufficient to gain control of the Board of a public company in one or more transactions for a period of 12 months; or
- 35% of the outstanding voting shares or such outstanding voting shares sufficient to gain control of the Board of a public company directly from one or more stockholders; or
- equity which would result in ownership of over 50% of the outstanding equity securities of a public company.

Under the first instance, when the securities tendered pursuant to such an offer exceed the number of shares that the acquiring person or Company of persons is willing to acquire, the securities shall be purchased from each tendering shareholder on a pro rata basis according to the number of securities tendered by each security holder. In the event that the tender offer is oversubscribed, the aggregate amount of securities to be acquired at the close of such tender offer shall be proportionately distributed to both the selling shareholders with whom the acquirer may have been in private negotiations with and the minority shareholders.

Under the second instance, the tender offer shall be made for all the outstanding voting shares. The shares pursuant to the private transaction with the stockholders shall not be completed prior to the closing and completion of the tender offer.

Under the third instance, the acquirer shall be required to make a tender offer for all the outstanding equity securities to all remaining stockholders of our company at a price supported by a fairness opinion provided by an independent financial advisor or equivalent third party. The acquirer shall be required to accept all securities tendered.

No mandatory tender is required in:

- purchases of shares from unissued capital shares unless it will result in a 50% or more ownership of shares by the purchaser;
- purchases from an increase in the authorized capital shares of the target company;
- purchases in connection with a foreclosure proceeding involving a pledge or security where the acquisition is made by a debtor or creditor;
- purchases in connection with a privatization undertaken by the government of the Philippines;
- purchases in connection with corporate rehabilitation under court supervision;
- purchases through an open market at the prevailing market price; or
- purchases resulting from a merger or consolidation.

Fundamental Matters

Corporate power and competence is lodged primarily with the Board of Directors. However, the Philippine Corporation Code considers certain matters as significant corporate acts that may be implemented only with the approval of shareholders, including those holding shares denominated as non-voting in the Articles of Incorporation. These acts, which require Board approval and the approval of shareholders representing at least two-thirds of the issued and outstanding capital stock of our corporation in a meeting duly called for the purpose (except for the amendment of the By-Laws and the approval of management contracts in general, which require approval of shareholders representing a majority of our company's outstanding capital stock), include: (i) amendment of the articles of incorporation; (ii) removal of directors; (iii) sale, lease, exchange, mortgage, pledge or other disposition of all or a substantial part of the assets of our corporation; (iv) investment of corporate funds in any other corporation or business or for any purpose other than the primary purpose for which our corporation was organized; (v) delegation to the board of directors of the power to amend or repeal by-laws or adopt new by-laws; (vi) merger or consolidation; (vii) an increase or decrease in capital stock; (viii) dissolution; (ix) extension or shortening of the corporate term; (x) creation or increase of bonded indebtedness; (xi) declaration of stock dividends; (xii) management contracts with related parties; and (xiii) ratification of contracts between our corporation and a director or officer.

Accounting and Auditing Requirements

Philippine stock corporations are required to file copies of their annual financial statements with the Philippine SEC. Corporations whose shares are listed on the PSE are also required to file quarterly financial statements for the first three quarters with the Philippine SEC and the PSE. The Board is required to present to shareholders at every annual meeting a financial report (including the financial statements) of the operations of our Company for the preceding year.

Recent Sale of Unregistered or Exempt Securities, Including Recent Issuances of Securities Constituting an Exempt Transaction

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

- In October 2017, the Company issued 331,500 shares to FHI at ₱355 per share. The excess of the amount received over the par value of issued shares was recognized as "Additional paid-in capital".

- In December 2019, the Company issued 60,000 shares to FHI at ₱300 per share. The excess of the amount received over the par value of issued shares was recognized as "Additional paid-in capital".

- In September 2021, the majority of the Board of Directors and stockholders approved the increase in the authorized capital stock from 550,000 shares to 750,000 shares, out of the total increase, FHI subscribed to 50,000 common shares at par of ₱100 per share.

- In December 2021, the Company obtained approval to implement a 1:2,000 stock split resulting to a decrease in par value from ₱100.00 to ₱0.05 a share, and increase in the authorized capital stock from 750,000 shares to 1.5 billion shares.

- In December 2021, the Company issued 1,000 shares each to Calvin F. Chua, Rogelio M. Guadalquiver, Lee Ceasar S. Junia, David Jonathan Y. Bayot and Bernardino M. Ramos, which allowed them to qualify as directors of the Company.

No underwriting discounts or commissions were incurred or paid for the foregoing issuances of shares. No request for confirmation of exemption was filed by the Issuer for the sale of securities relying upon exemptions under Sec. 10.1(k) of the SRC.

THE PHILIPPINE STOCK MARKET

The information presented in this section has been extracted from publicly available documents which have not been prepared or independently verified by us, the Issue Manager, Bookrunner and Underwriter, or any of our respective affiliates or advisors in connection with the offer and sale of the Offer Shares.

Brief History

The Philippines initially had two stock exchanges, the Manila Stock Exchange, which was organized in 1927, and the Makati Stock Exchange, which began operations in 1963. Each exchange was self-regulating, governed by its respective Board of Governors elected annually by its members.

Several steps initiated by the Philippine government have resulted in the unification of the two bourses into the PSE. The PSE was incorporated in 1992 by officers of both the Makati and the Manila Stock Exchanges. In March 1994, the licenses of the two exchanges were revoked. While the PSE maintains two trading floors, one in Makati City and the other in Pasig City, these floors are linked by an automated trading system, which integrates all bids, and ask quotations from the bourses.

In June 1998, the Philippine SEC granted the Self-Regulatory Organization status to the PSE, allowing it to impose rules as well as implement penalties on erring trading participants and listed companies. On August 8, 2001, the PSE completed its demutualization, converting from a non-stock member-governed institution into a stock corporation in compliance with the requirements of the SRC. The PSE had an authorized capital stock of ₱120 million, of which ₱73.5 million was subscribed and fully paid-up as of September 30, 2017. Each of the 184 member-brokers was granted 50,000 common shares of the new PSE at a par value of ₱1.00 per share. In addition, a trading right evidenced by a "Trading Participant Certificate" was immediately conferred on each member broker allowing the use of the PSE's trading facilities. As a result of the demutualization, the composition of the PSE Board of Governors was changed, requiring the inclusion of seven brokers and eight non-brokers, one of whom is the President.

On December 15, 2003, the PSE listed its shares by way of introduction at its own bourse as part of a series of reforms aimed at strengthening the Philippine securities industry.

Classified into financial, industrial, holding firms, property, services, and mining and oil sectors, companies are listed either on the PSE's Main Board or the Small, Medium and Emerging Board. Recently, the PSE issued Rules on Exchange Traded Funds ("ETF") which provides for the listing of ETFs on an ETF Board separate from the PSE's existing boards. Previously, the PSE allowed listing on the First Board, Second Board or the Small, Medium and Enterprises Board. With the issuance by the PSE of Memorandum No. CN-No. 2013-0023 dated June 6, 2013, revisions to the PSE Listing Rules were made, among which changes are the removal of the Second Board listing and the requirement that lock-up rules be embodied in our articles of incorporation. Each index represents the numerical average of the prices of component shares. The PSE has an index, referred to as the PHISIX, which as at the date thereof reflects the price movements of selected shares listed on the PSE, based on traded prices of shares from the various sectors. The PSE shifted from full market capitalization to free float market capitalization effective April 3, 2006, simultaneous with the migration to the free float index and the renaming of the PHISIX to PSEi. The PSEi is composed of shares of 30 selected companies listed on the PSE. On July 26, 2010, the PSE launched its current trading system, PSE Trade NSC. This trading system was in place until July 2015, after which it was placed by PSETrade XTS, a system that is powered by the National Association of Securities Dealers Automated Quotations (NASDAQ) OMX.

The PSE launched its Corporate Governance Guidebook in November 2010 as another initiative of the PSE to promote good governance among listed companies. It is composed of ten guidelines embodying principles of good business practice and based on internationally recognized corporate governance codes and best practices.

With the increasing calls for good corporate governance, the PSE has adopted an online daily disclosure system to improve the transparency of listed companies and to protect the investing public. In December 2013, the PSE launched the PSE Electronic Disclosure Generation Technology ("PSE EDGE"). PSE EDGE is a fully automated system that facilitates the efficient processing, validation, submission, distribution, and analysis of time-sensitive disclosure reports submitted to the PSE. PSE EDGE replaced the PSE's former disclosure system called the PSE Online Disclosure System ("PSE ODiSy").

In January 2018, the PSE moved to its new headquarters located at the PSE Tower, Bonifacio Global City, Taguig City. Since then, PSE's two trading floors had been unified into a single trading floor in its new headquarters.

On March 22, 2018, the PSE completed a stock rights offering of 11,500,000 common shares which were offered at the price of ₱252.00 per share, or a total of ₱2,898,000,000.00 The proceeds of the stock rights offering were to be used to fund the acquisition of PDS and capital expenditure requirements of the PSE.

The table below sets out movements in the composite index as of the last business day of each calendar year from 1995 to 2020, and shows the number of listed companies, market capitalization, and value of shares traded for the same period:

Year	Composite Index at Closing	Number of Listed Companies	Aggregate Market Capitalization	Combined Value of Turnover
			(in ₱ billions)	(in ₱ billions)
1995	2,594.2	205	1,545.7	379.0
1996	3,170.6	216	2,121.1	668.8
1997	1,869.2	221	1,251.3	586.2
1998	1,968.8	222	1,373.7	408.7
1999	2,142.9	225	1,936.5	781.0
2000	1,494.5	229	2,576.5	357.7
2001	1,168.1	231	2,141.4	159.6
2002	1,018.4	234	2,083.2	159.7
2003	1,442.4	236	2,973.8	145.4
2004	1,822.8	235	4,766.3	206.6
2005	2,096.0	237	5,948.4	383.5
2006	2,982.5	239	7,173.2	572.6
2007	3,621.6	244	7,977.6	1,338.3
2008	1,872.9	246	4,069.2	763.9
2009	3,052.7	248	6,029.1	994.2
2010	4,201.1	253	8,866.1	1,207.4
2011	4,372.0	245	8,697.0	1,422.6
2012	5,812.7	254	10,952.7	1,771.7
2013	5,889.8	257	11,931.3	2,546.2
2014	7,230.6	263	14,251.7	2,130.1
2015	6,952.1	216	13,465.1	2,172.5
2016	6,840.6	265	14,438.8	1,929.5
2017	8,558.4	267	17,583.1	1,958.4
2018	7,466.0	267	16,146.7	1,736.8
2019	7,815.3	270	16,705.4	1,776.2
2020	7,139.7	274	15,888.9	1,770.9
2021	7,122.6	280	18,081.1	2,233.1

Source: Philippine Stock Exchange, Inc. and PSE Annual Reports

Trading

The PSE is a double auction market. Buyers and sellers are each represented by stockbrokers. To trade, bid or ask prices are posted on the PSE's electronic trading system. A buy (or sell) order that matches the lowest asked (or highest bid) price is automatically executed. Buy and sell orders received by one broker at the same price are crossed at the PSE at the indicated price. Payment of purchases of listed securities must be made by the buyer on or before the third trading day (the settlement date) after the trade.

Equities trading on the PSE starts at 9:30 a.m. until 12:00 p.m., when there will be a one and a half hour lunch break. In the afternoon, trading resumes at 1:30 p.m. and ends at 3:30 p.m., with a 10-minute extension during which transactions may be conducted, provided that they are executed at the last traded price and are only for the purpose of completing unfinished orders. Trading days are Monday to Friday, except legal holidays and days when the BSP clearing house is closed. Starting March 19, 2020 (which was around the commencement of community quarantine restrictions), PSE's trading hours have been shortened with pre-close now at 12:45 p.m., run-off at 12:50 p.m., and market close at 1:00 p.m. As of March 1, 2022, PSE went back to its full day 5-hour trading schedule, starts at 9:30 a.m. until 12:00 p.m, with one-hour lunch break. In the afternoon, trading resumes at 1:00 p.m. and ends at 3:00 p.m.

Minimum trading lots range from 5 to 1,000,000 shares depending on the price range and nature of the security traded. The minimum trading lot for our Company's Shares is 100 shares. Odd-sized lots are traded by brokers on a board specifically designed for odd-lot trading.

To maintain stability in the stock market, daily price swings are monitored and regulated. Under current PSE regulations, when the price of a listed security moves up by 50% or down by 50% in one day (based on the previous closing price or last posted bid price, whichever is higher), the price of that security is automatically frozen by the PSE, unless there is an official statement from our company or a government agency justifying such price fluctuation, in which case the affected security can still be traded but only at the frozen price. If we fail to submit such explanation, a trading halt is imposed by the PSE on the listed security the following day. Resumption of trading shall be allowed only when the disclosure of our company is disseminated, subject again to the trading ban.

In cases where an order has been partially matched, only the portion of the order that will result in a breach of the trading threshold will be frozen. Where the order results in a breach of the trading threshold, the following procedures shall apply:

- In case the static threshold is breached, the PSE will accept the order, provided the price is within the allowable percentage price difference under the implementing guidelines of the revised trading rules (i.e., 50.0% of the previous day's reference or closing price, or the last adjusted closing price); otherwise, such order will be rejected. In cases where the order is accepted, the PSE will adjust the static threshold to 60.0%. All orders breaching the 60.0% static threshold will be rejected by the PSE.
- In case the dynamic threshold is breached, the PSE will accept the order if the price is within the allowable percentage price difference under the existing regulations (i.e., 20.0% for security cluster A and newly-listed securities; 15.0% for security cluster B; and 10.0% for security cluster C); otherwise, such order will be rejected by the PSE.

Non-Resident Transactions

When the purchase/sale of Philippine shares involves a non-resident, whether the transaction is effected in the domestic or foreign market, it will be the responsibility of the securities dealer/broker to register the transaction with the BSP. The local securities dealer/broker shall file with the BSP, within three business days from the transaction date, an application in the prescribed registration form. After compliance with other required undertakings, the BSP shall issue a Certificate of Registration. Under BSP rules, all registered foreign investments in Philippine securities including profits and dividends, net of taxes and charges, may be repatriated.

Settlement

The Securities Clearing Corporation of the Philippines ("SCCP") is a wholly-owned subsidiary of the PSE and was organized primarily as a clearance and settlement agency for SCCP-eligible trades executed through the facilities of the PSE. SCCP received its permanent license to operate on January 17, 2002. It is responsible for:

- synchronizing the settlement of funds and the transfer of securities through Delivery versus Payment clearing and settlement of transactions of Clearing Members, who are also Trading Participants of the PSE;
- guaranteeing the settlement of trades in the event of a Trading Participant's default through the implementation of its Fails Management System and administration of the Clearing and Trade Guaranty Fund; and
- performance of Risk Management and Monitoring to ensure final and irrevocable settlement.

SCCP settles PSE trades on a three-day rolling settlement environment, which means that settlement of trades takes place three trading days after transaction date ("T+3"). The deadline for settlement of trades is 12:00 noon of T+3. Securities sold should be in scripless form and lodged under the book-entry system of the PDTC. Each PSE Broker maintains a Cash Settlement Account with one of the seven existing Settlement Banks of SCCP, which are Banco de Oro Unibank, Inc., Rizal

Commercial Banking Corporation, Metropolitan Bank and Trust Company, DB, The Hong Kong Shanghai Banking Corporation Limited, Unionbank of the Philippines and Maybank Philippines Inc. Payment for securities bought should be in good, cleared funds and should be final and irrevocable. Settlement is presently on a broker level.

SCCP implemented its Central Clearing and Central Settlement ("CCCS") system on May 29, 2006. CCCS employs multilateral netting, whereby the system automatically offsets "buy" and "sell" transactions on a per issue and a per flag basis to arrive at a net receipt or a net delivery security position for each Clearing Member. All cash debits and credits are also netted into a single net cash position for each Clearing Member. Novation of the original PSE trade contracts occurs, and SCCP stands between the original trading parties and becomes the Central Counterparty to each PSE-eligible trade cleared through it.

Scripless Trading

In 1995, the PDTC (formerly the Philippine Central Depository, Inc.), was organized to establish a central depository in the Philippines and introduce scripless or book-entry trading in the Philippines. On December 16, 1996, the PDTC was granted a provisional license by the Philippine SEC to act as a central securities depository.
All listed securities at the PSE have been converted into book-entry settlement in the PDTC. The depository service of the PDTC provides the infrastructure for lodgment (deposit) and upliftment (withdrawal) of securities, pledge of securities, securities lending and borrowing and corporate actions including shareholders' meetings, dividend declarations and rights offerings. The PDTC also provides depository and settlement services for non-PSE trades of listed equity securities. For transactions on the PSE, the security element of the trade will be settled through the book-entry system, while the cash element will be settled through the current settlement banks, Banco de Oro Unibank, Inc., Rizal Commercial Banking Corporation, Metropolitan Bank and Trust Company, DB, The Hong Kong Shanghai Banking Corporation Limited, Unionbank of the Philippines and Maybank Philippines Inc.

In order to benefit from the book-entry system, securities must be immobilized into the PDTC system through a process called lodgment. Lodgment is the process by which shareholders transfer legal title (but not beneficial title) over their shares in favor of the PCD Nominee Corporation ("PCD Nominee"), a corporation wholly-owned by the PDTC, whose sole purpose is to act as nominee and legal title holder of all shares lodged in the PDTC. "Immobilization" is the process by which the warrant or share certificates of lodging holders are cancelled by the transfer agent and the corresponding transfer of beneficial ownership of the immobilized shares in the account of the PCD Nominee through the PDTC participant will be recorded in the issuing corporation's registry. This trust arrangement between the participants and PDTC through the PCD Nominee is established by and explained in the PDTC Rules and Operating Procedures approved by the Philippine SEC. No consideration is paid for the transfer of legal title to the PCD Nominee. Once lodged, transfers of beneficial title of the securities are accomplished via book-entry settlement.

Under the current PDTC system, only participants (e.g., brokers and custodians) will be recognized by the PDTC as the beneficial owners of the lodged equity securities. Thus, each beneficial owner of shares, through his participant, will be the beneficial owner to the extent of the number of shares held by such participant in the records of the PCD Nominee. All lodgments, trades and uplifts on these shares will have to be coursed through a participant. Ownership and transfers of beneficial interests in the shares will be reflected, with respect to the participant's aggregate holdings, in the PDTC system, and with respect to each beneficial owner's holdings, in the records of the participants. Beneficial owners are thus advised that in order to exercise their rights as beneficial owners of the lodged shares, they must rely on their participant-brokers and/or participant-custodians.

Any beneficial owner of shares who wishes to trade his interests in the shares must course the trade through a participant. The participant can execute PSE trades and non-PSE trades of lodged equity securities through the PDTC system. All matched transactions in the PSE trading system will be fed through the SCCP, and into the PDTC system. Once it is determined on the settlement date (T+3) that there are adequate securities in the securities settlement account of the participant-seller and adequate cleared funds in the settlement bank account of the participant-buyer, the PSE trades are automatically settled in the SCCP Central Clearing and Central Settlement system, in accordance with the SCCP and PDTC Rules and Operating Procedures. Once settled, the beneficial ownership of the securities is transferred from the participant-seller to the participant-buyer without the physical transfer of stock certificates covering the traded securities.

If a shareholder wishes to withdraw his shareholdings from the PDTC system, the PDTC has a procedure of upliftment under which PCD Nominee will transfer back to the shareholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedures of the PDTC for the upliftment of the shares lodged under the name of the PCD Nominee. The transfer agent shall prepare and send a Registry Confirmation Advice to the PDTC covering the new number of shares lodged under the PCD Nominee. The expenses for upliftment are for the account of the uplifting shareholder.

The difference between the depository and the registry would be on the recording of ownership of the shares in the issuing corporations' books. In the depository set-up, shares are simply immobilized, wherein customers' certificates are cancelled, and a confirmation advice is issued in the name of PCD Nominee to confirm new balances of the shares lodged with the PDTC. Transfers among/between broker and/or custodian accounts, as the case may be, will only be made within the book-entry system of the PDTC. However, as far as the issuing corporation is concerned, the underlying certificates are in the PCD Nominee's name. In the registry set-up, settlement and recording of ownership of traded securities will already be directly made in the corresponding issuing company's transfer agents' books or system. Likewise, recording will already be at the beneficiary level (whether it be a client or a registered custodian holding securities for its clients), thereby removing from the broker its current "de facto" custodianship role.

Amended Rule on Lodgment of Securities

On June 24, 2009, the PSE apprised all listed companies and market participants through Memorandum No. 2009-0320 that commencing on July 1, 2009, as a condition for the listing and trading of the securities of an applicant company, the applicant company shall electronically lodge its registered securities with the PDTC or any other entity duly authorized by the Philippine SEC, without any jumbo or mother certificate in compliance with the requirements of Section 43 of the SRC. In compliance with the foregoing requirement, actual listing and trading of securities on the scheduled listing date shall take effect only after submission by the applicant company of the documentary requirements stated in Article III Part A of the Revised Listing Rules.

Pursuant to the said amendment, the PDTC issued an implementing procedure in support thereof to wit:

- For a new company to be listed at the PSE as of July 1, 2009, the usual procedure will be observed but the transfer agent of our company shall no longer issue a certificate to PCD Nominee but shall issue a Registry Confirmation Advice, which shall be the basis for the PDTC to credit the holdings of the depository participants on the listing date.
- On the other hand, for an existing listed company, the PDTC shall wait for the advice of the transfer agent that it is ready to accept surrender of PCD Nominee jumbo certificates and upon such advice the PDTC shall surrender all PCD Nominee jumbo certificates to the transfer agent for cancellation. The transfer agent shall issue a Registry Confirmation Advice to PDTC evidencing the total number of shares registered in the name of PCD Nominee in the listed company's registry as of confirmation date.

Further, the PSE apprised all listed companies and market participants on May 21, 2010, through Memorandum No. 2010-0246 that the Amended Rule on Lodgement of Securities under Section 16 of Article III, Part A of the Revised Listing Rules of the PSE shall apply to all securities that are lodged with the PDTC or any other entity duly authorized by the PSE.

For listing applications, the amended rule on lodgment of securities is applicable to:

- The offer shares/securities of the applicant company in the case of an initial public offering;
- The shares/securities that are lodged with the PDTC, or any other entity duly authorized by the PSE in the case of a listing by way of introduction;
- New securities to be offered and applied for listing by an existing listed company; and
- Additional listing of securities of an existing listed company.

Pursuant to the said amendment, the PDTC issued an implementing procedure in support thereof, to wit:

"For new companies to be listed at the PSE as of July 1, 2009 the usual procedure will be observed but the Transfer Agent of the companies shall no longer issue a certificate to PCD Nominee but shall issue a Registry Confirmation Advice, which shall be the basis for the PDTC to credit the holdings of the Depository Participants on listing date."

"On the other hand, for existing listed companies, the PDTC shall wait for the advice of the Transfer Agents that it is ready to accept surrender of PCNC jumbo certificates and upon such advice the PDTC shall surrender all PCNC jumbo certificates to the Transfer Agents for cancellation. The Transfer Agents shall issue a Registry Confirmation Advice to PCNC evidencing the total number of shares registered in the name of PCNC in our registry as a confirmation date."

Issuance of Stock Certificates for Certificated Shares

On or after the listing of the shares on the PSE, any beneficial owner of the shares may apply with PDTC through his broker or custodian-participant for a withdrawal from the book-entry system and return to the conventional paper-based settlement. If a shareholder wishes to withdraw his stockholdings from the PDTC system, the PDTC has a procedure of upliftment under which PCD Nominee will transfer back to the shareholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedures of the PDTC for the uplifting of the shares lodged under the name of the PCD Nominee. The transfer agent shall prepare and send a Registry Confirmation Advice to the PDTC covering the new number of shares lodged under PCD Nominee. The expenses for upliftment are on the account of the uplifting shareholder.

Upon the issuance of stock certificates for the shares in the name of the person applying for upliftment, such shares shall be deemed to be withdrawn from the PDTC book-entry settlement system, and trading on such shares will follow the normal process for settlement of certificated securities. The expenses for upliftment of the shares into certificated securities will be charged to the person applying for upliftment. Pending completion of the upliftment process, the beneficial interest in the shares covered by the application for upliftment is frozen and no trading and book-entry settlement will be permitted until the relevant stock certificates in the name of the person applying for upliftment shall have been issued by the relevant company's transfer agent.

Amended Rule on Minimum Public Ownership

On December 1, 2017, the Philippine SEC issued SEC Memorandum Circular No. 13 series of 2017 (the "SEC 2017 Circular") which states, in part, that a covered company filing a registration statement pursuant to Sections 8 and 12 of the Securities Regulation Code and with intention to list its shares shall apply for registration with a public float that meets the minimum public ownership ("MPO") of 20%, and shall, at all times, maintain an MPO of at least 20%. Public float refers to the portion of the issued and outstanding shares that are freely available and tradable in the market and are non-strategic in nature or those not meant for the purpose of gaining substantial influence on how the company is being managed. The rule considers significant shareholdings of 10% or more of the total issued and outstanding shares of the company as strategic and thus is excluded from the public float of the company.

On August 3, 2020, the PSE issued Memorandum CN – No. 2020-0076 stating a company applying for initial listing through an initial public offering is required to have a minimum public offer size of 20% to 33% of its outstanding capital stock post-initial public offering. The applicable offer size depends on the market capitalization of the company. After initial listing, the company is required to maintain a public ownership level of at least 20%.

For existing publicly listed companies prior to the issuance of the SEC 2017 Circular, the then existing 10% MPO requirement continues to apply.

Under the SEC 2017 Circular, in the event a company's MPO falls below 20%, at any time after registration, it shall bring the public float to at least 20% within a maximum period of 12 months from the date of such fall. A listed company must also establish and implement an internal policy and procedure to monitor its MPO and must immediately report to the Philippine SEC within the next business day if its MPO has fallen below 20%. A listed company with an MPO falling below 20% must submit to the Philippine SEC: (a) a time-bound business plan to bring back the public float to at least 20% within a maximum period of 12 months from the date of such decline; and (b) a public ownership report until such time that its public float reaches the required level. Under the PSE Amended Rule on Minimum Public Ownership, in addition to its periodic disclosure obligation on the level of its public float, a listed company is required to immediately disclose to the PSE if it becomes aware that the number of listed securities which are in the hands of the public has fallen below the prescribed minimum percentage. For this purpose, all listed companies are required to establish an effective procedure for monitoring of public float, which shall include, at the minimum, a computation of public float on a monthly basis. Once the listed company becomes aware that that the number of its listed securities in the hands of the public has fallen below the prescribed minimum percentage, the listed company shall take steps to ensure compliance at the earliest possible time. Such steps shall likewise be immediately disclosed to the PSE.

A listed company which becomes non-compliant with the MPO shall be suspended from trading for a period of not more than six months and shall be automatically delisted if it remains non-compliant with the MPO after the lapse of the suspension period. The PSE rules provide for the possibility of PSE recommending to the Philippine SEC for approval of a granting of a grace period for justifiable reasons and if there is a concrete program to restore public ownership.

Suspended or delisted shares are not allowed to be traded on the PSE. The sale of said listed company's shares during the trading suspension or after delisting may be effected only outside the trading system, and will be subjected to capital gains tax and documentary stamp tax, and to the requirement to secure a certificate authorizing registration from the BIR before the sale can be registered in the books of the company.

PHILIPPINE TAXATION

The statements made regarding taxation in the Philippines are based on the laws in force at the date of this Prospectus and are subject to any changes in law occurring after such date. The following summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to invest in the Shares and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rates. Prospective purchasers of the Shares are advised to consult their own tax advisers concerning the tax consequences of their investment in the Shares.

As used in this section, the term "resident alien" refers to an individual whose residence is within the Philippines and who is not a citizen thereof; a "non-resident alien" is an individual whose residence is not within the Philippines and who is not a citizen of the Philippines; a non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a "non-resident alien engaged in trade or business in the Philippines;" otherwise, such non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year is considered a "non-resident alien not engaged in trade or business in the Philippines". A "resident foreign corporation" is a foreign corporation engaged in trade or business within the Philippines; and a "non-resident foreign corporation" is a non-Philippine corporation not engaged in trade or business within the Philippines.

The term *"non -resident* holder" means a holder of our Company's Shares:

- who is an individual who is neither a citizen nor a resident of the Philippines or an entity which is a non-resident foreign corporation; and?
- should a tax treaty be applicable, whose ownership of our Company's Shares is not effectively connected with a fixed base or a permanent establishment in the Philippines.

The Tax Reform for Acceleration and Inclusion ("TRAIN")

On December 19, 2017, President Rodrigo Roa Duterte signed into law the Republic Act No. 10963, otherwise known as the "Tax Reform for Acceleration and Inclusion" Act. The objectives of this Act are as follows:

a. To enhance the progressivity of the tax system through the rationalization of the Philippine internal revenue tax system, thereby promoting sustainable and inclusive economic growth;
b. To provide, as much as possible, an equitable relief to a greater number of taxpayers and their families in order to improve levels of disposable income and increase economic activity; and
c. To ensure that the government is able to provide for the needs of those under its jurisdiction and care through the provision of better infrastructure, health, education, jobs, and social protection for the people.

Corporate Income Tax

A domestic corporation is subject to a tax of 25%, of its taxable income from all sources within and outside the Philippines beginning July 1, 2020, provided that domestic corporations with net taxable income not exceeding P5,000,000.00 and with total assets not exceeding P100,000,000.00 (excluding land on which the particular business entity's office, plant, and equipment are situated during the taxable year for which the tax is imposed) (referred to as micro, small, and medium enterprises, or MSMEs), shall be taxed at 20%. Taxable net income refers to items of income specified under Section 32 (A) of the Philippine Tax Code (the Tax Code), less itemized deductions under Section 34 of the Tax Code or those allowed under special laws, or the optional standard deduction (OSD) equivalent to an amount not exceeding 40% of the corporation's gross income. Passive income of a domestic corporation is taxed as follows: (a) gross interest income from Philippine currency bank deposits and yield from deposit substitutes, trust funds and similar arrangements as well as royalties from sources within the Philippines which are generally taxed at the lower final withholding tax rate of 20% of the gross amount of such income; and (b) interest income from a depository bank under the expanded foreign currency deposit system which is subject to a final tax at the rate of 15% of such income.

Beginning July 1, 2020 and until June 30, 2023, a minimum corporate income tax of 1% of the gross income as of the end of the taxable year is imposed on a domestic corporation beginning on the fourth taxable year immediately following the year in which such corporation commenced its business operations, when the minimum corporate income tax is greater than the ordinary corporate income tax, provided that after June 30, 2023, the rate of minimum corporate income tax shall be 2% of the gross income as of the end of the taxable year.

Any excess of the minimum corporate income tax, however, over the ordinary corporate income tax shall be carried forward and credited against the latter for the three immediately succeeding taxable years. Likewise, subject to certain conditions, the minimum corporate income tax may be suspended with respect to a corporation which suffers losses (1) on account of a prolonged labor dispute, or (2) because of force majeure, or (3) because of legitimate business reverses.

Tax on Dividends

Cash and property dividends received from a domestic corporation by individual shareholders who are either citizens or residents of the Philippines are subject to a final withholding tax at the rate of 10%, which shall be withheld by our Company. Cash and property dividends received by non-resident alien individuals engaged in trade or business in the Philippines are subject to a 20% final withholding tax on the gross amount thereof, while cash and property dividends received by non-resident alien individuals not engaged in trade or business in the Philippines are subject to a final withholding tax at 25% of the gross amount, subject, however, to the applicable preferential tax rates under tax treaties executed between the Philippines and the country of residence or domicile of such non-resident foreign individuals.

Cash and property dividends received from a domestic corporation by another domestic corporation or by resident foreign corporations are not subject to tax while those received by non-resident foreign corporations are generally subject to a final withholding tax at the rate of 30%, subject to applicable preferential tax rates under tax treaties in force between the Philippines and the country of domicile of such non-resident foreign corporation. The 30% rate for dividends paid to a non-resident foreign corporation with countries of domicile having no tax treaty with the Philippines may be reduced to a lower rate of 15% if (i) the country in which the non-resident foreign corporation is domiciled imposes no tax on foreign sourced dividends or (ii) if the country of domicile of the non-resident foreign corporation allows a 15% or greater credit equivalent for taxes deemed to have been paid in the Philippines.

Revenue Memorandum Circular No. 80-1991 (*Publishing the Resolution of the Supreme Court dated March 7, 1990 in G.R. No. 76573 entitled "Marubeni Corporation vs. Commissioner of Internal Revenue and Court of Tax Appeals" re: pre-requisites for the availment of 15% preferential tax rate under then Section 24 (b)(1) now Sec. 25(b)(5)(B) of the National Internal Revenue Code, as amended* dated August 12, 1991) states that in order to avail of the 15% tax sparing rate a non-resident foreign holder must submit the following documents to the payor of the cash dividends: (i) an authenticated certification issued by the foreign tax authority that the dividends received by the non-resident foreign corporation from the domestic corporation were not among the items considered in arriving at the income tax due from the non-resident foreign corporation; (ii) the income tax return of the non-resident foreign corporation for the taxable year when the dividends were received; and (iii) an authenticated document issued by the foreign tax authority showing that the foreign government allowed a credit on the tax deemed paid in the Philippines or did not impose any tax on the dividends. The income recipient may also file a request for a ruling from the BIR that the 15% income tax rate is applicable to its receipt of the dividends and the request has to comply with Revenue Memorandum Order No. 9-2014 (*Requests for Rulings with the Law and Legislative Division* dated February 6, 2014) and other relevant BIR issuances. The income recipient should thereafter provide the payor of the cash dividends with proof of its filing of an application for a ruling with the BIR before the deadline for the remittance to the BIR of the withholding tax on the dividends.

The abovementioned tax rates are without prejudice to applicable preferential tax rates under income tax treaties in force between the Philippines and the country of domicile of the non-resident holder. Most tax treaties to which the Philippines is a party provide for a reduced tax rate of 15% in cases where the dividend arises in the Philippines and is paid to a resident of the other contracting state. Most income tax treaties also provide that reduced withholding tax rates shall not apply if the recipient of the dividend, who is a resident of the other contracting state, carries on business in the Philippines through a permanent establishment and the holding of the relevant dividend-earning interest is effectively connected with such permanent establishment.

The BIR prescribed certain procedures for availment of tax treaty relief on dividends under Revenue Memorandum Order No. 8-2017 (*Procedure for Claiming Tax Treaty Benefits for Dividend, Interest and Royalty Income of Nonresident Income Earners*, dated October 24, 2016). The preferential treaty rates shall be applied by the withholding agent/income payor provided that the non-resident income recipient submits, before the dividends are credited or paid, a Certificate of Residence for Tax Treaty Relief ("CORTT") Form that complies with Revenue Memorandum Order No. 8-2017. After the remittance of the withholding tax to the BIR, the withholding agent/income payor shall submit an original copy of the duly accomplished CORTT Form within 30 days.

If a company withholds the regular tax rate instead of the reduced rate applicable under an income tax treaty, a non-resident holder of the company's shares may file a claim for a refund from the BIR. However, because the refund process in the Philippines requires the filing of an administrative claim and the submission of supporting information, and may also involve the filing of a judicial appeal, it may be impractical to pursue such a refund.

Transfer taxes (e.g., DST, local transfer tax) may be payable if the dividends declared are property dividends, depending on the type of property distributed as dividends. Stock dividends distributed pro rata to all the shareholders of the corporation are generally not subject to Philippine income tax. However, the subsequent sale, exchange, or disposition of shares in a domestic corporation received as stock dividends by the shareholder is subject to either: (a) stock transaction tax, if the transfer is through a local stock exchange, or (b) capital gains tax and documentary stamp tax, if otherwise.

Tax Treaties

The following table lists some of the countries with which the Philippines has tax treaties and the tax rates currently applicable to non-resident holders who are residents of those countries:

	Dividends (%)	**Stock transaction tax on sale or disposition effecte d through the PSE(%)[12]**	**Capital gains tax due on disposition of shares outside the PSE (%)**
Canada	25[1]	0.5	May be exempt[9]
China	15[2]	0.5	May be exempt[9]
France	15[3]	0.5	May be exempt[9]
Germany	15[4]	0.5	5/10[10]
Japan	15[5]	0.5	May be exempt[9]
Singapore	25[6]	0.5	May be exempt[9]
United Kingdom	25[7]	0.5	Exempt[11]
United States	25[8]	0.5	May be exempt[9]

(1) *15% if the recipient company controls at least 10% of the voting power of our company paying the dividends.*

(2) 10% if the beneficial owner is a company which holds directly at least 10% of the capital of our company paying the dividends.

(3) 10% if the recipient company (excluding a partnership) holds directly at least 10% of the voting shares of our company paying the dividends.

(4) 10% if the recipient company (excluding a partnership) owns directly at least 25% of the capital of our company paying the dividends.

(5) 10% if the recipient company holds directly at least 10% of either the voting shares of our company paying the dividends or of the total shares issued by that company during the period of six months immediately preceding the date of payment of the dividends.

(6) 15% if during the part of the paying company's taxable year which precedes the date of payment of dividends and during the whole of its prior taxable year at least 15% of the outstanding shares of the voting shares of the paying company were owned by the recipient company.

(7) 15% if the recipient company is a company which controls directly or indirectly at least 10% of the voting power of our company paying the dividends.

(8) 20% if during the part of the paying corporation's taxable year which precedes the date of payment of dividends and during the whole of its prior taxable year, at least 10% of the outstanding shares of the voting shares of the paying corporation were owned by the recipient corporation. Notwithstanding the rates provided under the Republic of the Philippines-United States Treaty, residents of the United States may avail of the 15% withholding tax rate under the tax-sparing clause of the Philippine Tax Code provided certain conditions are met.

(9) Capital gains are taxable only in the country where the seller is a resident, provided the shares are not those of a corporation, the assets of which consist principally of real property situated in the Philippines, in which case the sale is subject to Philippine taxes.

(10) Under the tax treaty between the Philippines and Germany, capital gains from the alienation of shares of a Philippine corporation may be taxed in the Philippines irrespective of the nature of the assets of the Philippine corporation. Tax

rates are 5% on the net capital gains realized during the taxable year not in excess of ₱100,000 and 10% on the net capital gains realized during the taxable year in excess of ₱100,000.

(11) Under the tax treaty between the Philippines and the United Kingdom, capital gains on the sale of the shares of Philippine corporations are subject to tax only in the country where the seller is a resident, irrespective of the nature of the assets of the Philippine corporation.

(12) If the stock transaction tax is not expressly included in the tax treaty, the income recipient will be subject to stock transaction tax at the rate of 0.6% of the gross selling price as provided under Section 127 of the National Internal Revenue Code as amended by the Section 39 of the TRAIN.

When availing of capital gains tax exemption on the sale of shares of stock under a tax treaty, a tax treaty exemption ruling shall be necessary in order to completely implement the transfer. For sale of shares made outside the PSE, a certificate authorizing registration (CAR) from the BIR is required before the transfer is registered in the stock and transfer book. The BIR issues the CAR only after verifying that the applicable taxes have been paid. Thus, in lieu of proof of payment of capital gains tax, the tax treaty relief ruling should be submitted to the BIR office processing the CAR.

The requirements for a tax treaty relief application in respect of capital gains tax or the stock transaction tax on the sale of shares are set out in Revenue Memorandum Order No. 72-2010 (Guidelines on the Processing of Tax Treaty Relief Applications (TTRA) Pursuant to Existing Philippine Tax Treaties dated August 25, 2010), BIR Form No. 0901-C, other BIR issuances. These include proof of residence in the country that is a party to the income tax treaty. Proof of residence consists of a consularized certification from the tax authority of the country of residence of the seller of shares which provides that the seller is a resident of such country under the applicable income tax treaty. If the seller is a juridical entity, authenticated certified true copies of its articles of incorporation or association issued by the proper government authority should also be submitted to the BIR in addition to the certification of its residence from the tax authority of its country of residence. The tax treaty relief application has to be filed with the BIR before the first taxable event as defined under Revenue Memorandum Order No. 72-2010, which in respect of capital gains tax, is before the due date for the payment of the documentary stamp tax on the sale of shares.

IPO Tax

Republic Act No. 11494, otherwise known as the "Bayanihan to Recover As One Act," took effect on September 15, 2020. Section 6 of this law repealed Section 127(B) of the Philippine Tax Code on the IPO Tax. As such, the Offer is not subject to the IPO Tax. Under Revenue Regulations No. 23-2020 issued by the BIR, tax on shares of stocks sold, bartered, exchanged or other disposition through IPO provided under Section 127(B) of the Philippine Tax Code is repealed. Every sale, barter, exchange or other disposition through IPO of shares of stock in closely held corporations shall no longer be subject to IPO Tax.

Sale, Exchange or Disposition of Shares after the IPO

Capital Gains Tax, If Sale Was Made outside the PSE

The net capital gains realized from the sale, exchange, or other disposition of shares of stock outside the facilities of the PSE by an individual citizen, resident alien, or a domestic corporation (other than a dealer in securities) during each taxable year are subject to capital gains tax at the rate of 15% of the net capital gains realized during the taxable year. For non-resident alien individuals, such sale, exchange, or disposition is also taxable at the rate of 15%, except that this constitutes final withholding tax.

The net capital gains realized by a resident foreign corporation or a non-resident foreign corporation during each taxable year from the sale, exchange, or disposition of shares of stock in a domestic corporation outside the facilities of the PSE are subject to the following rates:

On any amount not over ₱100,000 ……………………… 5%
On any amount in excess of ₱100,000…………………… 10%

The transfer of shares shall not be recorded in the books of a company, unless the BIR certifies that the capital gains and documentary stamp taxes relating to the sale or transfer have been paid, or where applicable, a tax treaty relief has been confirmed by the International Tax Affairs Division of the BIR or other conditions have been met.

Taxes on Transfer of Shares Listed and Traded at the PSE

Unless an applicable treaty exempts the sale from income and/or percentage tax, a sale or other disposition of shares of stock through the facilities of the PSE by a resident or a non-resident shareholder (other than a dealer in securities) is subject to a stock transaction tax at the rate of 0.6% of the gross selling price or gross value in money of the shares of stock sold or otherwise disposed. This tax is required to be collected by and paid to the Government by the selling stockbroker on behalf of his client. The stock transaction tax is classified as a percentage tax in lieu of a capital gains tax. Under certain tax treaties, the exemptions from capital gains tax discussed herein may not be applicable to stock transaction tax.

In addition, Value Added Tax (VAT) of 12% is imposed on the commission earned by the PSE-registered broker, and is generally passed on to the client.

Documentary Stamp Tax

Under the TRAIN Act, the original issue of shares of stock is subject to documentary stamp tax of ₱2.00 for each ₱200 par value, or fraction thereof, of the shares of stock issued. The DST on the issuance of the Firm Offer shall be paid by our Company.

The transfer of shares of stock is subject to a documentary stamp tax of ₱1.50 for each ₱200 par value or a fractional part thereof of the share of stock transferred. The DST is imposed on the person making, signing, issuing, accepting or transferring the document and is thus payable by the vendor or the purchaser of the shares. However, the sale, barter or exchange of shares of stock listed and traded at the PSE is exempt from documentary stamp tax.

Estate and Gift Taxes

Under the TRAIN Act, the transfer of the Common Shares upon the death of a registered holder to his heirs by way of succession, whether such an individual was a citizen of the Philippines or an alien, regardless of residence, will be subject to Philippine estate tax at a rate of 6.0% based on the value of the net estate.

Under the TRAIN Act, the transfer of the Common Shares by gift or donation would be subject to a uniform rate of 6% for both individuals and corporate holders.

Estate and gift taxes will not be collected in respect of intangible personal property, such as shares, (1) if the deceased at the time of death, or the donor at the time of donation, was a citizen and resident of a foreign country which at the time of his death or donation did not impose a transfer tax of any character in respect of intangible personal property of citizens of the Philippines not residing in that foreign country, or (2) if the laws of the foreign country of which the deceased or the donor was a citizen and resident at the time of his death or donation allow a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in that foreign country.

Revenue Regulation No. 006-08 prescribes that in case the fair market value of the shares of stock sold, bartered or exchanged is greater than the amount of money and/or fair market value of the property received, the excess of the fair market value of the shares of stock sold, bartered or exchanged over the amount of money and the fair market value of the property, if any, received as consideration shall be deemed a gift subject to the donor's tax under the Tax Code.

Taxation outside the Philippines

Shares of stock in a domestic corporation are considered under Philippine law as situated in the Philippines and the gain derived from their sale is entirely from Philippine sources; hence, such gain is subject to Philippine income tax and the transfer of such shares by gift (donation) or succession is subject to the donors' or estate taxes stated above.

The tax treatment of a non-resident shareholder in jurisdictions outside the Philippines may vary depending on the tax laws applicable to such holder by reason of domicile or business activities and such holder's particular situation. This Prospectus does not discuss the tax considerations of non-resident holders of shares of stock under laws other than those of the Philippines.

EACH PROSPECTIVE HOLDER SHOULD CONSULT WITH HIS OWN TAX ADVISER AS TO THE PARTICULAR TAX CONSEQUENCES TO SUCH HOLDER OF PURCHASING, OWNING AND DISPOSING OF THE OFFER SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL AND NATIONAL TAX LAWS.

PHILIPPINE FOREIGN EXCHANGE CONTROLS

Under current BSP regulations, an investment in listed Philippine securities (such as the Shares) must be registered with the BSP if the foreign exchange needed to service the repatriation of capital and the remittance of dividends, profits and earnings derived from such Shares is to be sourced from the Philippine banking system. If the foreign exchange required to service capital repatriation or dividend remittance is sourced outside the Philippine banking system, registration is not required. BSP Circular No. 471 (Series of 2005), as amended, however, subjects foreign exchange dealers and money changers to Republic Act No. 9160, or the Anti-Money Laundering Act of 2001, as amended, and requires these nonbank sources of foreign exchange to require foreign exchange buyers to submit supporting documents in connection with their application to purchase foreign exchange for purposes of capital repatriation and remittance of dividends.

Registration of Philippine securities listed in the PSE may be done directly with the BSP or through an investor's designated custodian bank on behalf of the BSP. A custodian bank may be any authorized agent bank (as defined below) of the BSP or an offshore banking unit registered with the BSP to act as such and appointed by the investor to register the investment, hold shares for the investor, and represent the investor in all necessary actions in connection with his investments in the Philippines. The term "authorized agent bank" refers to all categories of banks, except offshore banking units, duly licensed by the BSP. Applications for registration must be accompanied by: (i) a purchase invoice, subscription agreement and proof of listing on the PSE (either or both) and (ii) the original Certificate of Inward Remittance of foreign exchange and its conversion to Pesos through an authorized agent bank of the BSP in the format prescribed by the BSP.

Upon registration of the investment, proceeds of divestments, or dividends of registered investments are repatriable or remittable immediately and in full through the Philippine banking system, net of applicable tax, without need of BSP approval. Capital repatriation of investments in listed securities is permitted upon presentation of the BSP registration document from the registering custodian bank and the broker's sales invoice, at the exchange rate prevailing at the time of purchase of the foreign exchange from the banking system. Remittance of dividends is permitted upon presentation of: (i) the BSP registration document from the registering custodian bank; (ii) the cash dividends notice from the PSE and the PCD printout of cash dividend payment or computation of interest earned; (iii) copy of the secretary's sworn statement on the Board Resolution covering the dividend declaration and (iv) detailed computation of the amount applied for in the format prescribed by the BSP. Pending reinvestment or repatriation, divestment proceeds, as well as dividends of registered investments, may be lodged temporarily in interest-bearing deposit accounts. Interest earned thereon, net of taxes, may also be remitted in full. Remittance of divestment proceeds or dividends of registered investments may be reinvested in the Philippines if the investments are registered with the BSP or the investor's custodian bank.

The foregoing is subject to the power of BSP, with the approval of the President of the Philippines, to restrict the availability of foreign exchange during an exchange crisis, when an exchange crisis is imminent, or in times of national emergency.

The registration with the BSP of all foreign investments in the Offer Shares shall be the responsibility of the foreign investor.

PLAN OF DISTRIBUTION

The 375,000,000 Firm Shares shall be offered by the Company to investors, through the Issue Manager, Bookrunner, and Underwriter. At least 262,500,000 Firm Shares (or 70% of the Firm Shares) are being offered by the Issue Manager, Bookrunner, and Underwriter to the QIBs and to the general public. 112,500,000 Firm Shares (or 30% of the Firm Shares) are being offered at the Offer Price to all of the PSE Trading Participants and local small investors ("LSIs") in the Philippines. Prior to the closing of the Offer, any Offer Shares not taken up by the QIBs, PSE Trading Participants, and LSIs shall be distributed by the Issue Manager, Bookrunner, and Underwriter to their clients or to the general public. In the event that there are Offer Shares, consisting of Firm Shares, that remain unsubscribed at the end of the Offer, the Issue Manager, Bookrunner, and Underwriter shall subscribe to the balance on a firm commitment basis pursuant to the terms and conditions of the Underwriting Agreement between the Company and the Issue Manager, Bookrunner, and Underwriter.

Underwriting Commitment

To facilitate the Offer, the Company has appointed First Metro as the Issue Manager, Bookrunner, and Underwriter. First Metro is duly licensed by the SEC to engage in underwriting or distribution of the Offer Shares. The Company may, from time to time, engage in transactions with and perform services in the ordinary course of the business for the Company or other members of the Company of which the Company forms a part of. The Company and the Issue Manager, Bookrunner, and Underwriter shall enter into an Underwriting Agreement to be dated on or about June 14, 2022 (the "Underwriting Agreement"), whereby the Issue Manager, Bookrunner, and Underwriter agree to underwrite all of the Offer Shares, consisting of Firm Shares, at the Offer Price on a firm commitment basis.

In accordance with the Underwriting Agreement, the Issue Manager, Bookrunner, and Underwriter has agreed to underwrite the Firm Shares on a firm basis, and to distribute and sell the Offer Shares. The Underwriting Agreement will be subject to certain conditions and is subject to termination by the Issue Manager, Bookrunner, and Underwriter if certain circumstances, including force majeure, occur on or before the time at which the Shares, including the Firm Shares, are listed on the PSE. In addition, this agreement is conditional, *inter alia*, on the Firm Shares being listed on the PSE on the Listing Date or such date as the Issue Manager, Bookrunner, and Underwriter may determine.

The Issue Manager, Bookrunner, and Underwriter, will underwrite, on a firm commitment basis, the Firm Shares

	Number of Shares
First Metro Investment Corporation	375,000,000

There is no arrangement for the Issue Manager, Bookrunner, and Underwriter to return to the Company any unsold Offer Shares. The Underwriting Agreement may be terminated in certain circumstances prior to payment of the net proceeds of the Offer Shares being made to the Company. The Issue Manager, Bookrunner, and Underwriter do not have any other business relationships with Company. First Metro are not represented in the Company's Board of Directors. Neither is there a provision in the Underwriting Agreement, which would entitle the Issue Manager, Bookrunner, and Underwriter to representation in the Company's Board of Directors as part of the compensation for underwriting services. The Issue Manager, Bookrunner, and Underwriter shall receive from the Company a transaction fee equivalent to 4.2% of the gross proceeds of the Offer, inclusive of the amounts to be paid to Selling Agents such as the PSE Trading Participants, and the Underwriter's legal counsel. The transaction fee is based on the final nominal amount of the Offer Shares to be issued and shall be withheld by PNB Trust Banking Group, the Receiving and Paying Agent, from the proceeds of the Offer. All reasonable out-of-pocket expenses to be incurred by the Issue Manager, Bookrunner, and Underwriter in connection with the Offer shall be for the account of Company.

The Trading Participants of the PSE

Pursuant to the rules of the PSE, the Company will make available 75,000,000 Offer Shares comprising 20% of the Firm Offer for distribution to PSE Trading Participants. The total number of Offer Shares allocated to the 125 PSE Trading Participants will be distributed following the procedures indicated in the implementing guidelines for the Offer Shares to be distributed by the PSE. Each PSE Trading Participant will be allocated a total of 600,000 Offer Shares.

PSE Trading Participants who take up the Offer Shares shall be entitled to a selling fee of 1%, VAT-inclusive of the Offer Shares taken up and purchased by the relevant trading participant. The selling fee, less a withholding tax of 10%, will be paid to the PSE Trading Participants within ten (10) banking days after the Listing Date.

The PSE Trading Participants may be allowed to subscribe for their dealer accounts provided that, if they opt to sell the Offer Shares to the clients during the Offer period, it must be at a price not higher than the Offer Price per share. Likewise, the trading participants are prohibited from selling the Offer Shares during the period after the Offer period and prior to the Listing Date.

The balance of the Offer Shares allocated but not taken up by the PSE Trading Participants will be distributed by the Issue Manager, Bookrunner, and Underwriter to their clients or to the general public.

LSI Subscription through PSE EASy

A total of 37,500,000 Offer Shares, or 10% of the Firm Offer, shall be made available to Local Small Investors through the PSE Electronic Allocation System or "PSE EASy". An LSI is defined as a subscriber to the Offer who is willing to subscribe to a minimum board lot or whose subscription does not exceed ₱100,000.00. In the case of this Offer, the minimum subscription of LSIs shall be 10,000 Offer Shares or ₱7,000.00, while the maximum subscription shall be 142,000 Offer Shares or ₱99,400.00 There will be no discount on the Offer Price. The procedure in subscribing the Offer Shares via PSE EASy is indicated in the Company's Implementing Guidelines for Local Small Investors to be announced through the PSE EDGE website. Should the total demand for the Offer Shares in the LSI program exceed the maximum allocation, the Issue Manager, Bookrunner and Underwriter shall prioritize subscriptions of LSIs with amounts lower than the maximum subscription. Article III, Part F, Section 4 of the PSE Consolidated Listing and Disclosure Rule requires that in the event that the total demand for the LSI Offer Shares is five times or more than the initial allocation of 37,500,000 Offer Shares, the LSI Offer Shares shall be increased by an additional five percent (5%) from the initial LSI tranche. In the event that the total demand for the LSI Firm Shares exceeds the maximum increased allocation of fifteen percent (15%) under the clawback mechanism, the Underwriter shall allocate the shares by balloting.

All Firm Shares not taken up by the QIBs, the PSE Trading Participants, the LSIs, the general public and the Issue Manager, Bookrunner, and Underwriter' clients shall be purchased by the Issue Manager, Bookrunner, and Underwriter on a firm commitment basis pursuant to the terms and conditions of the Underwriting Agreement. Nothing herein or in the Underwriting Agreement shall limit the rights of the Issue Manager, Bookrunner, and Underwriter from purchasing the Offer Shares for its own account.

Withdrawal of Offer

The Company and the Issue Manager, Bookrunner, and Underwriter reserves the right to withdraw the offer and sale of the Offer Shares at any time before the commencement of the Offer Period, in which event the Company shall make the necessary disclosures to the SEC and PSE.

The Company and the Issue Manager, Bookrunner, and Underwriter may also withdraw the offer and sale of the Offer Shares at any time on or after the commencement of the Offer Period and prior to Listing, if there is a supervening force majeure or fortuitous event such as:

a. An outbreak or escalation of hostilities or acts of terrorism involving the Philippines or a declaration by the Philippines of a state of war; or occurrence of any event or change (whether or not forming part of a series of events occurring before, on and/or after the date hereof) of a political, military, economic or other nature; or occurrence of any change in local, national or international financial, political, economic or stock market conditions which renders it impracticable or inadvisable to continue with the Offer and/or listing of the Offer Shares in the manner contemplated by the Prospectus, or would have a material adverse effect on the distribution, offer and sale of the Offer Shares in the Philippines, rendering it impracticable or inadvisable to proceed with the Offer in the manner contemplated by the Prospectus, or the Philippine economy or on the securities or other financial or currency markets of the Philippines, provided that for the avoidance of doubt, the Offer shall not be withdrawn, cancelled, suspended or terminated solely by reason of the Issuer's or underwriters' inability to sell or market the Offer Shares or refusal or failure to comply with any undertaking or commitment by the Issuer, the underwriter, or any other entity/ person to take up any shares remaining after the Offer Period;

b. Issuance of an order revoking, cancelling, suspending, preventing or terminating the offer, sale, distribution or listing of the Offer Shares by any court or governmental agency or authority with jurisdiction on the matter, the SEC or the PSE;

c. Cancellation, revocation or termination of the PSE Notice of Approval, the SEC pre-effective clearance, the SEC Order of Registration, or the SEC Permit to Sell;

d. Cancellation or suspension of trading in the PSE for at least three (3) consecutive trading days, or in such manner or for such period as will render impracticable the listing and trading of the Offer Shares on the Listing Date or such other date as may be approved by PSE;

e. A change or impending change in the law, rule, regulation, policy or administrative practice, or a ruling, interpretation, decree or order which (i) materially and adversely affects: (a) the ability of the Company to engage in the business it is presently engaged in; or (b) the capacity and due authorization of the Issuer to offer and issue the Offer Shares and enter into the transaction documents in connection with the Offer, or (ii) would render illegal the performance by the Issue Manager, Bookrunner, and Underwriter of its underwriting obligations hereunder;

f. Any significant, adverse, and unforeseeable change or development in the Company's long-term financial condition, assets, liabilities, results of operations, business, properties, or profitability, which renders the Offer Shares unsuitable for offering to the public;

g. The Company decides to or is compelled to stop its operations which is not remedied within five (5) Banking Days;

h. The Company shall be adjudicated bankrupt or insolvent, or shall admit in writing its inability to pay its debts as they mature, or shall make or threaten to make an assignment for the benefit of, or a composition or assignment with, its creditors or any class thereof, or shall declare or threaten to declare a moratorium on its indebtedness or any class thereof; or (ii) the Company shall apply for or consent to the appointment of any receiver, trustee or similar officer for it or for all or any substantial part of its property; or (iii) such receiver, trustee or similar officer shall be appointed; or (iv) the Company shall initiate or institute (by petition, application or otherwise howsoever), or consent to the institution of any bankruptcy, insolvency, reorganization, rehabilitation, arrangement, readjustment of debt, suspension of payment, dissolution, liquidation or similar proceeding relating to it under the laws of any jurisdiction; or (v) any such proceeding shall be instituted against the Company; or any judgment, writ, warrant of attachment or execution or similar process shall be issued or levied against any material asset, or material part thereof, of the Company; or (vi) any event occurs which under the laws of the Philippines or to other jurisdictions, or any applicable political subdivision thereof, has an effect equivalent to any of the foregoing;

i. A general banking moratorium is declared in the Philippines or a material disruption in commercial banking or securities settlement or clearance services occurs in the Philippines;

j. Any court proceeding, litigation, arbitration or other similar proceeding is commenced or threatened against the Issue Manager, Bookrunner, and Underwriter in connection with or with respect to the issuance or sale by the Company of the Offer Shares or the Offer in general which renders the performance of its underwriting commitment impossible or impracticable;

k. Any event occurs which makes it impossible for the Issue Manager, Bookrunner, and Underwriter to perform its underwriting obligations due to conditions beyond its control, such as issuance by any court, arbitral tribunal, or government agency which has jurisdiction on the matter of an order restraining or prohibiting the Issue Manager, Bookrunner, and Underwriter, or directing it to cease, from performing its underwriting obligations;

l. Unavailability of PDTC and PSE facilities used for the Offer and/or Listing and such unavailability impacts the ability of the Issuer and the Issue Manager, Bookrunner, and Underwriter to fully comply with the listing requirements of PSE;

m. Any representation, warranty or statement of the Company in the Prospectus shall prove to be untrue or misleading in any material respect or Company shall be proven to have omitted a material fact necessary in order to make the statements in the Prospectus not misleading, which untruth or omission: (a) was not known and could not have been known to the Issue Manager, Bookrunner, and Underwriter on or before commencement of the Offer Period despite the exercise of due diligence, and (b) has a material and adverse effect on the Company's long-term financial condition, assets, liabilities, results of operations, business, properties, or profitability; and

n. Any force majeure event, other than the ones enumerated above, that has material and adverse effect on the Company's long-term financial condition, assets, liabilities, results of operations, business, properties, or profitability.

After the commencement of the Offer Period, the Offer shall not be withdrawn, cancelled, suspended or terminated solely by reason of (1) the Company's or Issue Manager, Bookrunner, and Underwriter's inability to sell or market the Offer Shares or (2) the refusal or failure to comply with any undertaking or commitment by the Company, the Issue Manager, Bookrunner, and Underwriter or any other entity or person to comply with any undertaking or commitment to take up any shares remaining after the Offer Period.

Notwithstanding the foregoing, the Company and the Issue Manager, Bookrunner, and Underwriter recognize and acknowledge that the PSE is a self-regulatory organization with a mandate to maintain a fair and orderly market, and, in relation thereto, the PSE may impose appropriate sanctions and reasonable penalties on the Issuer and/or any of the Issue Manager, Bookrunner and Underwriiter if the PSE determines that the cancellation or termination of the Underwriting Commitment or the Underwriting Agreement was not warranted based on the facts gathered and properly evaluated by the PSE and after due and proper proceedings initiated by the PSE not later than five (5) Banking Days after such cancellation or termination.

Notwithstanding the acceptance of any Application, the actual issuance of the Offer Shares to an Applicant shall take place only upon the listing of the Offer Shares on the PSE. The PSE issued its Notice of Approval on May 26, 2022, subject to compliance by the Company with certain conditions. Subject to the right of the Company to withdraw or cancel the offer and sale of the Offer Shares prior to Listing Date pursuant to Section "Summary of the Offer - Withdrawal of the Offer" and this section of the Prospectus, the Company and any of its agents involved in the Offer undertake to comply with all conditions that are within the control of the Company and any of its agents involved in the Offer, to ensure the listing of the Offer Shares on Listing Date.

If the Offer Shares and the entire outstanding capital stock of the Company are not listed on the PSE on Listing Date, all application payments made for the Offer Shares will be returned to the Applicants without interest starting on the fifth (5^{th}) Banking Day from the end of the Offer Period.

First Metro Investment Corporation

First Metro is a leading investment bank in the Philippines with over fifty years of service in the development of the country's capital markets. It is the investment banking arm of the Metrobank Group, one of the largest financial conglomerates in the country, and is duly licensed by the Philippine SEC to engage in the underwriting and distribution of securities. First Metro and its subsidiaries offer a wide range of services, from debt and equity underwriting to loan syndication, project finance, financial advisory, investment advisory, government securities and corporate debt trading, equity brokering, online trading, asset management, and research. First Metro has earned a solid reputation for its creativity, innovation, and timely execution. It has proven its ability to create value and opportunities as well as provide solutions that are pioneering, game changing, and responsive to the needs of both issuers and investors.

The Issue Manager, Bookrunner, and Underwriter have no other direct or indirect interest in the Company or in any securities thereof, including options, warrants, or rights thereto. Furthermore, they do not have any relationship with the Company other than as the Issue Manager, Bookrunner, and Underwriter for the Offer.

The Issue Manager, Bookrunner, and Underwriter also have no direct relations with the Company in terms of ownership by their respective major stockholders, and have no rights to designate or nominate any member of the Board of the Company.

There is no contract or arrangement existing between or among the Company, Issue Manager, Bookrunner, and Underwriter, or any other third party whereby the Issue Manager, Bookrunner, and Underwriter may return any unsold securities from the Offer.

The Over-Allotment Option and Stabilization Activities

In connection with the Offer, the Selling Shareholder has granted First Metro an option, exercisable not later than the Listing Date, to sell the Option Shares to eligible investors at the Offer Price. In the event of full or partial exercise of the Over-allotment Option, the Selling Shareholder shall cause the delivery of the Option Proceeds to the Stabilizing Agent, which the Stabilizing Agent may use to effect price stabilization transactions. In connection therewith, the Selling Shareholder has entered into a Price Stabilization Agreement with FirstMetroSec as the Stabilizing Agent in relation to the Offer and set out the guidelines for the stabilization activities.

Pursuant to the Price Stabilization Agreement, the Stabilizing Agent may effect prize stabilization activities with a view to supporting the market price of the Common Shares at a level higher than that which might otherwise prevail for a period of 30 days after the Listing Date; provided, however, that there is no obligation on the part of the Stabilizing Agent to do so and such stabilizing activities, if commenced, may be discontinued by the Stabilizing Agent prior to the end of the 30-day period, upon mutual agreement with the Company, on behalf of and after consulting the Selling Shareholders.

Initial stabilizing action shall be below the initial Offer Price. The price for the subsequent stabilization activities shall be as follows:

i. after the initial stabilization action, and if there has not been an independent trade in the market at a higher price than the initial stabilization trade, the subsequent trade shall be below the initial stabilizing price; and
ii. after the initial stabilizing action, and if there has been an independent trade in the market at a higher price than the initial stabilization trade, the subsequent trade shall be at the lower of the stabilizing action price or the independent trade price.

For this purpose, independent trade shall mean any trade made by any person other than the Stabilizing Agent.

Such activities may stabilize, maintain or otherwise affect the market price of the Common Shares, which may have the effect of preventing a decline in the market price of the Common Shares and may also cause the price of the Common Shares to be higher than the price that otherwise would exist in the open market in the absence of these transactions.

The total number of Shares which the Stabilizing Agent or any person acting in its behalf may purchase to undertake stabilization activities shall not exceed 10% of the aggregate number of the Firm Shares. The Stabilizing Agent or any person acting on behalf of the Stabilizing Agent has the sole discretion whether to undertake stabilization activities, and there is no assurance that the same will be undertaken. There is also no assurance that the price of the Shares will not decline significantly after any such stabilizing activities end. In the event that the Stabilizing Agent does not conduct Stabilization Activities, the Stabilizing Agent shall deliver to the Selling Shareholder the Option Proceeds.

LOCK-UP

The PSE rules require that the Company shall cause its existing non-public stockholders and their related parties to refrain from selling, assigning, encumbering or in any manner disposing of their shares for a period of one (1) year after the listing of the subject shares. All other stockholders shall not be subject to mandatory lock-up under this provision.

For this purpose, the term "non-public stockholders" shall mean the corporation's:

(i) principal stockholders (i.e., the owner of ten percent (10%) or more of the issued and outstanding shares);
(ii) subsidiaries or affiliates;
(iii) directors;
(iv) principal officers; and
(v) any other person who has substantial influence on how the corporation is being managed.

The term "related parties" shall mean the non-public stockholder's:

(i) principal stockholders (i.e., the owner of ten percent (10%) or more of the issued and outstanding shares);
(ii) subsidiaries or affiliates;
(iii) directors;
(iv) principal officers; and
(v) members of the immediate families sharing the same household of any of its principal stockholders, directors, or principal officers.

In addition, if there is any issuance or transfer of shares (i.e., private placement, asset for shares swap or a similar transaction) or of instruments which leads to an issuance of shares (i.e., convertible bonds, warrants or a similar instrument) done and fully paid for within six (6) months prior to the start of offer period for the Subject Shares, and the transaction price is lower than that of the offer price in the initial public offering, all shares subscribed or acquired shall be subject to a lock-up period of at least one (1) year from listing of the Subject Shares.

In accordance with the foregoing, the Common Shares held by the following shareholders will be subject a lock-up period of one (1) year after the listing of the subject shares.

Shareholder	**Before the Offer**		**No. of Shares Held after the Firm Offer**	**% of Total Outstan-ding Shares after the Firm Offer**	**No. of Shares Assuming Full Exercise of the Over-Allotment Option**	**% of Total Outstanding Shares after the Firm Offer and Assuming Full Exercise of the Over-Allotment Option**
	No. of Shares Held	**% of Total Outstan-ding Shares**				
Fruitas Holdings, Inc.	1,169,988,000	100.00%	1,119,988,000	74.92%	1,082,488,000	72.41%
Lester C. Yu	4,000	0.00%	4,000	0.00%	4,000	0.00%
Roselyn A. Legaspi	2,000	0.00%	2,000	0.00%	2,000	0.00%
Marvin C. Yu	2,000	0.00%	2,000	0.00%	2,000	0.00%
Madelene T. Sayson	2,000	0.00%	2,000	0.00%	2,000	0.00%
Calvin F. Chua	1,000	0.00%	1,000	0.00%	1,000	0.00%
Rogelio M. Guadalquiver	1,000	0.00%	1,000	0.00%	1,000	0.00%
Lee Ceasar S. Junia	1,000	0.00%	1,000	0.00%	1,000	0.00%
David Jonathan Y. Bayot	1,000	0.00%	1,000	0.00%	1,000	0.00%
Bernardino M. Ramos	1,000	0.00%	1,000	0.00%	1,000	0.00%

To implement this lock-up requirement, the PSE requires, among others, to lodge the shares with the PDTC through a participant of the PDTC system for the electronic lock-up of the shares or to enter into an escrow agreement with the trust department or custodian unit of an independent and reputable financial institution.

The Company, the Selling Shareholders and the shareholders listed above, being subject to the lock-up requirement, will enter into an escrow agreement with PNB Trust Banking Group as the escrow agent thereunder.

LEGAL MATTERS

Certain legal matters as to Philippine law relating to the Offer will be passed upon by Picazo Buyco Tan Fider & Santos, our legal counsel, and, Martinez Vergara & Gonzalez Sociedad, legal counsel to the Issue Manager, Bookrunner, and Underwriter.

Matters requiring the opinion of independent counsel will be passed upon by Adarlo Caoile & Associates Law. The law firm of Adarlo Caoile & Associates (ACALaw) is a general practice and full-service law firm with lawyers who have extensive experience and expertise in various fields of the legal practice. ACALaw is a general professional partnership founded in September 2001 by Messrs. Francisco G. Joaquin, III, Hubert B. Guevara, Genesis M. Adarlo, and Vicente O. Caoile, Jr. It was formerly known as Joaquin Guevara Adarlo & Caoile Law Offices (JCAG Law) until the appointment of Mr. Hubert B. Guevara as the Director of the Compliance and Enforcement Department of the Philippine Securities and Exchange Commission (SEC) in 2004. Thereafter, it continued under the name Joaquin Adarlo & Caoile Law Offices. However, the firm name had to be revised in view of the appointment of Mr. Francisco G. Joaquin, III as a Director of the Philippine Charity Sweepstakes Office (PCSO) in 2010. Thereafter, in recognition of the invaluable assistance being provided by the legal associates in the service to the clients, the name was modified accordingly.

Each of the foregoing legal counsel, and Adarlo Caoile & Associates Law Offices, has neither our shareholdings nor any right, whether legally enforceable or not, to nominate persons or to subscribe for our securities. None of the legal counsel will receive any direct or our indirect interest in any securities thereof (including options, warrants or rights thereto) pursuant to or in connection with the Offer.

INDEPENDENT AUDITORS

The Company's fiscal year begins on January 1 and ends on December 31. Reyes Tacandong & Co. ("RT&Co.") has audited the Company's financial statements at for the years ended December 31, 2020, 2019 and 2018 in accordance with the Philippine Standards on Auditing.

Wilson P. Teo is the current audit partner and has served the Company from 2015 to 2020. The Company has not had any material disagreements on accounting and financial disclosures with its current external auditor for the same periods or any subsequent interim period. RT&Co. has neither shareholdings in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities of the Company. RT&Co. will not receive any direct or indirect interest in the Company or the Company's securities (including options, warrants or rights thereto) pursuant to or in connection with the Offer. The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

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

In ₱ Millions	**2021**	**2020**	**2019**
Audit and Audit-Related Fees[a]	₱0.7	₱0.4	₱0.6
All Other Fees[b]	N/A	N/A	N/A
Total	₱0.7	₱0.4	₱0.6

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

In relation to the audit of the annual financial statements, the Corporate Governance Manual, which was approved by the Board of Directors on December 22, 2021, provides that the audit committee shall, among other activities, (i) evaluate significant issues reported by the external auditors in relation to the adequacy, efficiency and effectiveness of policies, controls, processes and activities of the Company, (ii) ensure that other non-audit work provided by the external auditors are not in conflict with their functions as external auditors, and (iii) ensure the compliance of the Company with acceptable auditing and accounting standards and regulations.

The Company's Audit Committee recommends to the Board of Directors the appointment, reappointment, removal and fees of the independent auditor, duly accredited by the SEC. The Audit Committee likewise evaluates, determines, and discloses the non-audit work, if any, of independent auditor, and review periodically the non-audit fees paid to independent auditor.

OTHER EXPERTS

The information that appears in under “Industry Overview” has been prepared by the Ateneo Center for Economic Research and Development (“ACERD”) and reflects estimates of market conditions based on publicly available sources and trade opinion surveys and is prepared primarily as a market research tool. ACERD was founded in 1989 as the research unit of the Department of Economics in economics and economic policy. ACERD directs and manages the research activities of the Department of Economics that focus on applied economics and public policy in order to enhance teaching and contribute to policy debates and formulation in the Philippines, both of which are necessary for nation building.

ACERD has neither our shareholdings nor any right, whether legally enforceable or not, to nominate persons or to subscribe for our securities.

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C O V E R S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	0	5	0	8	3	8	6

C O M P A N Y N A M E

BALAI NI FRUITAS, INC. (Formerly BUKO NI FRUITAS, INC.) [A Wholly-owned Subsidiary of FRUITAS HOLDINGS, INC.]

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

68 Data St. Brgy. Don Manuel, Quezon City, Philippines

Form Type	Department requiring the report	Secondary License Type, If Applicable
AFS	CRMD	N/A

C O M P A N Y I N F O R M A T I O N

Company's Email Address	Company's Telephone Number/s	Mobile Number
compliancetax.bnfi@gmail.com	**(02) 8-243-1741**	**0915-6427243**

No. of Stockholders	Annual Meeting (Month / Day)	Calendar Year (Month / Day)
6	**Third Monday of June**	**December 31**

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ms. Madelene Timbas-Sayson	**madelene.sayson@fruitasholdings.com**	**(02) 8-243-1741**	**–**

CONTACT PERSON'S ADDRESS

68 Data St. Brgy. Don Manuel, Quezon City, Philippines

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

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

BOA/PRC Accreditation No. 4782
August 16, 2021, valid until April 13, 2024
SEC Accreditation No. 0207-FR-3 (Group A)
August 29, 2019, valid until August 28, 2022

BDO Towers Valero (formerly Citibank Tower)
8741 Paseo de Roxas
Makati City 1226 Philippines
Phone : +632 8 982 9100
Fax : +632 8 982 9111
Website : www.reyestacandong.com

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
BALAI NI FRUITAS, INC.
68 Data St. Brgy. Don Manuel
Quezon City, Philippines

Opinion

We have audited the financial statements of BALAI NI FRUITAS, INC. (the "Company" and formerly BUKO NI FRUITAS, INC.), a wholly-owned subsidiary of FRUITAS HOLDINGS, INC., which comprise the statements of financial position as at December 31, 2021 and 2020, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended December 31, 2021, 2020 and 2019, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years ended December 31, 2021, 2020 and 2019 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Emphasis of Matter - Novel Coronavirus (COVID-19) Pandemic

We draw attention to Note 1 to the financial statements concerning the significant impact of the still prevailing COVID-19 pandemic to the Company's business operations. The Company, however, believes that it can continue as a going concern with the initiatives it adopted in improving its cash and liquidity position, managing costs and improving operational efficiencies. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, these could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

REYES TACANDONG & CO.

WILSON P. TEO
Partner
CPA Certificate No. 92765
Tax Identification No. 191-520-944-000
BOA Accreditation No. 4782; Valid until April 13, 2024
SEC Accreditation No. 92765-SEC Group A
Issued January 28, 2020
Valid for Financial Periods 2019 to 2023
BIR Accreditation No. 08-005144-014-2020
Valid until January 1, 2023
PTR No. 8851714
Issued January 3, 2022, Makati City

March 15, 2022
Makati City, Metro Manila

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(Formerly: BUKO NI FRUITAS INC.)
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The Securities and Exchange Commission
SEC Building, EDSA, Greenhills
Mandaluyong City

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Balai Ni Fruitas Inc.** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2021, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Rogelio M. Guadalquiver
Chairman of the Board

Lester C. Yu
President & Chief Executive Officer

Ma. Teresa B. Trujillo
Chief Financial Officer & Treasurer

Signed this 15th day of March 2022

SUBSCRIBED AND SWORN to before me this day of MAR 28 2022 in Quezon City, Philippines, affiant exhibited to me his/her valid ID attached.

Doc. No. 230
Page No. 47
Book No. VI
Series of 2022

ATTY. ROSELIO J. BOLIVAR
NOTARY PUBLIC IN QUEZON CITY
Commission No. Adm. Matter No. NP 204 (2021-2022)
IBP O.R. No. 132131 MD 2021 & IBP O.R. No. 133073 MD 2022
PTR O.R. No. 2402660D 1/3/22 / Roll No. 33032 / TIN 123-671-000
MCLE No. VI-0029503 valid from 12/10/19 valid until 04/14/22 Quezon City
Address: 31-F Harvard St. Cubao, Q.C.

BALAI NI FRUITAS, INC.
(Formerly BUKO NI FRUITAS, INC.)
[A Wholly-owned Subsidiary of FRUITAS HOLDINGS, INC.]

STATEMENTS OF FINANCIAL POSITION

	Note	**December 31 2021**	2020
ASSETS			
Current Assets			
Cash and cash equivalents	5	**₱48,337,058**	₱13,299,921
Trade and other receivables	6	**2,404,774**	3,081,503
Note receivable	20	**60,000,000**	–
Due from related parties	20	**7,582,306**	122,294,109
Merchandise inventories	7	**2,664,326**	1,551,155
Other current assets	8	**13,073,715**	14,036,262
Total Current Assets		**134,062,179**	154,262,950
Noncurrent Assets			
Property and equipment	9	**40,072,680**	8,908,304
Right-of-use (ROU) assets	22	**23,434,970**	12,519,432
Intangible assets	4	**3,000,000**	–
Security deposits	22	**–**	405,000
Deferred tax assets	23	**378,180**	1,156,222
Total Noncurrent Assets		**66,885,830**	22,988,958
		₱200,948,009	₱177,251,908
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	10	**₱8,935,649**	₱3,538,328
Current portion of lease liabilities	22	**8,470,849**	1,781,181
Income tax payable		**2,225,147**	167,081
Total Current Liabilities		**19,631,645**	5,486,590
Noncurrent Liabilities			
Noncurrent portion of lease liabilities	22	**15,215,949**	11,543,506
Retirement benefits liability	13	**1,260,890**	542,290
Total Noncurrent Liabilities		**16,476,839**	12,085,796
Total Liabilities		**36,108,484**	17,572,386
Equity			
Capital stock	14	**58,500,250**	53,500,000
Additional paid-in capital (APIC)		**96,532,500**	96,532,500
Retained earnings		**10,182,341**	9,665,775
Other comprehensive loss	13	**(375,566)**	(18,753)
Total Equity		**164,839,525**	159,679,522
		₱200,948,009	₱177,251,908

See accompanying Notes to Financial Statements.

BALAI NI FRUITAS, INC.
(Formerly BUKO NI FRUITAS, INC.)
[A Wholly-owned Subsidiary of FRUITAS HOLDINGS, INC.]

STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	**2021**	2020	2019
REVENUE	15	**₱148,933,421**	₱110,143,631	₱233,191,964
COST OF SALES	16	**(71,226,553)**	(56,298,033)	(120,211,991)
GROSS PROFIT		**77,706,868**	53,845,598	112,979,973
SELLING AND DISTRIBUTION EXPENSES	17	**(45,335,226)**	(38,933,156)	(78,642,896)
GENERAL AND ADMINISTRATIVE EXPENSES	18	**(24,597,072)**	(15,875,305)	(24,648,066)
INTEREST EXPENSE	12	**(1,724,646)**	(1,333,872)	(1,011,929)
OTHER INCOME	19	**5,726,772**	1,323,296	1,365,444
INCOME (LOSS) BEFORE INCOME TAX		**11,776,696**	(973,439)	10,042,526
PROVISION FOR (BENEFIT FROM) INCOME TAX	23			
Current		**3,091,894**	1,081,203	2,948,737
Deferred		**143,236**	(1,132,500)	60,449
		3,235,130	(51,297)	3,009,186
NET INCOME (LOSS)		**8,541,566**	(922,142)	7,033,340
OTHER COMPREHENSIVE LOSS				
Not to be reclassified subsequently to profit or loss:	13			
Remeasurement loss on retirement benefits liability		**(355,474)**	–	–
Effect of change in tax rate		**(1,339)**	–	–
		(356,813)	–	–
TOTAL COMPREHENSIVE INCOME (LOSS)		**₱8,184,753**	(₱922,142)	₱7,033,340
Basic and Diluted Earnings (Loss) per Share	21	**₱0.0079**	(₱0.0009)	₱0.0074

See accompanying Notes to Financial Statements.

BALAI NI FRUITAS, INC.
(Formerly BUKO NI FRUITAS, INC.)
[A Wholly-owned Subsidiary of FRUITAS HOLDINGS, INC.]

STATEMENTS OF CHANGES IN EQUITY

		Years Ended December 31		
	Note	**2021**	2020	2019
CAPITAL STOCK	14			
Balance at beginning of year		**₱53,500,000**	₱53,500,000	₱47,500,000
Issuances		**5,000,250**	–	6,000,000
Balance at end of year		**58,500,250**	53,500,000	53,500,000
APIC				
Balance at beginning of year		**96,532,500**	96,532,500	84,532,500
Additions	14	**–**	–	12,000,000
Balance at end of year		**96,532,500**	96,532,500	96,532,500
RETAINED EARNINGS				
Balance at beginning of year		**9,665,775**	10,587,917	7,554,577
Net income (loss)		**8,541,566**	(922,142)	7,033,340
Cash dividends	14	**(8,025,000)**	–	(4,000,000)
Balance at end of year		**10,182,341**	9,665,775	10,587,917
OTHER COMPREHENSIVE LOSS				
Not to be reclassified to profit or loss in subsequent periods				
Cumulative remeasurement loss on retirement benefits liability - net of deferred income tax	13			
Balance at beginning of year		**(18,753)**	(18,753)	(18,753)
Remeasurement loss on retirement benefits liability - net of deferred income tax		**(355,474)**	–	–
Effect of change in tax rate		**(1,339)**	–	–
Balance at beginning of year		**(375,566)**	(18,753)	(18,753)
		₱164,839,525	₱159,679,522	₱160,601,664

See accompanying Notes to Financial Statements.

BALAI NI FRUITAS, INC.
(Formerly BUKO NI FRUITAS, INC.)
[A Wholly-owned Subsidiary of FRUITAS HOLDINGS, INC.]

STATEMENTS OF CASH FLOWS

	Note	Years Ended December 31		
		2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax		**₱11,776,696**	(₱973,439)	₱10,042,526
Adjustments for:				
Depreciation and amortization expense	9	**11,773,593**	6,265,413	4,665,018
Gain on:	19			
Sale of property and equipment		**(3,285,484)**	–	–
Termination of lease		**(1,462,929)**	–	–
Rent concessions		**–**	(1,102,600)	–
Interest expense	12	**1,724,646**	1,333,872	1,011,929
Interest income	19	**(772,508)**	(6,129)	(20,267)
Retirement benefits cost	13	**244,635**	222,749	38,972
Operating income before working capital changes		**19,998,649**	5,739,866	15,738,178
Decrease (increase) in:				
Trade and other receivables		**676,729**	(1,035,890)	(218,719)
Merchandise inventories		**(1,113,171)**	77,815	(52,440)
Other current assets		**(1,449,395)**	(154,353)	(1,822,369)
Security deposits		**(825,366)**	614,559	(3,403,030)
Increase (decrease) in trade and other payables		**2,592,321**	(3,461,147)	3,736,415
Net cash generated from operations		**19,879,767**	1,780,850	13,978,035
Interest received		**772,508**	6,129	20,267
Income tax paid		**(281,870)**	(2,131,818)	(383,344)
Interest paid		**–**	(2,877)	(644,212)
Net cash provided by (used in) operating activities		**20,370,405**	(347,716)	12,970,746
CASH FLOWS FROM INVESTING ACTIVITIES				
Collections from related parties	20	**98,387,111**	–	153,372,707
Acquisitions of property and equipment and intangible assets	4, 9	**(43,229,754)**	(2,472,322)	(7,866,716)
Advances to related parties	20	**(31,180,720)**	(15,763,628)	(233,657,458)
Net cash provided by (used in) investing activities		**23,976,637**	(18,235,950)	(88,151,467)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of:				
Cash dividends	14	**(8,025,000)**	–	(4,000,000)
Lease liabilities	22	**(6,285,155)**	(1,778,600)	(1,531,200)
Mortgage payable		**–**	(131,099)	(299,155)
Due to related parties	20	**–**	(50,000)	–
Note payable		**–**	–	(8,500,000)
Proceeds from issuance of shares	14	**5,000,250**	–	18,000,000
Advances from related parties		**–**	–	50,000
Net cash provided by (used in) financing activities		**(9,309,905)**	(1,959,699)	3,719,645
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**35,037,137**	(20,543,365)	(71,461,076)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**13,299,921**	33,843,286	105,304,362
CASH AND CASH EQUIVALENTS AT END OF YEAR		**₱48,337,058**	₱13,299,921	₱33,843,286

		Years Ended December 31		
	Note	**2021**	2020	2019
SUPPLEMENTARY INFORMATION ON NONCASH ACTIVITIES				
Reclassification of due from related parties to note receivable	20	**₱60,000,000**	₱–	₱–
Recognition of:	22			
ROU assets		**26,524,782**	–	16,848,375
Lease liabilities		**26,524,782**	–	16,038,375
Termination of:	22			
Lease liabilities		**(11,602,162)**	–	–
ROU assets		**(10,139,233)**	–	–
Nontrade payable related to the acquisitions of assets from a third party	4	**2,805,000**	–	–

COMPONENTS OF CASH AND CASH EQUIVALENTS	5			
Cash on hand		**₱122,590**	₱46,041	₱42,200
Cash in banks		**31,714,468**	13,253,880	33,801,086
Cash equivalents		**16,500,000**	–	–
		₱48,337,058	₱13,299,921	₱33,843,286

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

1. **Corporate Information**

General Information

BALAI NI FRUITAS, INC. (the "Company" and formerly BUKO NI FRUITAS, INC.) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on May 17, 2005. The Company is primarily engaged in the trading of fresh fruit drinks and other related products.

The Company is a wholly-owned subsidiary of FRUITAS HOLDINGS, INC. (FHI or the "Parent Company"), a company incorporated and domiciled in the Philippines, whose shares of stock are listed and traded on the Philippine Stock Exchange (PSE). FHI is primarily engaged in investing, holding and owning real and personal properties of any kind. The ultimate parent of the Company is The Lush Properties, Inc., an entity incorporated in the Philippines and is engaged in leasing/real estate activities.

The Company's registered office address, which is also its principal place of business, is at 68 Data St. Brgy. Don Manuel, Quezon City, Philippines.

In September 2021, the Board of Directors (BOD) and stockholders approved the following amendments to the Company's Articles of Incorporation:

- Change in the name from "Buko Ni Fruitas, Inc." to "Balai ni Fruitas, Inc.";

- Increase in the authorized capital stock from ₱55.0 million divided into 550,000 shares with par value of ₱100.00 a share to ₱75.0 million 750,000 shares with the same par value; and

- 1:2,000 stock split resulting to a decrease in par value from ₱100.00 to ₱0.05 a share, and an increase in the authorized capital stock from 750,000 shares to 1.5 billion shares. Out of the total increase, the Parent Company subscribed to 100 million common shares at par and paid ₱5.0 million.

On November 24, 2021, the SEC approved the change in the Company's name and the increase in the authorized capital stock. On December 21, 2021, the SEC approved the 1:2,000 stock split.

In May 2021, the BOD of the Company approved certain reorganization activities wherein certain assets and rights to the lease of various outlets previously owned and operated by the Company were transferred to Fruitasgroup, Inc. (FGI), a company under common control (see Notes 8 and 9). The primary purpose of the reorganization activities is to integrate the operating activities of Fruitas brands to FGI, which will result in the economies of scale and efficiency of operations and a more productive use of the assets. The obligations for rental deposits on leases were transferred to FGI through an assignment of lease agreement.

The above amendments and reorganization activities are pursuant to the planned listing of the Company with the PSE and the public offering of its shares.

Impact of the Novel Coronavirus (COVID-19) Pandemic
In March 2020, the World Health Organization (WHO) declared the COVID-19 outbreak as a global pandemic resulting to a nationwide lockdown. There were stores that were temporarily and permanently closed during the community quarantine periods. Pursuant to the directives of the WHO, the Department of Health and the local government, the Company had to implement activities and programs to preserve the health of its employees and support the prevention of the contagion. The Company incurred a significant decline in revenue in 2021 and 2020.

It is not practicable to estimate the potential impact of the still prevailing COVID-19 pandemic on the Company's operations after the reporting date. The country's economic recovery is dependent on measures adopted by the national government such as quarantine and any economic stimulus that may be provided.

The Company has implemented initiatives to improve its cash position and liquidity, which include reducing discretionary spending, and also cost management measures and improving efficiencies across all areas of operations. It is projecting continued positive results in the coming years.

Accordingly, the financial statements were prepared on a going concern basis.

Approval of the Financial Statements
The financial statements of the Company as at December 31, 2021 and 2020 and for the years ended December 31, 2021, 2020 and 2019 were approved and authorized for issuance by the BOD on
March 15, 2022.

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2. **Summary of Significant Accounting and Reporting Policies**

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

Basis of Preparation and Statement of Compliance
The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs) issued by the Philippine Financial Reporting Standards Council and adopted by the SEC, including SEC pronouncements. This financial reporting framework includes PFRSs, Philippine Accounting Standards (PAS) and Philippine interpretations from International Financial Reporting Interpretations Committee (IFRIC).

The Company availed of the exemption from the mandatory adoption of PFRSs for Small and Medium-sized Entities (SMEs) because the Company is a wholly-owned subsidiary of FHI, an entity preparing its financial statements in accordance with PFRSs.

The 2019 statement of comprehensive income, statement of changes in equity and statement of cash flows were presented in compliance with the requirements of the Revised Securities Regulations Code Rule 68 in relation to the Company's planned listing of its common shares.

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

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

Further information about the assumptions made in measuring fair values is included in Note 26 to the financial statements.

Adoption of Amended PFRSs
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of an amended standard:

- Amendment to PFRS 16, *Leases - COVID-19-Related Rent Concessions beyond June 30, 2021* – In 2020, PFRS 16 was amended to provide practical expedient to lessees from applying the requirements on lease modifications for eligible rent concessions that is a direct consequence of COVID-19 pandemic. A lessee may elect not to assess whether eligible rent concessions from a lessor is a lease modification. A lessee that makes this election account for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for a change that is not a lease modification, e.g., as a variable lease payment. This amendment is effective for annual reporting periods beginning on or after June 1, 2020, with earlier application permitted, and covers eligible rent concessions until June 30, 2021. The Company applied the practical expedient in its financial statements for the year ended December 31, 2020.

Due to the continuing impact of the pandemic, another amendment to PFRS 16 was issued in 2021, which allows lessees to extend the application of the practical expedient regarding COVID-19-related rent concessions to reduction in lease payments that are due on or before June 30, 2022. The amendment is effective for annual reporting periods beginning on or after April 1, 2021 but earlier application is permitted. The 2021 amendment is mandatory for entities that elected to apply the previous amendment. Accordingly, the Company has applied the amendment in the current year financial statements.

Under prevailing circumstances, the adoption of this amended PFRSs did not have any material effect on the financial statements of the Company. Additional disclosures were included in the financial statements, as applicable.

Amended PFRSs Issued But Not Yet Effective
Relevant amended PFRSs, which are not yet effective as at December 31, 2021 and have not been applied in preparing the financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2022:

- Amendments to PFRS 3, *Reference to Conceptual Framework* – The amendments will replace the reference of PFRS 3 from the 1989 Framework to the current 2018 Conceptual Framework. The amendments include an exception that specifies that, for some types of liabilities and contingent liabilities, an entity applying PFRS 3 should refer to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* or IFRIC 21, *Levies,* instead of the Conceptual Framework. The requirement will ensure that the liabilities recognized in a business combination will remain the same as those recognized applying the current requirements in PFRS 3. The amendments also clarified that an acquirer shall not recognize contingent assets acquired in a business combination. The amendments should be applied prospectively.

- Amendments to PAS 16, *Property, Plant and Equipment - Proceeds Before Intended Use* – The amendments prohibit deducting from the cost of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for its intended use. Instead, the proceeds and related costs from such items shall be recognized in profit or loss. The amendments must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when an entity first applies the amendments.

- Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract* – The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling a contract comprises both the incremental costs of fulfilling that contract and an allocation of costs directly related to contract activities. The amendments apply to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other components of equity. Accordingly, the comparatives are not restated. Earlier application is permitted.

- Annual Improvements to PFRS 2018 to 2020 Cycle:

  - Amendments to PFRS 9, *Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities* – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognize a financial liability (i.e. whether the terms of a new or modified financial liability is substantially different from the terms of the original financial liability). These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf. The amendments apply to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendments. Earlier application is permitted.

  - Amendments to PFRS 16, *Leases - Lease Incentives* – The amendment removes from the Illustrative Example 13 the illustration of the reimbursement of leasehold improvements by the lessor. The objective of the amendment is to avoid any potential confusion regarding the treatment of lease incentives because of how the requirements for lease incentives are illustrated.

Effective for annual periods beginning on or after January 1, 2023:

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity's right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments. The amendments must be applied retrospectively. Earlier application is permitted.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure Initiative – Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements, and (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2, *Making Materiality Judgements*, is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information. The amendments should be applied prospectively. Earlier application is permitted.

- Amendments to PAS 8, *Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". An entity develops an accounting estimate if an accounting policy requires an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods. Earlier application is permitted.

- Amendments to PAS 12, *Deferred Tax Related Assets and Liabilities from a Single Transaction* – The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. Earlier application is permitted.

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

Business Combination

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

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

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

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

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

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

Financial Assets and Liabilities

Recognition and Measurement

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

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

"Day 1" Difference. Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there is no observable data on inception, the Company deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference.

Classification

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

As at December 31, 2021 and 2020, the Company does not have financial assets at FVPL and FVOCI and financial liabilities at FVPL.

Classification of Financial Instrument Between Liability and Equity. A financial instrument is classified as liability if it provides for a contractual obligation to:

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

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

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

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

As at December 31, 2021 and 2020, the Company's cash and cash equivalents, trade and other receivables, note receivable, due from related parties and construction bond (presented as part of "Other current assets" account in the statements of financial position) are classified under this category.

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

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

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

As at December 31, 2021 and 2020, the Company's trade and other payables (except statutory payable) and lease liabilities are classified under this category.

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

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

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

Impairment

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

For trade receivables, the Company has applied the simplified approach and has calculated ECL based on the lifetime ECL. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

Derecognition

Financial Assets. A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired;
- the Company retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Company has transferred its right to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its right to receive cash flows from a financial asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Company's continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Company could be required to repay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income.

Offsetting
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

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

At each reporting date, merchandise inventories are assessed for impairment. If merchandise inventories are impaired, the carrying amount is reduced to its NRV. Impairment loss is recognized immediately in profit or loss. The amount of any reversal of any write-down of merchandise inventories, arising from an increase in NRV, is recognized as part of other income or charges in profit or loss.

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

Security Deposits, Advance Rentals and Prepayments
Security deposits, advance rentals and prepayments, presented under "Other current assets", are carried at transaction amounts, less any impairment in value. These are charged to profit or loss in the period when these are utilized. Security deposits, advance rentals and prepayments that are expected to be realized over no more than 12 months after the reporting date are classified as current assets. Otherwise, these are classified as noncurrent assets.

Property and Equipment
Property and equipment, except for construction-in-progress (CIP), are stated at cost less accumulated depreciation and amortization and any accumulated impairment losses. Cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

Expenditures incurred after the property and equipment have been put into operation, such as repairs, maintenance and overhaul costs, are normally charged to operations in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

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

Asset Type	Number of Years
Leasehold improvements	5 to 10 years or lease term, whichever is shorter
Transportation equipment	5 to 10
Furniture and fixtures	3
Store equipment	3
Office equipment	3

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

Fully depreciated assets are retained in the accounts until these are no longer in use and no further change for depreciation and amortization are made in respect of those assets.

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

Intangible Assets

Intangible assets are identifiable non-monetary assets of the Company without physical substance held for use in operations, the production of goods or services. These pertain to intellectual property rights over the Balai Pandesal brand, practices, recipes, and supply chain. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. Subsequently, intangible assets are carried at cost less any accumulated impairment losses.

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

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

Impairment of Nonfinancial Assets

The carrying amounts of nonfinancial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists and when the carrying amounts exceed the estimated recoverable amounts, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of the fair value less cost to sell or value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an orderly transaction between market participants less the cost of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. In such instance, the carrying amount of the asset is increased to its recoverable amount. However, that increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization (for property and equipment), had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such reversal, the depreciation and amortization charges are adjusted in future years to allocate the asset's revised carrying amount, on a systematic basis over its remaining useful life.

Operating Segments

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

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

Equity

Capital Stock. Capital stock is measured at par value for all shares issued.

APIC. APIC represents the excess of proceeds or fair value of consideration received over par value.

Retained Earnings. Retained earnings represent the cumulative balance of the Company's results of operations, net of any dividend declaration.

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

Earnings Per Share (EPS)

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

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

The Company has no dilutive potential common shares.

Revenue Recognition

Revenue

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

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

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

- *Sale of Goods.* Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the customer, which is normally upon delivery to and acceptance of the goods by the customers.

- *Franchise Revenue.* Franchise revenue includes continuing royalty and initial franchise fees. Royalty fees are recognized in the period earned. Initial franchise fees are recognized upon opening of a store when the Company has performed substantially all of the services required under the franchise agreement.

Other Income

Income from other sources includes:

Interest Income. Interest income is recognized as it accrues, net of final tax, on a time proportion basis using the effective interest method.

Other Income. Income from other sources is recognized when earned.

Cost and Expense Recognition

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

Cost of Sales. Cost of sales includes expenses directly related to the production and sale of food products. Cost of sales is recognized at the time the related merchandise inventories are sold to customers.

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

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

Interest Expense. Interest expense consists of interest incurred in connection with the borrowing of funds and interest on lease liabilities. Interest expense is recognized in profit or loss as it accrues on a time proportion basis using the effective interest method.

Employee Benefits

Short-term Benefits. Short-term employee benefits include salaries and wages, social security contributions, short-term compensated absences, and bonuses and non-monetary benefits. Short-term employee benefit liabilities are measured on an undiscounted basis and are expensed as the related service is provided.

Retirement Benefits. Retirement benefit costs are actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. The calculation of defined benefit obligations is performed regularly by a qualified actuary.

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

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

Remeasurements of the retirement benefits liability, which consist of actuarial gains and losses are recognized immediately in other comprehensive income and are not reclassified to profit or loss in subsequent periods.

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

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

Leases

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

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

ii. the right to direct the use of the identified asset.

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

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

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

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

i. the amount of the initial measurement of lease liabilities;

ii. any lease payments made at or before the commencement date less any lease incentives received;

iii. any initial direct costs; and,

iv. an estimation of costs to be incurred by the Company in dismantling and removing the underlying asset, when applicable.

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

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

Lease payments included in the measurement of the lease liabilities comprise the following:

i. fixed payments, including in-substance fixed payments;

ii. variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

iii. amounts expected to be payable by the lessee under residual value guarantees; and,

iv. the exercise price under a purchase option that the Company is reasonably certain to exercise; lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option; and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

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

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

Income Taxes

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

Deferred Tax. Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible 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 and tax laws that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

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

Value-added Tax (VAT)
Revenue, expenses and assets are recognized net of the amount of VAT except receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from and payable to the taxation authority is presented as “Input VAT” under “Other current assets” account and as part of “Statutory payable” under “Trade and other payables” account, respectively, in the statements of financial position.

Related Party Transactions
Related 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 individual or corporate entities. Transactions between related parties are accounted for at arm’s-length prices or on terms similar to those offered to non-related parties in an economically comparable market. In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on legal form.

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingencies
Contingent liabilities are not recognized in the financial statements but are disclosed in the notes to financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed in the notes to financial statements when an inflow of economic benefits is probable.

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

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3. Significant Accounting Judgments and Estimates

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

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

ECL, NRV of merchandise inventories, fair value measurements, impairment of nonfinancial assets, recognition of deferred tax assets, actuarial losses on retirement benefit plans and discount rate assumptions.

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

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

Accounting for Business Acquisition. At the time of acquisition, the Company considers whether the acquisition represents an acquisition of a business or a group of assets. The Company accounted for the acquisition of the assets of Balai Pandesal, Inc. (Balai) as an acquisition of a business since it has acquired an integrated set of business processes in addition to the group of assets acquired (see Note 4).

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

The application of the acquisition method requires certain estimates and assumptions concerning the determination of the fair values of acquired intangible assets, property and equipment and security deposit, as well as liabilities assumed at the acquisition date. Moreover, the useful lives of the acquired intangible assets and property and equipment have to be determined. The valuations are based on information available at the acquisition date. The Company's acquisitions have resulted in the recognition of intangible assets with indefinite life.

Information on the Company's business combination transactions is disclosed in Note 4.

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

(a) Similar nature of products/services offered and methods to distribute products and provide services;

(b) Similar class of target customers; and

(c) Primary place of operations is in the Philippines.

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

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

Classifying Lease Commitments - Company as a Lessee. The Company has entered into lease agreements with various lessors for its outlet spaces. The Company has determined that the arrangements are operating leases as the risks and rewards of ownership are retained by the lessor.

The amount of rental expense charged to operations is disclosed in Note 22.

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

The carrying amounts of ROU assets and lease liabilities are disclosed in Note 22.

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

Details of leases with extension options are disclosed in Note 22.

Assessing the ECL of Trade Receivables. The Company estimates ECL using a provision matrix. Depending on the diversity of its debtor's base, the Company uses its historical credit loss experience adjusted for forward-looking factors, as appropriate. The information about the ECL assessment on the Company's trade receivables is disclosed in Note 25 to the financial statements.

The carrying amount of the Company's trade receivables is disclosed in Note 6.

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

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

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

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

The Company has assessed that the ECL on other financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Company only with reputable banks and companies with good credit standing and relatively low risk of defaults. No provision for ECL on other financial assets at amortized cost was recognized in 2021, 2020 and 2019. The carrying amounts of cash and cash equivalents, other receivables, due from related parties and construction bond (presented as part of "Other current assets" account in the statements of financial position are disclosed in Notes 5, 6, 8 and 20.

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

The cost of merchandise inventories is lower than its NRV. No impairment loss was recognized in 2021, 2020 and 2019. The carrying amount of merchandise inventories is disclosed in Note 7.

Estimating the Useful Lives of Property and Equipment (Except CIP) and ROU Assets. The useful lives of the Company's property and equipment (except CIP) and ROU assets are estimated based on the period over which the assets are expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives of each asset are reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by the changes in the factors mentioned above. A reduction in the estimated useful lives would increase the recorded operating expenses and decrease noncurrent assets.

There were no changes in the estimated useful lives of the Company's property and equipment and ROU assets in 2021, 2020 and 2019. The carrying amounts of property and equipment and ROU assets are disclosed in Notes 9 and 22, respectively.

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

The carrying amounts of ROU assets and lease liabilities, and the rental expense incurred on short-term leases are disclosed in Note 22.

Assessing the Impairment of Nonfinancial Assets. The Company assesses impairment on its nonfinancial assets whenever events or changes in circumstances indicate that the carrying amounts of the assets or group of assets may not be recoverable.

The relevant factors that the Company considers in deciding whether to perform an asset impairment review include, among others, the following:

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

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. Recoverable amount represents the greater of the fair value less cost to sell and the value in use. Value in use is determined as the present value of estimated future cash flows expected to be generated from the continued use of the assets. The estimated cash flows are projected using growth rates based on historical experience and business plans and are discounted using pretax discount rates that reflect the current assessment of the time value of money and the risks specific to the assets.

Intangible assets are tested for impairment annually and more frequently, when circumstances indicate that the carrying amount may be impaired.

No impairment losses on nonfinancial assets were recognized in 2021, 2020 and 2019.

The carrying amounts of the Company's other current assets (except construction bond), property and equipment, ROU assets and intangible assets are disclosed in Notes 4, 8, 9 and 22.

Estimating the Retirement Benefits Liability. The determination of the obligation and costs of retirement benefits is dependent on the assumptions used by the actuary in calculating such amounts. These assumptions are described in Note 13 and include, among others, discount rates and salary increase rates. While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the retirement obligation.

The carrying amount of retirement benefits liability and details of remeasurement loss on retirement benefits liability are disclosed in Note 13.

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

The Company's deferred tax assets are disclosed in Note 23.

4. Accounting for Business Acquisition

In June 2021, the Company acquired the assets and the brand name *Balai Pandesal* from Balai. The acquisition was completed following the execution of the Deed of Absolute Sale and the Deed of Assignment of the registered trademark and the payment of the related consideration amounting to ₱11.2 million. The Company accounted for the acquisition of the assets of Balai as an acquisition of a business since it has acquired an integrated set of business processes in addition to the group of assets acquired.

The acquisition resulted in the recognition of the following assets:

	Amount
Merchandise inventories	₱801,000
Intangible assets	3,000,000
Store equipment	6,449,000
Transportation equipment	970,000
	₱11,220,000

The identifiable assets acquired as at acquisition date are based on their provisional fair values. The purchase price allocation has been prepared on a preliminary basis. The Company is still in the process of completing its accounting of the transaction and reasonable changes are expected as additional information becomes available. This will be finalized within one year as allowed by PFRS.

The outstanding payable related to the acquisition amounted to ₱2.8 million as at December 31, 2021 (see Note 10).

5. Cash and Cash Equivalents

This account consists of:

	2021	2020
Cash on hand	**₱122,590**	₱46,041
Cash in banks	**31,714,468**	13,253,880
Cash equivalents	**16,500,000**	–
	₱48,337,058	₱13,299,921

Cash in banks are stated at face amount and earn interest at the prevailing bank deposit rates. Cash equivalents are made for three months depending on the immediate cash requirements of the Company, and earn interest at the prevailing short-term placement rates.

Interest income earned is as follows:

	Note	**2021**	2020	2019
Cash in banks		**₱22,508**	₱6,129	₱20,267
Note receivable	20	**750,000**	–	–
	19	**₱772,508**	₱6,129	₱20,267

6. **Trade and Other Receivables**

This account consists of:

	2021	2020
Trade receivables	**₱1,839,163**	₱337,535
Advances to officers and employees	**565,611**	2,743,968
	₱2,404,774	₱3,081,503

Trade receivables are noninterest-bearing and are normally collected on a 30-day term.

Advances to officers and employees are noninterest-bearing and are generally collected through salary deductions.

7. **Merchandise Inventories**

This account consists of:

	2021	2020
At cost:		
Food and beverages	**₱1,430,033**	₱337,796
Store supplies and others	**1,234,293**	1,213,359
	₱2,664,326	₱1,551,155

Cost of inventories charged to cost of sales is disclosed in Note 16.

8. **Other Current Assets**

This account consists of:

	Note	**2021**	2020
Security deposits	22	**₱10,214,995**	₱12,626,937
Advance rentals	22	**1,190,659**	887,972
Input VAT		**730,750**	–
Prepayments		**519,111**	146,653
Construction bond		**418,200**	374,700
		₱13,073,715	₱14,036,262

Security deposits pertain to amounts paid by the Company to the lessors. These will be applied against unpaid rentals and any unpaid utilities upon the expiration of the lease term.

Advance rentals pertain to one to three months advance rental, which will be applied toward the end of the lease term.

Prepayments pertain to business taxes and permits.

9. **Property and Equipment**

The composition of and movements in this account are as follows:

	2021						
	Leasehold Improvements	**Transportation Equipment**	**Furniture and Fixtures**	**Store Equipment**	**Office Equipment**	**CIP**	**Total**
Cost							
Balance at beginning of year	**₱4,942,761**	**₱2,607,000**	**₱3,598,141**	**₱5,778,615**	**₱194,102**	**₱4,640,141**	**₱21,760,760**
Additions	**–**	**1,025,336**	**37,389,178**	**4,620,240**	**–**	**–**	**43,034,754**
Disposals	**(2,268,487)**	**–**	**(2,346,475)**	**–**	**–**	**(4,640,141)**	**(9,255,103)**
Balance at end of year	**2,674,274**	**3,632,336**	**38,640,844**	**10,398,855**	**194,102**	**–**	**55,540,411**
Accumulated Depreciation and Amortization							
Balance at beginning of year	**4,161,470**	**1,898,500**	**2,000,712**	**4,597,672**	**194,102**	**–**	**12,852,456**
Depreciation and amortization	**527,439**	**224,462**	**4,251,085**	**1,300,596**	**–**	**–**	**6,303,582**
Disposals	**(2,062,491)**	**–**	**(1,625,816)**	**–**	**–**	**–**	**(3,688,307)**
Balance at end of year	**2,626,418**	**2,122,962**	**4,625,981**	**5,898,268**	**194,102**	**–**	**15,467,731**
Carrying Amount	**₱47,856**	**₱1,509,374**	**₱34,014,863**	**₱4,500,587**	**₱–**	**₱–**	**₱40,072,680**

	2020						
	Leasehold Improvements	Transportation Equipment	Furniture and Fixtures	Store Equipment	Office Equipment	CIP	Total
Cost							
Balance at beginning of year	₱4,942,761	₱2,607,000	₱3,160,915	₱5,171,508	₱194,102	₱3,212,152	₱19,288,438
Additions	–	–	437,226	607,107	–	1,427,989	2,472,322
Balance at end of year	4,942,761	2,607,000	3,598,141	5,778,615	194,102	4,640,141	21,760,760
Accumulated Depreciation and Amortization							
Balance at beginning of year	2,567,369	1,789,500	895,555	3,736,445	194,102	–	9,182,971
Depreciation and amortization	1,594,101	109,000	1,105,157	861,227	–	–	3,669,485
Balance at end of year	4,161,470	1,898,500	2,000,712	4,597,672	194,102	–	12,852,456
Carrying Amount	₱781,291	₱708,500	₱1,597,429	₱1,180,943	₱–	₱4,640,141	₱8,908,304

In 2021, the Company recognized a gain on disposal of various property and equipment to a related party amounting to ₱3.3 million (see Note 19).

The cost of fully depreciated property and equipment that are still in use amounted to ₱8.4 million and ₱5.2 million as at December 31, 2021 and 2020, respectively.

Depreciation and amortization are summarized as follows:

	Note	**2021**	2020	2019
Property and equipment		**₱6,303,582**	₱3,669,485	₱2,932,003
ROU assets	22	**5,470,011**	2,595,928	1,733,015
		₱11,773,593	₱6,265,413	₱4,665,018

Depreciation and amortization are charged to operations as follows:

	Note	**2021**	2020	2019
Selling and distribution expenses	17	**₱6,770,607**	₱3,457,155	₱2,236,556
General and administrative expenses	18	**5,002,986**	2,808,258	2,428,462
		₱11,773,593	₱6,265,413	₱4,665,018

10. Trade and Other Payables

This account consists of:

	2021	2020
Trade payables	**₱2,896,610**	₱23,019
Nontrade payable	**2,805,000**	–
Accrued expenses	**2,702,848**	1,794,936
Statutory payable	**531,191**	1,720,373
	₱8,935,649	₱3,538,328

Trade payables are unsecured, noninterest-bearing and generally settled on a 15 to 30-day term.

Nontrade payable pertains to outstanding balance for the acquisition of inventories, equipment and intangible assets from a third party (see Note 4).

Accrued expenses include rentals, salaries, professional fees and outside services, which are normally settled within the next financial year.

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

11. Note Payable

The outstanding balance of the note payable amounting to ₱8.5 million as at December 31, 2018, which was availed in October 2017 from a local bank to finance its working capital requirements and bore an interest rate of 4.25% per annum, was settled in 2019.

Interest expense amounted to ₱619,553 in 2019 (see Note 12).

12. Mortgage Payable

The loan obtained in June 2017 from a local commercial bank to finance the acquisition of transportation equipment, which bore an effective interest rate of 8.46% per annum, was fully paid in 2020.

Interest expense charged to operations is as follows:

	Note	**2021**	2020	2019
Lease liabilities	22	**₱1,724,646**	₱1,330,995	₱367,717
Mortgage payable		**–**	2,877	24,659
Note payable	11	**–**	–	619,553
		₱1,724,646	₱1,333,872	₱1,011,929

13. Retirement Benefits Liability

The Company has an unfunded, non-contributory defined benefit plan with a single lump sum payment covering retirement based on Republic Act (R.A.) No. 7641 (Retirement Law). The retirement benefits are based on years of service and compensation on the last year of employment as determined by an external actuary using the projected credit unit method.

The most recent actuarial valuation was made in 2021 by an independent actuary.

The table below summarizes the components of retirement benefits cost recognized in the statements of comprehensive income:

	2021	2020	2019
Current service cost	**₱216,490**	₱197,202	₱30,835
Interest cost	**28,145**	25,547	8,137
	₱244,635	₱222,749	₱38,972

Movements in the retirement benefits liability as shown in the statements of financial position:

	2021	2020
Balance at beginning of year	**₱542,290**	₱319,541
Current service cost	**216,490**	197,202
Interest cost	**28,145**	25,547
Actuarial loss	**473,965**	–
Balance at end of year	**₱1,260,890**	₱542,290

The principal assumptions used in determining the retirement benefits liability for the Company's retirement plan as at December 31, 2021 and 2020 follow:

	2021	2020
Discount rate	**5.20%**	5.19%
Future salary increases	**3%**	3%

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

The sensitivity analysis on retirement benefits liability based on reasonably possible changes of the assumptions is as follows:

	Basis Points	**2021**	2020
Discount rate	+1%	**(₱173,888)**	(₱11,032)
	-1%	**218,834**	11,381
Salary increase rate	+1%	**229,317**	67,867
	-1%	**(184,561)**	(61,588)

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

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

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

	2021	2020
One year to less than 10 years	**₱494,047**	₱172,120
More than ten years	**21,394,191**	23,109,972

The average duration of the retirement benefits liability as at December 31, 2021 and 2020 is 26 years and 29 years, respectively.

The cumulative actuarial loss on retirement benefits liability recognized in other comprehensive income are as follows:

	Cumulative Actuarial Loss	**Deferred Tax**	**Net**
Balance as at December 31, 2020	**₱26,790**	**(₱8,037)**	**₱18,753**
Actuarial loss	**473,965**	**(118,491)**	**355,474**
Change in tax rate	**–**	**1,339**	**1,339**
Balance as at December 31, 2021	**₱500,755**	**(₱125,189)**	**₱375,566**

14. **Equity**

Capital Stock and APIC

Details of the Company's common shares are as follows:

	Number of Shares			Amount		
	2021	2020	2019	**2021**	2020	2019
Authorized Capital Stock						
Balance at beginning of year	**550,000**	550,000	550,000	**₱55,000,000**	₱55,000,000	₱55,000,000
Increase	**200,000**	–	–	**20,000,000**	–	–
Effect of stock split	**1,499,250,000**	–	–	–	–	–
	1,500,000,000	550,000	550,000	**₱75,000,000**	₱55,000,000	₱55,000,000
Issued and Outstanding						
Balance at beginning of year	**535,000**	535,000	475,000	**₱53,500,000**	₱53,500,000	₱47,500,000
Effect of stock split	**1,069,465,000**	–	–	–	–	–
Issuances	**100,005,000**	–	60,000	**5,000,250**	–	6,000,000
	1,170,005,000	535,000	535,000	**₱58,500,250**	₱53,500,000	₱53,500,000

In December 2019, the Company issued additional 60,000 shares to FHI for a total consideration of ₱18.0 million. The excess of the amount received over the par value of the shares amounting to ₱12.0 million was recognized as APIC.

In September 2021, the BOD and stockholders approved the increase in the Company's authorized capital stock from ₱55.0 million divided into 550,000 shares with par value of ₱100.00 a share to ₱75.0 million divided into 750,000 shares with the same par value. On the same date, the same BOD and stockholders approved the 1:2,000 stock split resulting in a decrease in par value from ₱100.00 a share to ₱0.05 a share and an increase in the authorized capital stock from 750,000 shares to 1,500,000,000 shares. Out of the total increase, the Parent Company subscribed to 100,000,000 common shares at par and paid ₱5.0 million. On November 24, 2021 and December 21, 2021, the SEC approved the increase in the Company's authorized capital stock and the 1:2,000 stock split, respectively (see Note 1).

Retained Earnings

The Company's BOD declared the following cash dividends:

		Amount Declared	
Date of Declaration	Stockholders of Record	Per Share	Total
September 11, 2021	**August 27, 2021**	**₱15.00**	**₱8,025,000**
June 27, 2019	June 27, 2019	₱8.42	₱4,000,000

Cash dividends were paid on the same year of declaration.

Capital Management

The Company's objectives when managing capital are:

- To safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for other stakeholders, and

- To provide an adequate return to stockholders by pricing products and services commensurately with the level of risk.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it when there are changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to stockholders, return capital to stockholders, issue new shares, or sell assets to reduce debt.

There were no changes in the objectives, policies or processes from previous year.

The Company considers the capital stock and APIC presented in the statement of financial position as its core capital and it is not subject to any externally-imposed capital requirements.

15. **Revenue**

This account consists of:

	2021	2020	2019
Sale of goods	**₱143,463,428**	₱110,143,631	₱233,191,964
Franchise revenue	**5,469,993**	–	–
	₱148,933,421	₱110,143,631	₱233,191,964

The Company derives sales upon delivery to customers or at a point in time when the Company has no more obligations that could affect the acceptance of goods by the customers.

Details of the Company's sale of goods based on geographical markets are as follows:

	2021	2020	2019
Luzon	**₱138,654,902**	₱102,399,211	₱205,880,192
Visayas	**4,808,526**	7,744,420	27,311,772
	143,463,428	110,143,631	233,191,964

16. **Cost of Sales**

This account consists of:

	Note	**2021**	2020	2019
Merchandise inventories at beginning of year		**₱1,551,155**	₱1,628,970	₱1,576,530
Purchases:				
Related party	20	**63,390,006**	56,220,218	117,131,083
Third parties		**8,949,718**	–	3,133,348
Cost of goods available for sale		**73,890,879**	57,849,188	121,840,961
Merchandise inventories at end of year	7	**(2,664,326)**	(1,551,155)	(1,628,970)
		₱71,226,553	₱56,298,033	₱120,211,991

17. **Selling and Distribution Expenses**

This account consists of:

	Note	**2021**	2020	2019
Salaries, wages and other employees' benefits		**₱16,244,149**	₱12,575,403	₱22,512,277
Rental	22	**9,690,360**	10,774,849	31,249,380
Depreciation and amortization	9	**6,770,607**	3,457,155	2,236,556
Utilities		**6,483,118**	4,239,546	8,482,695
Outside services		**1,560,776**	2,035,782	3,589,774
Transportation and travel		**898,845**	2,004,912	1,392,957
Advertisement		**828,905**	1,121,433	6,858,911
Repairs and maintenance		**804,824**	740,641	1,311,157
Spoilage and damages		**284,709**	476,970	–
Insurance		**200,132**	153,401	333,335
Others		**1,568,801**	1,353,064	675,854
		₱45,335,226	₱38,933,156	₱78,642,896

Salaries, wages and other employees' benefits include government contributions and other allowances.

Outside services pertain to payments to agencies for the salaries of service crews.

18. **General and Administrative Expenses**

This account consists of:

	Note	**2021**	2020	2019
Management fees	20	**₱6,072,163**	₱3,023,383	₱6,520,701
Depreciation and amortization	9	**5,002,986**	2,808,258	2,428,462
Salaries, wages and other employees' benefits		**4,701,259**	3,376,946	6,633,715
Professional fees		**2,499,213**	650,023	1,221,786
Taxes and licenses		**2,102,609**	4,061,535	5,307,910
Penalties		**2,003,383**	808,580	–
Office supplies		**1,761,048**	913,471	2,195,457
Retirement benefits	13	**244,635**	222,749	38,972
Miscellaneous		**209,776**	10,360	301,063
		₱24,597,072	₱15,875,305	₱24,648,066

19. **Other Income**

	Note	**2021**	2020	2019
Gain on:				
Sale of property and equipment	9	**₱3,285,484**	₱–	₱–
Termination of lease	22	**1,462,929**	–	–
Rent concession	22	**–**	1,102,600	–
Interest income	5	**772,508**	6,129	20,267
Miscellaneous income		**205,851**	214,567	1,345,177
		₱5,726,772	₱1,323,296	₱1,365,444

Miscellaneous income pertains mainly to cash overages from outlets.

20. **Related Party Transactions**

In the normal course of business, the Company has transactions with related parties, as follows:

			Amount of Transactions		Outstanding Balances	
Related Party	Nature of Transactions	Note	**2021**	2020	**2021**	2020
Due from Related Parties						
	Cash advances		**₱31,180,720**	₱15,763,628		
	Collections		**(98,387,111)**	–		
	Reclassification to note receivable		**(60,000,000)**	–		
	Transfer of property and equipment		**8,852,280**	–		
	Transfer of security deposits		**3,642,308**	–		
	Sale of baked goods		**1,141,962**	–		
Under common control	Collections		**(1,141,962)**	–	**₱7,582,306**	₱122,294,109
Note Receivable						
Under Common	Reclassification		**₱60,000,000**	₱–		
Management	Interest income	5	**750,000**	–		
	Collections		**(750,000)**	–	**₱60,000,000**	₱–
Trade Payables						
Under common control	Purchase of merchandise inventories*	16	**₱70,362,907**	₱62,404,442		
	Payments		**(70,362,907)**	(62,404,442)		
	Rental		**96,300**	–		
	Payments		**(96,300)**	–	**₱–**	₱–
Parent	Management fees*	18	**5,892,857**	2,967,622		
	Payments		**(5,892,857)**	(2,967,622)		
	Rental		**133,929**	–		
	Payments		**(133,929)**	–	**–**	–
					₱–	₱–
Due to Related Parties						
Under common management	Cash advances		**₱–**	₱–		
	Payment		**–**	(50,000)	**₱–**	₱–

**Inclusive of VAT, net of EWT*

Terms and Conditions

Outstanding balances, except for trade payables that are generally settled in on a 15 to 30-day term, are unsecured, noninterest-bearing and are collectible/payable in cash upon demand. There have been no guarantees provided for any of the aforementioned related party receivables and payables. An assessment of the collectability of the account is undertaken each financial year through examining financial position of the related party and the market in which the related party operates. On October 3, 2021, due from related parties amounting to ₱60.0 million was issued with a promissory note which resulted in the reclassification to note receivable. The note receivable is unsecured, collectible within one year and bears a 5% fixed annual interest. Interest is collectible monthly.

Management Agreement
The Parent Company has a management agreement with the Company for the Parent Company to provide administrative services for a fixed monthly fee. Management fees amounted to ₱6.0 million and ₱3.0 million in 2021 and 2020, respectively (see Note18).

Compensation of Key Management Personnel
Compensation of key management personnel, consisting of salaries and short-term benefits, amounted to ₱2.3 million, ₱1.5 million and ₱2.3 million in 2021, 2020 and 2019, respectively.

21. Earnings (Loss) Per Share

The calculation of the basic and diluted earnings (loss) per share is based on the following data:

	2021	2020	2019
Net income (loss) for the year	**₱8,541,566**	(₱922,142)	₱7,033,340
Weighted average number of outstanding common shares	**1,078,333,750**	1,070,000,000	950,000,000
	₱0.0079	(₱0.0009)	₱0.0074

The Company has no dilutive potential share in 2021, 2020 and 2019.

22. Lease Agreements

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

Security deposits paid to the lessors are classified as follows:

	Note	**2021**	2020
Current	8	**₱10,214,995**	₱12,626,937
Noncurrent		**–**	405,000
		₱10,214,995	₱13,031,937

The amount of advance rentals is disclosed in Note 8.

Rental expense charged to operations is disclosed in Note 17.

Company as Lessee - Long-term Lease
In September 2019, the Company entered into a ten-year noncancellable lease agreement with a third party for the lease of a parcel of land on which a warehouse will be constructed. The lease is renewable upon mutual agreement of both parties. In October 2021, the parties mutually agreed to amend the lease agreement to transfer the lease to FGI effective October 30, 2021. Accordingly, the lease was terminated and the Company recognized a gain on termination of lease amounting to ₱1.5 million (see Note 19).

Related security deposits amounted to ₱405,000 as at December 31, 2020.

In 2021, the Company entered into several noncancellable lease agreements with third parties for its outlet spaces for a period of three years subject to renewal.

The balance of and movements in ROU assets and lease liabilities are as follows:

ROU Assets

			2021	
	Note	**Outlet Spaces**	**Land**	**Total**
Cost				
Balance at beginning of year		**₱3,904,675**	**₱12,943,700**	**₱16,848,375**
Additions		**26,524,782**	**–**	**26,524,782**
Termination of lease		**–**	**(12,943,700)**	**(12,943,700)**
Balance at end of year		**30,429,457**	**–**	**30,429,457**
Accumulated Amortization				
Balance at beginning of year		**2,603,118**	**1,725,825**	**4,328,943**
Amortization	9	**4,391,369**	**1,078,642**	**5,470,011**
Termination of lease		**–**	**(2,804,467)**	**(2,804,467)**
Balance at end of year		**6,994,487**	**–**	**6,994,487**
Carrying Amount		**₱23,434,970**	**₱–**	**₱23,434,970**

			2020	
	Note	Outlet Spaces	Land	Total
Cost				
Balance at beginning and end of year		₱3,904,675	₱12,943,700	₱16,848,375
Accumulated Amortization				
Balance at beginning of year		1,301,558	431,457	1,733,015
Amortization	9	1,301,560	1,294,368	2,595,928
Balance at end of year		2,603,118	1,725,825	4,328,943
Carrying Amount		₱1,301,557	₱11,217,875	₱12,519,432

Lease Liabilities

			2021	
	Note	**Outlets Spaces**	**Land**	**Total**
Balance at beginning of year		**₱1,444,701**	**₱11,879,986**	**₱13,324,687**
Additions		**26,524,782**	**–**	**26,524,782**
Rental payments		**(4,935,155)**	**(1,350,000)**	**(6,285,155)**
Interest	12	**652,470**	**1,072,176**	**1,724,646**
Termination of lease		**–**	**(11,602,162)**	**(11,602,162)**
Balance at end of year		**23,686,798**	**–**	**23,686,798**
Less current portion		**8,470,849**	**–**	**8,470,849**
Noncurrent portion		**₱15,215,949**	**₱–**	**₱15,215,949**

	Note	2020 Outlets Spaces	Land	Total
Balance at beginning of year		₱2,741,192	₱12,133,700	₱14,874,892
Rental payments		(428,600)	(1,350,000)	(1,778,600)
Interest	12	234,709	1,096,286	1,330,995
Rent concessions	19	(1,102,600)	–	(1,102,600)
Balance at end of year		1,444,701	11,879,986	13,324,687
Less current portion		1,444,701	336,480	1,781,181
Noncurrent portion		₱–	₱11,543,506	₱11,543,506

The incremental borrowing rate applied to the lease liabilities ranges from 10.87% to 11.00%, depending on the lease term. ROU assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments.

The amounts recognized in profit or loss are as follows:

	Note	**2021**	2020	2019
Rental expense - short-term lease	17	**₱9,690,360**	₱10,774,849	₱31,249,380
Amortization of ROU assets	9	**5,470,011**	2,595,928	1,733,015
Interest expense on lease liabilities	12	**1,724,646**	1,333,872	367,717
Gain on termination of lease		**1,462,929**	–	–
Gain from rent concessions		**–**	1,102,600	–
		₱18,347,946	₱15,807,249	₱33,350,112

Lease commitments for short-term leases amounted to ₱7.4 million and ₱13.7 million as at December 31, 2021 and 2020, respectively.

Lease with Variable Payments

The Company has lease contracts that contain variable lease payments based on generated revenue. These terms are negotiated by management for certain location with steady customer demand. Management's objective is to align the lease expense with revenue earned. The following provides information on the Company's variable lease payments, including the magnitude in relation to fixed payments:

	2021 **Fixed payments**	**Variable payments**	**Total**
Fixed rent only	**₱9,132,332**	**₱–**	**₱9,132,332**
Variable rent with minimum payment	**1,995,798**	**1,099,700**	**3,095,498**
Variable rent only	**–**	**2,947,160**	**2,947,160**
	₱11,128,130	**₱4,046,860**	**₱15,174,990**

	2020 Fixed payments	Variable payments	Total
Fixed rent only	₱6,658,671	₱–	₱6,658,671
Variable rent with minimum payment	19,842,018	4,551,406	24,393,424
Variable rent only	–	1,002,957	1,002,957
	₱26,500,689	₱5,554,363	₱32,055,052

A 5% increase in revenue would increase total lease payments by 5%.

Lease with Extension Options

The Company has several lease contracts that include extension options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Company's business needs. Management exercises significant judgment in determining whether these extension options are reasonably certain to be exercised (see Note 3).

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension options that are not included in the lease term:

Extension options expected not to be exercised	**2021**	2020
Not later than one year	**₱23,901,942**	₱27,269,291
More than one year but less than five years	**47,803,884**	19,235,826
	₱71,705,826	₱46,505,117

COVID-19-Related Rent Concessions - amendment to PFRS 16 Leases

In 2020, many lessors provided rent concessions to the Company as a result of the COVID-19 pandemic. Rent concessions include rent holidays or rent reductions for a certain period of time. The Company elected not to assess whether a COVID-19 related rent concession from a lessor is a lease modification but has applied the practical expedient to all rent concessions that meet the conditions for the practical expedient.

Gain from rent concessions presented under "Other income" account in the statements of comprehensive income amounted to ₱1.1 million in 2020.

23. **Income Taxes**

The Company's provision for current income tax represents RCIT in 2021 and 2019 and MCIT in 2020.

On March 26, 2021, RA No. 11534 or the "Corporate Recovery and Tax Incentives for Enterprises ("CREATE") Act" (the "Act") was signed into law by the President of the Philippines. Under the Act, domestic corporations will be subject to 25% or 20% RCIT depending on the amount of total assets or total amount of taxable income. In addition, MCIT shall be computed at 1% of gross income for a period of three years. The changes in the income tax rates shall retrospectively become effective beginning July 1, 2020.

The income tax rates used, however, in preparing the financial statements as at and for the year ended December 31, 2020 were still 30% and 2% for RCIT and MCIT, respectively. The effect of the reduction in tax rates was recognized as part of the 2021 income tax expense, as required by PAS 12, *Income Tax*es. Details of the adjusted amounts are as follows:

	Current	Deferred	Total
Income tax expense	₱3,362,195	₱77,198	₱3,439,393
Effect of change in tax rates	(270,301)	66,038	(204,263)
Adjusted income tax expense	₱3,091,894	₱143,236	₱3,235,130

Details of the Company's deferred tax assets are as follows:

	2021	2020
Deferred Tax Assets:		
Retirement benefits liability	**₱315,223**	₱162,687
Lease liabilities, net of ROU assets	**62,957**	241,577
Excess MCIT over RCIT	**–**	751,958
	₱378,180	₱1,156,222

Excess MCIT over RCIT incurred in 2020 amounting to ₱751,958 was applied against income tax due in 2021.

Reconciliation of provision for (benefit from) income tax based on statutory tax rate and the effective tax rate is as follows:

	2021	2020	2019
Provision for (benefit from) income tax computed at the statutory tax rate	**₱2,944,174**	(₱292,032)	₱3,012,758
Tax effects of:			
Nondeductible expenses	**500,846**	242,574	2,508
Interest income already subjected to a final tax	**(5,627)**	(1,839)	(6,080)
Effect of change in tax rates	**(204,263)**	–	–
Provision for (benefit from) income tax computed at the effective tax rate	**₱3,235,130**	(₱51,297)	₱3,009,186

24. Reconciliation of Liabilities Arising from Financing Activities

The tables below detail the changes in the Company's liabilities arising from financing activities, including cash and noncash changes:

			Noncash Charges				
	2020	**Payments**	**Additions**	**Accretion of Interest**	**Termination of Lease**	**Dividends Declared**	**2021**
Lease liabilities	**₱13,324,687**	**(₱6,285,155)**	**₱26,524,782**	**₱1,724,646**	**(₱11,602,162)**	**₱–**	**₱23,686,798**
Dividends payable	**–**	**(8,025,000)**	**–**	**–**	**–**	**8,025,000**	**–**
	₱13,324,687	**(₱14,310,155)**	**₱26,524,782**	**₱1,724,646**	**(₱11,602,162)**	**₱8,025,000**	**₱23,686,798**

			Noncash Charges		
	2019	Payments	Accretion of Interest	Gain from Rent Concessions	2020
Lease liabilities	₱14,874,892	(₱1,778,600)	₱1,330,995	(₱1,102,600)	₱13,324,687
Mortgage payable	131,099	(131,099)	–	–	–
Due to related parties	50,000	(50,000)	–	–	–
	₱15,055,991	(₱1,959,699)	₱1,330,995	(₱1,102,600)	₱13,324,687

25. **Financial Risk Management Policies and Objectives**

The Company's financial assets comprise cash and cash equivalents, trade and other receivables, note receivable, due from related parties and construction bond (presented as part of "Other current assets" account in the statements of financial position). The Company's financial liabilities include trade and other payables (excluding statutory payable), lease liabilities, mortgage payable and due to related parties. The main purpose of these financial liabilities is to finance the Company's operations.

The Company is exposed to credit risk, interest rate risk and liquidity risk. The Company's management oversees the management of these risks. The Company's BOD and management review and approve the policies for managing each of the risks, which are summarized below.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Counterparty such as banks and customer who pay on or before due date have minimum risk exposure because default in settling its obligations is remote.

The table below shows the gross maximum exposure of the Company to credit risk for the components of the Company's financial position:

	2021	2020
Cash and cash equivalents	**₱48,214,468**	₱13,253,880
Trade and other receivables	**2,404,774**	3,081,503
Note receivable	**60,000,000**	–
Due from related parties	**7,582,306**	122,294,109
Construction bond	**418,200**	374,700
	₱118,619,748	₱139,004,192

Risk Management. The Company deals only with reputable banks and customer to limit this risk. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, the Company assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the management. The compliance with credit limits by customers is regularly monitored by management.

The tables below show the credit quality of financial assets as at December 31, 2021 and 2020:

	2021				
	Neither Past Due Nor Impaired				
	High Grade	**Standard Grade**	**Past Due but Not Impaired**	**Impaired**	**Total**
Cash and cash equivalents	**₱48,214,468**	**₱–**	**₱–**	**₱–**	**₱48,214,468**
Trade and other receivables	**–**	**2,404,774**	**–**	**–**	**2,404,774**
Note receivable	**–**	**60,000,000**	**–**	**–**	**60,000,000**
Due from related parties	**–**	**7,582,306**	**–**	**–**	**7,582,306**
Construction bond	**–**	**418,200**	**–**	**–**	**418,200**
	₱48,214,468	**₱70,405,280**	**₱–**	**₱–**	**₱118,619,748**

	2020				
	Neither Past Due Nor Impaired				
	High Grade	Standard Grade	Past Due but Not Impaired	Impaired	Total
Cash in banks	₱13,253,880	₱–	₱–	₱–	₱13,253,880
Trade and other receivables	–	3,081,503	–	–	3,081,503
Due from related parties	–	122,294,109	–	–	122,294,109
Construction bond	–	374,700	–	–	374,700
	₱13,253,880	₱125,750,312	₱–	₱–	₱139,004,192

The credit quality of such financial assets at amortized cost is managed by the Company using internal credit quality ratings as follows:

- *High Grade.* Pertains to counterparty who is not expected by the Company to default in settling its obligations, thus credit risk exposure is minimal. This normally includes large prime financial institutions, companies, government agencies and individual buyers. Credit quality was determined based on the credit standing of the counterparty.
- *Standard Grade.* Other financial assets not belonging to high grade financial assets are included in this category.

Security. The Company does not have financial assets held as collaterals.

Impairment. An impairment analysis is performed at each reporting date using a provision matrix to measure ECL. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and other forms of credit insurance). The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Trade receivables arise mainly from transactions with store outlets. Store outlets are subject to stringent financial, credit, and legal verification process. In addition, trade receivable balances are monitored on an on-going basis to ensure timely collections. The Company has assessed that the ECL on trade and other receivables is not material because these are substantially collected within the Company's credit terms.

For other financial assets at amortized cost which comprise cash and cash equivalents, other receivables, note receivable, due from related parties and construction bond, the PFRS 9 impairment requirements do not result in significant ECL. The following are considered in the assessment:

- Cash being deposited with reputable counterparty banks that possess good credit ratings

- Available liquid assets of the related parties

<u>Liquidity Risk</u>
Liquidity risk arises from the possibility that the Company may encounter difficulties in raising funds to meet commitments from financial instruments. It may result from either the inability to sell assets quickly at fair values or failure to collect from counterparty.

The Company's objective is to maintain a balance between continuity of funding and flexibility through related party advances and aims to manage liquidity as follows:

a. To ensure that adequate funding is available at all times;
b. To meet commitments as they arise without incurring unnecessary costs; and
c. To be able to assess funding when needed at the least possible cost.

The tables below summarize the maturity profile of the Company's financial liabilities as at December 31, 2021 and 2020, based on undiscounted cash flows:

	2021					
	Payable on demand	**1 to 120 days**	**121 to 240 days**	**241 to 360 days**	**Over 360 days**	**Total**
Trade and other payables*	**₱–**	**₱8,404,458**	**₱–**	**₱–**	**₱–**	**₱8,404,458**
Lease liabilities	**–**	**3,246,846**	**3,246,846**	**3,246,846**	**16,077,116**	**25,817,654**
	₱–	**₱11,651,304**	**₱3,246,846**	**₱3,246,846**	**₱16,077,116**	**₱34,222,112**

**Excluding statutory payable.*

	2020					
	Payable on demand	1 to 120 days	121 to 240 days	241 to 360 days	Over 360 days	Total
Trade and other payables*	₱–	₱1,817,955	₱–	₱–	₱–	₱1,817,955
Lease liabilities	–	1,050,400	1,050,400	1,050,400	17,986,139	21,137,339
	₱–	₱2,868,355	₱1,050,400	₱1,050,400	₱17,986,139	₱22,955,294

**Excluding statutory payable.*

26. **Fair Value Measurement**

The table below presents the carrying amounts and fair values of the Company's financial instruments as follows:

	2021		2020	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets at Amortized Cost:				
Cash and cash equivalents	**₱48,337,058**	**₱48,337,058**	₱13,299,921	₱13,299,921
Trade and other receivables	**2,404,774**	**2,404,774**	3,081,503	3,081,503
Note receivable	**60,000,000**	**60,000,000**	–	–
Due from related parties	**7,582,306**	**7,582,306**	122,294,109	122,294,109
Construction bond	**418,200**	**418,200**	374,700	374,700
	₱118,742,338	**₱118,742,338**	₱139,050,233	₱139,050,233
Financial Liabilities at Amortized Cost:				
Trade and other payables*	**₱8,404,458**	**₱8,404,458**	₱1,817,955	₱1,817,955
Lease liabilities	**23,686,798**	**23,686,798**	13,324,687	13,324,687
	₱32,091,256	**₱32,091,256**	₱15,142,642	₱15,142,642

**Excluding statutory payable.*

Cash and Cash Equivalents, Trade and Other Receivables, Note Receivable, Due from Related Parties, Construction Bond and Trade and Other Payables (Excluding Statutory Payable). The carrying amounts of these financial instruments approximate fair values due to the relatively short-term maturity of these financial instruments.

Lease Liabilities. The fair value of lease liabilities are determined based on the discounted cash flow analysis using effective interest rates for similar types of instruments. There were no significant unobservable inputs identified and no relationship was established between the unobservable inputs and the fair value of lease liabilities. These financial liabilities are classified under Level 3 of the fair value hierarchy. The rates applied to lease liabilities range from 10.87% to 11.00%.

Generally, an increase or decrease in the incremental after-tax cash flows will result in an increase or decrease in the fair value of these financial assets and liabilities. An increase or decrease in discount rate will result in a decrease or increase in the fair value of these financial asset and liabilities.

There are no significant transfers between levels in the fair value hierarchy in 2021 and 2020.

27. Operating Segment Information

For management purposes, the Company is organized into operating segments based on brand names. However, due to the similarity in the economic characteristics, such segments have been aggregated into a single operating segment for external reporting purposes.

Outlet stores sales reflected in the statements of comprehensive income are all from external customers and within the Philippines, which is the Company's domicile and primary place of operations. Additionally, the Company's noncurrent assets are also primarily acquired, located and used within the Philippines.

Outlet stores sales are attributable to revenue from the general public, which are generated through the Company's store outlets. Consequently, the Company has no concentrations of revenue from a single customer in 2021 and 2020.

BOA/PRC Accreditation No. 4782
August 16, 2021, valid until April 13, 2024
SEC Accreditation No. 0207-FR-3 (Group A)
August 29, 2019, valid until August 28, 2022

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

The Stockholders and the Board of Directors
BALAI NI FRUITAS, INC.
68 Data St. Brgy. Don Manuel
Quezon City, Philippines

We have audited the accompanying financial statements of BALAI NI FRUITAS, INC (the "Company" and formerly BUKO NI FRUITAS, INC.), a wholly-owned subsidiary of FRUITAS HOLDINGS, INC., as at December 31, 2021 and 2020 and for the years ended December 31, 2021, 2020 and 2019, on which we have rendered our report dated March 15, 2022.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Company has one (1) stockholder owning at least one hundred (100) shares as at December 31, 2021 and 2020.

REYES TACANDONG & CO.

WILSON P. TEO
Partner
CPA Certificate No. 92765
Tax Identification No. 191-520-944-000
BOA Accreditation No. 4782; Valid until April 13, 2024
SEC Accreditation No. 92765-SEC Group A
Issued January 28, 2020
Valid for Financial Periods 2019 to 2023
BIR Accreditation No. 08-005144-014-2020
Valid until January 1, 2023
PTR No. 8851714
Issued January 3, 2022, Makati City

March 15, 2022
Makati City, Metro Manila

REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
BALAI NI FRUITAS, INC.
68 Data St. Brgy. Don Manuel
Quezon City, Philippines

We have audited in accordance with Philippine Standards on Auditing, the financial statements of BALAI NI FRUITAS, INC. (the "Company" and formerly BUKO NI FRUITAS, INC.), a wholly-owned subsidiary of FRUITAS HOLDINGS, INC., as at December 31, 2021 and 2020 and for the years ended December 31, 2021, 2020 and 2019, and have issued our report thereon dated March 15, 2022.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Supplementary Schedules are the responsibility of the Company's management. These supplementary schedules include the following:

- Supplementary Schedules as Required by Part II of the Revised Securities Regulation Code (SRC) Rule 68
- Reconciliation of Retained Earnings Available for Dividends Declaration
- Conglomerate Map

These schedules are presented for the purpose of complying with the Revised SRC Rule 68 and are not part of the basic financial statements. The information in these supplementary schedules have been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

REYES TACANDONG & CO.

WILSON P. TEO
Partner
CPA Certificate No. 92765
Tax Identification No. 191-520-944-000
BOA Accreditation No. 4782; Valid until April 13, 2024
SEC Accreditation No. 92765-SEC Group A
Issued January 28, 2020
Valid for Financial Periods 2019 to 2023
BIR Accreditation No. 08-005144-014-2020
Valid until January 1, 2023
PTR No. 8851714
Issued January 3, 2022, Makati City

March 15, 2022
Makati City, Metro Manila

BALAI NI FRUITAS, INC.
(Formerly BUKO NI FRUITAS, INC.)
[A Wholly-owned Subsidiary of FRUITAS HOLDINGS, INC.]

SUPPLEMENTARY SCHEDULES AS REQUIRED BY PART II OF THE REVISED SRC RULE 68
DECEMBER 31, 2021

N/A - Not applicable

BALAI NI FRUITAS, INC.

(Formerly BUKO NI FRUITAS, INC.)

[A Wholly-owned Subsidiary of FRUITAS HOLDINGS, INC.]

SCHEDULE A - FINANCIAL ASSETS

DECEMBER 31, 2021

Description	Number of Shares or Principal Amount of bonds and notes	Amount Shown in the Statement of Financial Position	Income received and accrued
Cash and cash equivalents	–	₱48,337,058	₱22,508
Trade and other receivables	–	2,404,774	–
Note receivable	–	60,000,000	750,000
Due from related parties	–	7,582,306	–
Construction bond	–	418,200	–
	–	₱118,742,338	₱772,508

BALAI NI FRUITAS, INC.

(Formerly BUKO NI FRUITAS, INC.)

[A Wholly-owned Subsidiary of FRUITAS HOLDINGS, INC.]

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

DECEMBER 31, 2021

	Balance at beginnning of year	Additions	Amounts collected/ Reclassification	Amounts written off	Current	Not current	Balance at end of year
Note Receivable	₱–	₱60,000,000	₱–	₱–	₱60,000,000	₱–	₱60,000,000
Due from related parties	₱122,294,109	₱43,675,308	(₱158,387,111)	₱–	₱7,582,306	₱–	₱7,582,306

BALAI NI FRUITAS, INC.
(Formerly BUKO NI FRUITAS, INC.)
[A Wholly-owned Subsidiary of FRUITAS HOLDINGS, INC.]

SCHEDULE G - CAPITAL STOCK
DECEMBER 31, 2021

				Number of shares held by		
Title of issue	**Number of shares authorized**	**Number of shares issued and outstanding at shown under related balance sheet caption**	**Number of shares reserved for options, warrants, conversion and other rights**	**Number of shares held by related parties**	**Directors, officers and employees**	**Others**
Common stock - ₱100 par value	1,500,000,000	1,170,005,000	–	1,169,988,000	17,000	–

BALAI NI FRUITAS, INC.
(Formerly BUKO NI FRUITAS, INC.)
[A Wholly-owned Subsidiary of FRUITAS HOLDINGS, INC.]

SUPPLEMENTARY SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

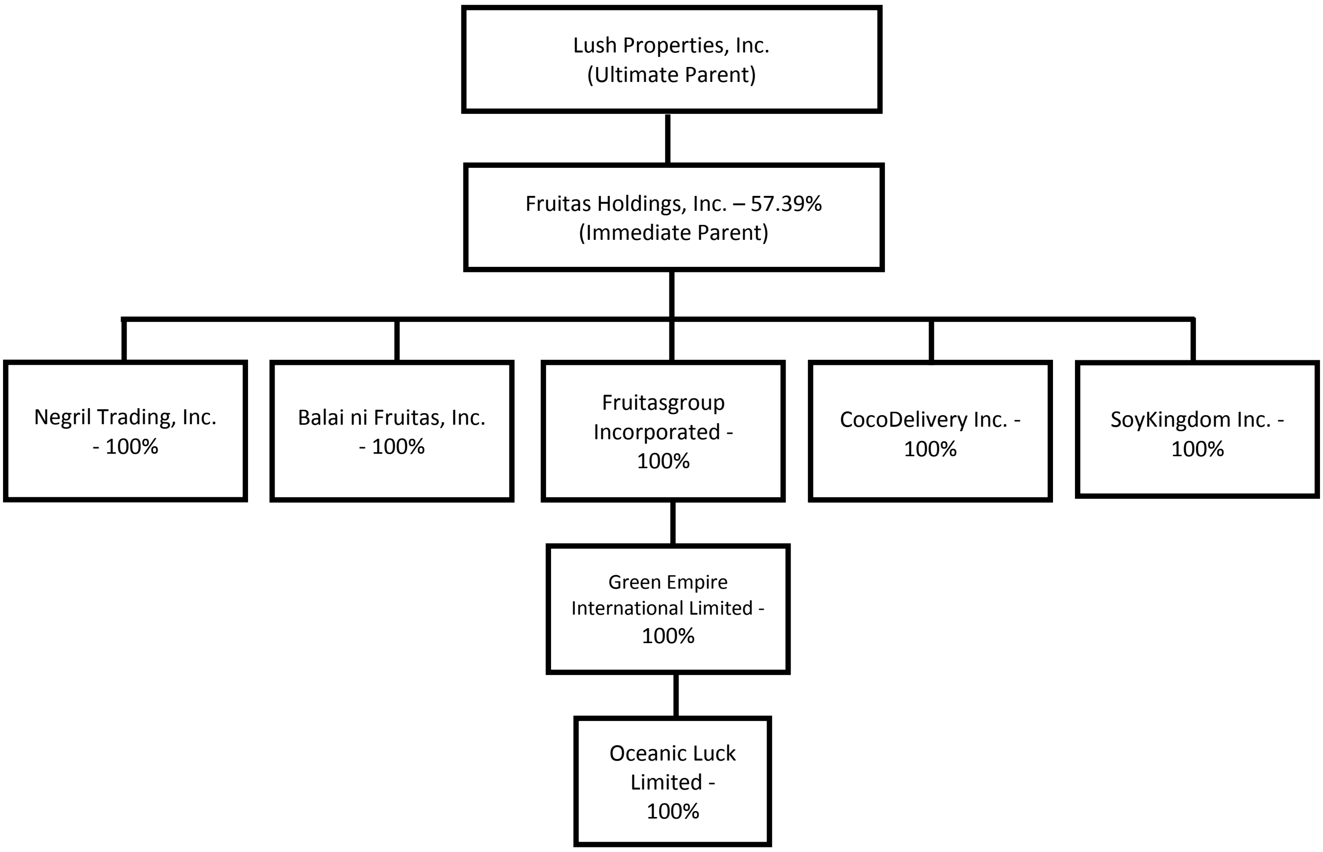
DECEMBER 31, 2021

		Amount
Retained earnings at beginning of year		₱9,665,775
Deferred tax asset, beginning		(1,156,222)
Total retained earnings as adjusted at beginning of year		8,509,553
Adjustments:		
Net income during the year closed to retained earnings	8,541,566	
Cash dividend declaration	(8,025,000)	
Decrease in deferred tax asset	778,042	1,294,608
RETAINED EARNINGS AT END OF YEAR AVAILABLE FOR DIVIDEND DECLARATION		**₱9,804,161**

Reconciliation:	
Retained earnings at end of year	₱10,182,341
Deferred tax asset at end of year	(378,180)
Total retained earnings at end of period available for dividend declaration	**₱9,804,161**

BALAI NI FRUITAS, INC.
(Formerly BUKO NI FRUITAS, INC.)
[A Wholly-owned Subsidiary of FRUITAS HOLDINGS, INC.]

CONGLOMERATE MAP
DECEMBER 31, 2021



BOA/PRC Accreditation No. 4782
August 16, 2021, valid until April 13, 2024
SEC Accreditation No. 0207-FR-3 (Group A)
August 29, 2019, valid until August 28, 2022

BDO Towers Valero (formerly Citibank Tower)
8741 Paseo de Roxas
Makati City 1226 Philippines
Phone : +632 8 982 9100
Fax : +632 8 982 9111
Website : www.reyestacandong.com

REPORT OF INDEPENDENT AUDITORS ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
BALAI NI FRUITAS, INC.
68 Data St. Brgy. Don Manuel
Quezon City, Philippines

We have audited in accordance with Philippine Standards on Auditing, the financial statements of BALAI NI FRUITAS, INC. (the "Company" and formerly BUKO NI FRUITAS, INC.), a wholly-owned subsidiary of FRUITAS HOLDINGS, INC., as at December 31, 2021 and 2020 and for the years ended December 31, 2021, 2020 and 2019, and have issued our report thereon dated March 15, 2022.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule (SRC) 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Company's financial statements as at December 31, 2021 and 2020 and for the years ended December 31, 2021, 2020 and 2019, and no material exceptions were noted.

REYES TACANDONG & CO.

WILSON P. TEO
Partner
CPA Certificate No. 92765
Tax Identification No. 191-520-944-000
BOA Accreditation No. 4782; Valid until April 13, 2024
SEC Accreditation No. 92765-SEC Group A
Issued January 28, 2020
Valid for Financial Periods 2019 to 2023
BIR Accreditation No. 08-005144-014-2020
Valid until January 1, 2023
PTR No. 8851714
Issued January 3, 2022, Makati City

March 15, 2022
Makati City, Metro Manila

BALAI NI FRUITAS, INC.
(Formerly BUKO NI FRUITAS, INC.)
[A Wholly-owned Subsidiary of FRUITAS HOLDINGS, INC.]

FINANCIAL SOUNDNESS INDICATORS UNDER THE REVISED SRC RULE 68

Below is a schedule showing financial soundness indicators of the Company as at December 31, 2021 and 2020 and for the years ended December 31, 2021, 2020 and 2029.

	2021	2020	2019
CURRENT/LIQUIDITY RATIO			
Current assets	**₱134,062,179**	₱154,262,950	₱158,544,818
Current liabilities	**19,631,645**	5,486,590	9,948,475
Current Ratio	**6.83**	28.12	15.94
ACID TEST RATIO			
Quick assets	**₱131,397,853**	₱152,711,795	₱156,915,848
Current liabilities	**19,631,645**	5,486,590	9,948,475
Acid Test Ratio	**6.69**	27.83	15.77
SOLVENCY RATIO			
Net income before depreciation and Amortization	**₱20,315,159**	₱5,343,271	₱11,698,358
Total liabilities	**36,108,484**	17,572,386	23,664,843
Solvency Ratio	**0.56**	0.30	0.49
DEBT-TO-EQUITY RATIO			
Total liabilities	**₱36,108,484**	₱17,572,386	₱23,664,843
Total equity	**164,839,525**	159,679,522	160,601,664
Debt-to-Equity Ratio	**0.22**	0.11	0.15
ASSET-TO-EQUITY RATIO			
Total assets	**₱200,948,009**	₱177,251,908	₱184,266,507
Total equity	**164,839,525**	159,679,522	160,601,664
Asset-to-Equity Ratio	**1.22**	1.11	1.15
INTEREST-COVERAGE RATIO			
Earnings before interest and taxes	**₱13,501,342**	₱360,433	₱11,054,455
Interest expense	**1,724,646**	1,333,872	1,011,929
Interest-Coverage Ratio	**7.83**	0.27	10.92
PROFITABILITY RATIO			
Net income (loss) attributable to equity holders of the Parent Company	**₱8,541,566**	(₱922,142)	₱7,033,340
Average equity	**162,259,524**	160,140,593	150,084,994
Return on Equity	**0.05**	(0.01)	0.05

	2021	2020	2019
RETURN ON ASSETS			
Net income (loss)	**₱8,541,566**	(₱922,142)	₱7,033,340
Average assets	**189,099,959**	180,759,208	168,154,357
Return on Assets	**0.05**	(0.01)	0.04
NET PROFIT MARGIN			
Net income (loss)	**₱8,541,566**	(₱922,142)	₱7,033,340
Revenue	**148,933,421**	110,143,631	233,191,964
Net Profit Margin	**0.06**	(0.01)	0.03

BALAI NI FRUITAS INC.
(Formerly: BUKO NI FRUITAS INC.)
68 Data St. Cor. Cordillera St. Brgy Don Manuel, Quezon City, Philippines
Tel: 8-(63.2) 7128361; Mobile: +63.928.36163.45
Email: ipo.compliance@balainifruitas.com; compliancetax.bnfi@gmail.com

March 15, 2022

The Bureau of Internal Revenue
RDO No. 39, South Quezon City

STATEMENT OF MANAGEMENT'S RESPONSIBIILITY FOR ANNUAL INCOME TAX RETURN

The Management of **Balai Ni Fruitas Inc.** is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2021. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended December 31, 2021 and the accompanying Annual Income Tax Return are in accordance with the books and records of **Balai Ni Fruitas Inc.**, complete and correct in all material respects. Management likewise affirms that:

a. the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;

b. any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;

c. **Balai Ni Fruitas Inc.** has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

Rogelio M. Guadalquiver
Chairman of the Board

Lester C. Yu
President & Chief Executive Officer

Ma. Teresa B. Trujillo
Chief Financial Officer & Treasurer

Signed this 15th day of March 2022

SUBSCRIBED AND SWORN to before me this day of MAR 2 8 2022
in Quezon City, Philippines, Affiant exhibiting to me his/her valid ID attached.

Doc. No. 231
Page No. 48
Book No. VI
Series of 2022

ATTY. [illegible] BOLIVAR
NOTARY PUBLIC IN QUEZON CITY
Commission No. Adm. Matter No. NP 201 (2021-2022)
[illegible]
[illegible]
MCLE No. [illegible] Quezon City
Address: 31-F Harvard St. Cubao, Q.C.

Annex A
List of Material Permits and Licenses

Issuing Agency	Permits/Clearances	Date of Issuance	Status/Remarks
HDMF	Buko Ni Fruitas Inc. Employer Registration No. 204472760000	30-Oct-19	Valid
PHIC	Buko Ni Fruitas Inc. Employer Registration No. 003000008850	03-Sep-19	Valid
SSS	Buko Ni Fruitas Inc. Employer Registration No. 03-9054062-3-000	20-May-19	Valid
Securities and Exchange Commission ("SEC")	Balai Ni Fruitas Inc. Certificate of Registration No. CS200508386 (with Certificate of Filing of Amended Articles of Incorporation issued on 6 January 2022)	06-Jan-22	Valid
IP Office	Buko Ni Fruitas Fresh From Babot's Farm Trademark Registration No. 4201000489	31-Dec-20	Valid
IP Office	Fruitas House of Desserts Trademark Registration No. 4/2019/00009987	22-Oct-19	Valid
IP Office	Balai Pandesal Trademark Registration No. 4/2021/00514303	29-Oct-21	Valid
IP Office	Balai Pandesal Home of Hot Pandesalitas Trademark Registration No. 4/2021/00516331	17-Sep-21	Valid
City Government of Quezon City	Balai Ni Fruitas Inc. Business Permit No. 05-007023	21-Apr-22	Valid until April 21, 2023
Bureau of Internal Revenue ("BIR")	Balai ni Fruitas, Inc. Quezon City Office Certificate of Registration No. 039RC20220000002359	30-May-05	Valid
Local Government	SM SUPERMARKET MEGAMALL B Business Permit No. 22-03071	05-Jan-22	Valid until Dec 31, 2022
Local Government	ROBINSONS MANILA / ERMITA Business Permit No. 117-00-2005-0011085	16-Feb-22	Valid until Dec 31, 2022
Local Government	FESTIVAL MALL - ALABANG FOODCOURT Business Permit No. 2022-0002868	18-Jan-22	Valid until Dec 31, 2022
Local Government	SM CITY STA ROSA FOODCOURT Business Permit No. 3088-22	08-Jan-22	Valid until Dec 31, 2022
Local Government	SM CENTER VALENZUELA FOODCOURT Business Permit No. 06-102170	26-Jan-22	Valid until Dec 31, 2022
Local Government	SM CITY PAMPANGA FOODCOURT Business Permit No. 3969	14-Jan-22	Valid until Dec 31, 2022
Local Government	SM SUPERMARKET CUBAO Business Permit No. 06-007767	09-Mar-22	Valid until March 9, 2023
Local Government	SM CITY NORTH EDSA Business Permit No. 18-004776	09-Mar-22	Valid until March 9, 2023
Local Government	SM MEGAMALL FOODCOURT A Business Permit No. 22-03076	05-Jan-22	Valid until Dec 31, 2022
Local Government	SM CITY FAIRVIEW FOODCOURT Business Permit No. 06-010881	09-Mar-22	Valid until March 9, 2023
Local Government	SM CITY STA MESA FOODCOURT Business Permit No. 07-004087	09-Mar-22	Valid until March 9, 2023

Local Government	GREENHILLS LIFESTYLE Business Permit No. FMZ-2022-5902	23-May-22	Valid until Dec 31, 2022
Local Government	SM CITY TAYTAY FOODCOURT Business Permit No. 2022-0000458	06-Jan-22	Valid until Dec 31, 2022
Local Government	SM CITY ILOILO FOODCOURT Business Permit No. B-00856	10-Jan-22	Valid until Dec 31, 2022
Local Government	CASH & CARRY Business Permit No. 18890	14-Jan-22	Valid until Dec 31, 2022
Local Government	SM CITY MASINAG FOODCOURT Business Permit No. 2022-004019	11-Feb-22	Valid until Dec 31, 2022
Local Government	PUREGOLD SAN MATEO Business Permit No. 2022-003362	06-Jan-22	Valid until Dec 31, 2022
Local Government	SM CITY CALAMBA Business Permit No. 2022-04947	21-Feb-22	Valid until Dec 31, 2022
Local Government	SM SUPERMARKET CALAMBA Business Permit No. 2022-04948	21-Feb-22	Valid until Dec 31, 2022
Local Government	SM CITY MARIKINA FOODCOURT Business Permit No. 2022-03892	19-Jan-22	Valid until Dec 31, 2022
Local Government	SM CITY ROSALES FOODCOURT Business Permit No. 0484	10-Jan-22	Valid until Dec 31, 2022
Local Government	SM CITY MANILA Business Permit No. 117-00-2013-0003019	16-Feb-22	Valid until Dec 31, 2022
Local Government	TRINOMA FOODCHOICES Business Permit No. 12-013348	09-Mar-22	Valid until March 9, 2023
Local Government	SM MOA BY THE BAY Business Permit No. 13-039315	27-Jan-22	Valid until Dec 31, 2022
Local Government	SM CITY NAGA FOODCOURT Business Permit No. BP-2022-03419-0	27-Jan-22	Valid until Dec 31, 2022
Local Government	SM CITY TARLAC FOODCOURT Business Permit No. 017-17-2013-0000832	27-Jan-22	Valid until Dec 31, 2022
Local Government	PUREGOLD KALENTONG Business Permit No. 117-00-2014-0604021	16-Feb-22	Valid until Dec 31, 2022
Local Government	SM CITY CABANATUAN FOODCOURT Business Permit No. 22-00056	06-Jan-22	Valid until Dec 31, 2022
Local Government	SM CITY BACOLOD EXPANSION Business Permit No. 202294440	03-Feb-22	Valid until Dec 31, 2022
Local Government	ROBINSONS GALLERIA Business Permit No. 17-003751	09-Mar-22	Valid until March 9, 2023
Local Government	AYALA MALLS CLOVERLEAF Business Permit No. 17-011465	09-Mar-22	Valid until March 9, 2023
Local Government	PUREGOLD MAKATI Business Permit No. 18891	14-Jan-22	Valid until Dec 31, 2022
Local Government	AYALA MALLS FELIZ Business Permit No. 019751	03-Feb-22	Valid until Dec 31, 2022
Local Government	PUREGOLD TAYUMAN Business Permit No. 117-00-2017-1209254	16-Feb-22	Valid until Dec 31, 2022
Local Government	PUREGOLD VALENZUELA Business Permit No. 18-134325	26-Jan-22	Valid until Dec 31, 2022

Local Government	SM CITY TELABASTAGAN Business Permit No. 14150	14-Jan-22	Valid until Dec 31, 2022
Local Government	LANDMARK TRINOMA SUPERMARKET Business Permit No. 18-006001	09-Mar-22	Valid until March 9, 2023
Local Government	VICTORY CENTRAL MALL, CALOOCAN Business Permit No. 18-M0515-01427	10-Feb-22	Valid until Dec 31, 2022
Local Government	SM CITY LEGAZPI Business Permit No. BP-2022-02511-0	31-Jan-22	Valid until Dec 31, 2022
Local Government	SM CITY FAIRVIEW Business Permit No. 19-002083	09-Mar-22	Valid until March 9, 2023
Local Government	SM SUPERMARKET NOVALICHES Business Permit No. 19-004250	07-Mar-22	Valid until March 7, 2023
Local Government	GLORIETTA 3 Business Permit No. 18892	14-Jan-22	Valid until Dec 31, 2022
Local Government	SM CITY DASMARINAS Business Permit No. 2022-00559	17-Jan-22	Valid until Dec 31, 2022
Local Government	SM CITY OLONGAPO CENTRAL Business Permit No. 2019-0001186	18-Jan-22	Valid until Dec 31, 2022
Local Government	MARKET! MARKET! Business Permit No. 41907405	25-Jan-22	Valid until Dec 31, 2022
Local Government	SM SUPERMARKET PODIUM Business Permit No. 22-03095	10-Feb-22	Valid until Dec 31, 2022
Local Government	MUH BLDG. RUSSIA ST. BETTER LIVING SUBD. PARANAQUE CITY Business Permit No. 2021090176	28-Jan-22	Valid until Dec 31, 2022
Local Government	22 TANDANG SORA AVENUE, QUEZON CITY Business Permit No. 21-006147	09-Mar-22	Valid until March 9, 2023
Local Government	2439 F BURKE HOUSE NO. 5 BLDG PEDRO GIL ST. STA. ANA MANILA CITY Business Permit No. 117-00-2021-0806399	16-Feb-22	Valid until Dec 31, 2022
Local Government	8137 PLAZA 4 JM ESCRIVA DRIVE, PASIG Business Permit No. RET 22-033181	04-Feb-22	Valid until Dec 31, 2022
Local Government	742 BANAWE ST. COR. SCT. ALCARAZ ST. QUEZON CITY Business Permit No. 21-007237	28-Feb-22	Valid until Feb 28, 2023
Local Government	HOWARD TOWER N. CARPIO ST. RIZAL AVE., CALOOCAN CITY Business Permit No. 22-M0224-00008	12-Apr-22	Valid until Dec 31, 2022
Local Government	61 ANONAS QUIRINOA 2A PROJECT 2, QUEZON CITY Business Permit No. 21-905502	09-Mar-22	Valid until March 9, 2023
Local Government	97 PASO DE BLAS, VALENZUELA CITY Business Permit No. 21-147373	26-Jan-22	Valid until Dec 31, 2022
Local Government	147 N. DOMINGO ST. QUEZON CITY Business Permit No. 21-007406	09-Mar-22	Valid until March 9, 2023
Local Government	1407 QUEZON AVENUE, QUEZON CITY Business Permit No. 21-905501	09-Mar-22	Valid until March 9, 2023
Local Government	CRISTINA CONDOMINIUM, LEGAZPI ST. COR. RUFINO ST. LEGASPI VILLAGE MAKATI CITY Business Permit No. 49583	07-Feb-22	Valid until Dec 31, 2022

Local Government	422 MC ARTHUR HIWAY PUROK 1 MALOLOS BULACAN Business Permit No. 216-002021-0000831	27-Jan-22	Valid until Dec 31, 2022
Local Government	VECSUM BUILDING 858-882 REINA REGENTE ST. BINONDO Business Permit No. 117-00-2021-0806398	16-Feb-22	Valid until Dec 31, 2022
Local Government	11A EAST CAPITOL DRIVE KAPITOLYO, PASIG CITY Business Permit No. 031759	31-Jan-22	Valid until Dec 31, 2022
Local Government	FELIX REYES ST. BRGY. BALIBAGO STA. ROSA LAGUNA Business Permit No. 10260-22	08-Jan-22	Valid until Dec 31, 2022
Local Government	FRUITAS BUILDING (FORMERLY PBS BUILDING MAGSAYSAY AVE.) Business Permit No. 117-00-2021-0906527	16-Feb-22	Valid until Dec 31, 2022
Local Government	27 HOLY SPIRIT DRIVE COR. DON GUILLERMO ST. QUEZON CITY Business Permit No. 21-007569	09-Mar-22	Valid until March 9, 2023
Local Government	7A CAPITOL HILLS DRIVE, MATANDANG BALARA QUEZON CITY Business Permit No. 21-905870	11-Mar-22	Valid until March 11, 2023
Local Government	353 G. ARANETA AVENUE, QUEZON CITY Business Permit No. 21-007702	09-Mar-22	Valid until March 9, 2023
Local Government	DURAWOOD BLDG SUMULONG, ANTIPOLO CITY Business Permit No.		
Local Government	90 ML ST. COR. MARTINEZ ST. ANTIPOLO CITY Business Permit No. 2022-004044	15-Feb-22	Valid until Dec 31, 2022
Local Government	K-3RD COR. L. SHANGIO ST. KAMUNING QUEZON CITY Business Permit No. 21-007899	09-Mar-22	Valid until March 9, 2023
Local Government	60 CORDILLERA COR. E. RODRIGUEZ SR. AVE. QUEZON CITY Business Permit No. 21-008213	09-Mar-22	Valid until March 9, 2023
Local Government	31 BF RESORT DRIVE BF RESORT VILLAGE Business Permit No. 2021101906	13-Jan-22	Valid until Dec 31, 2022
Local Government	#66 DOÑA SOLEDAD AVE. COR. CANADA ST. BETTER LIVING SUBD.PARAÑAQUE CITY Business Permit No. 2021110010	28-Jan-22	Valid until Dec 31, 2022
BIR	BNF - SM SUPERMARKET MEGAMALL B BIR Certificate of Registration No. 3RC000029809	24-Aug-05	Valid
BIR	BNF - ROBINSONS PLACE MANILA BIR Certificate of Registration No. 1RC0000213193	30-Sep-05	Valid

BIR	BNF - FESTIVALL SUPERMALL ALABANG BIR Certificate of Registration No. 9RC0000464854	19-Jan-06	Valid
BIR	BNF - SM STA ROSA (FC) BIR Certificate of Registration No. 1RC0000896992	05-Feb-06	Valid
BIR	BNF - SM VALENZUELA (FC) BIR Certificate of Registration No. 4RC001071136	11-May-06	Valid
BIR	BNF - SM PAMPANGA (FC) BIR Certificate of Registration No. 4RC0000290629	16-Jun-06	Valid
BIR	BNF - SM SUPERMARKET CUBAO BIR Certificate of Registration No. 3RC0000420288	12-Jul-06	Valid
BIR	BNF - SM NORTH (FC) BIR Certificate of Registration No. 3RC0000868240	31-Aug-06	Valid
BIR	BNF - SM MEGAMALL (FC) BIR Certificate of Registration No. 3RC0000346034	12-Oct-06	Valid
BIR	BNF - SM FAIRVIEW (FC) BIR Certificate of Registration No. 3RC0000346912	26-Oct-06	Valid
BIR	BNF - SM STA MESA (FC) BIR Certificate of Registration No. 3RC0000512375	25-Apr-07	Valid
BIR	BNF - GREENHILLS LIFESTYLE SHOPPING CENTER BIR Certificate of Registration No. 3RC0000511521	22-Aug-07	Valid
BIR	BNF - SM TAYTAY (FC) BIR Certificate of Registration No. 3RC0000382845	25-Oct-07	Valid
BIR	BNF - SM ILOILO (FC) BIR Certificate of Registration No. 2RC0000590692	29-Feb-08	Valid
BIR	BNF - CASH & CARRY BIR Certificate of Registration No. 9RC0000227627	26-Mar-08	Valid
BIR	BNF - SM MASINAG BIR Certificate of Registration No. 3RC0000561772	03-Apr-08	Valid
BIR	BNF - PUREGOLD SAN MATEO BIR Certificate of Registration No. 3RC0000432794	04-Mar-09	Valid
BIR	BNF - SM CITY CALAMBA BIR Certificate of Registration No. 1RC0000447820	16-Dec-10	Valid
BIR	BNF - SM SUPERMARKET CALAMBA BIR Certificate of Registration No. LRC0000542247	24-Feb-12	Valid

BIR	BNF - SM MARIKINA (FC) BIR Certificate of Registration No. 3RC0000547395	19-Mar-12	Valid
BIR	BNF - SM ROSALES BIR Certificate of Registration No. 4RC0000753157	05-Jun-12	Valid
BIR	BNF - SM MANILA (FC) BIR Certificate of Registration No. 1RC0000613812	18-Jun-12	Valid
BIR	BNF - TRINOMA (FC) BIR Certificate of Registration No. 3RC0000575497	03-Dec-12	Valid
BIR	BNF - SM MOA (BTB) BIR Certificate of Registration No. 9RC0000360331	19-Mar-13	Valid
BIR	BNF - SM NAGA (FC) BIR Certificate of Registration No. 1RC0000637563	13-Jun-13	Valid
BIR	BNF - SM TARLAC (FC) BIR Certificate of Registration No. 04RC0000738828	15-Aug-13	Valid
BIR	BNF - PUREGOLD KALENTONG BIR Certificate of Registration No. 1RC0000718336	30-May-14	Valid
BIR	BNF - SM CABANATUAN BIR Certificate of Registration No. 4RC0000900384	28-Sep-15	Valid
BIR	BNF - SM BACOLOD (FC) BIR Certificate of Registration No. 2RC0001104569	29-Nov-16	Valid
BIR	BNF - ROBINSONS GALLERIA BIR Certificate of Registration No. 3RC0000787257	22-Mar-17	Valid
BIR	BNF - Ayala Cloverleaf Caloocan (FOOD CHOICES) BIR Certificate of Registration No. 3RC0000820380	05-Oct-17	Valid
BIR	BNF - PUREGOLD MAKATI BIR Certificate of Registration No. 9RC0000471695	25-Oct-17	Valid
BIR	BNF - AYALA MALL FELIZ (FC) BIR Certificate of Registration No.3RC0000826796	01-Dec-17	Valid
BIR	BNF - PUREGOLD TAYUMAN BIR Certificate of Registration No. 1RC0001019540	22-Dec-17	Valid
BIR	BNF - PUREGOLD VALENZUELA BIR Certificate of Registration No. 4RC0001170915	02-May-18	Valid
BIR	BNF - SM TELABASTAGAN (FC) BIR Certificate of Registration No. 4RC0001172334	08-May-18	Valid

BIR	BNF - LANDMARK TRINOMA BIR Certificate of Registration No. 3RC0000866952	17-May-18	Valid
BIR	BNF - VICTORY CENTRAL MALL BIR Certificate of Registration No. 4RC0001181277	18-May-18	Valid
BIR	BNF - SM CITY LEGAZPI BIR Certificate of Registration No. BP-1RC0001160890	25-Sep-18	Valid
BIR	BNF - SM CITY FAIRVIEW BIR Certificate of Registration No. 3RC0000916070	14-Feb-19	Valid
BIR	BNF - SM SUPERMARKET NOVALICHES BIR Certificate of Registration No. 3RC0000924383	25-Mar-19	Valid
BIR	BNF - GLORIETTA 3 BIR Certificate of Registration No. 9RC0000526413	02-Apr-19	Valid
BIR	BNF - SM DASMARINAS BIR Certificate of Registration No. 1RC0001227340	18-Apr-19	Valid
BIR	BNF - SM OLONGAPO CENTRAL BIR Certificate of Registration No. 4RC0001364325	10-Sep-19	Valid
BIR	BNF - MARKET! MARKET! BIR Certificate of Registration No. 9RC0000551133	30-Oct-19	Valid
BIR	BNF - SM SUPERMARKET PODIUM BIR Certificate of Registration No. 3RC0000966056	18-Nov-19	Valid
BIR	BNF - MUH BLDG. RUSSIA ST. BETTER LIVING SUBD. PARANAQUE CITY BIR Certificate of Registration No. 238-383-045-150	18-Jun-21	Valid
BIR	BNF - 22 TANDANG SORA AVENUE, QUEZON CITY BIR Certificate of Registration No. 3RC0001045049	15-Jul-21	Valid
BIR	BNF -2439 F BURKE HOUSE NO. 5 BLDG PEDRO GIL ST. STA. ANA MANILA CITY BIR Certificate of Registration No. 1RC0001431942	19-Jul-21	Valid
BIR	BNF - 8137 PLAZA 4 JM ESCRIVA DRIVE, PASIG BIR Certificate of Registration No. 3RC0001045734	21-Jul-21	Valid
BIR	BNF - 742 BANAWE ST. COR. SCT. ALCARAZ ST. QUEZON CITY BIR Certificate of Registration No. 038RC20210000000252	30-Jul-21	Valid
BIR	BNF - HOWARD TOWER N. CARPIO ST. RIZAL AVE., CALOOCAN CITY BIR Certificate of Registration No. 027RC20210000000221	04-Aug-21	Valid

BIR	BNF - 61 ANONAS QUIRINOA 2A PROJECT 2, QUEZON CITY BIR Certificate of Registration No. '040rc20210000000351	24-Aug-21	Valid
BIR	BNF - 97 PASO DE BLAS, VALENZUELA CITY BIR Certificate of Registration No. 238-383-045-158	27-Aug-21	Valid
BIR	BNF - 147 N. DOMINGO ST. QUEZON CITY BIR Certificate of Registration No. 040RC20210000000409	01-Sep-21	Valid
BIR	BNF - 1407 QUEZON AVENUE, QUEZON CITY BIR Certificate of Registration No. 038RC20210000000826	01-Sep-21	Valid
BIR	BNF - CRISTINA CONDOMINIUM, LEGAZPI ST. COR. RUFINO ST. LEGASPI VILLAGE MAKATI CITY BIR Certificate of Registration No. 238-383-045-161	02-Sep-21	Valid
BIR	BNF - 422 MC ARTHUR HIWAY PUROK 1 MALOLOS BULACAN BIR Certificate of Registration No. 238-383-045-163	08-Sep-21	Valid
BIR	BNF - 858-882 REINA REGENTE ST. BINONDO MANILA CITY BIR Certificate of Registration No. 030RC20210000000235	08-Sep-21	Valid
BIR	BNF - 11A EAST CAPITOL DRIVE KAPITOLYO, PASIG CITY BIR Certificate of Registration No. 238-383-045-165	09-Sep-21	Valid
BIR	BNF - FELIX REYES ST. BRGY. BALIBAGO STA. ROSA LAGUNA BIR Certificate of Registration No. 057RC20210000001070	14-Sep-21	Valid
BIR	BNF - FRUITAS BUILDING BIR Certificate of Registration No. 032RC20210000000561	14-Sep-21	Valid
BIR	BNF - 27 HOLY SPIRIT DRIVE COR. DON GUILLERMO ST. QUEZON CITY BIR Certificate of Registration No. 028RC0000001430	15-Sep-21	Valid
BIR	BNF - 7A CAPITOL HILLS DRIVE, MATANDANG BALARA QUEZON CITY BIR Certificate of Registration No. 238-383-169	15-Sep-21	Valid
BIR	BNF - 353 G. ARANETA AVENUE, QUEZON CITY BIR Certificate of Registration No. 039rc0000000908	15-Sep-21	Valid

BIR	BNF - GF 177 SUMULONG HI-WAY, COR. B. SOLIVEN AVE. ANTIPOLO CITY BIR Certificate of Registration No. 045RC20210000001881	21-Sep-21	Valid
BIR	BNF - 90 ML ST. COR. MARTINEZ ST. ANTIPOLO CITY BIR Certificate of Registration No. 238-383-045-172	21-Sep-21	Valid
BIR	BNF - K-3RD COR. L. SHANGIO ST. KAMUNING QUEZON CITY BIR Certificate of Registration No. 039RC20210000001064	23-Sep-21	Valid
BIR	BNF - 60 CORDILLERA COR. E. RODRIGUEZ SR. AVE. QUEZON CITY BIR Certificate of Registration No. 238-383-045-175	05-Oct-21	Valid
BIR	BNF - 31 BF RESORT DRIVE BF RESORT VILLAGE BIR Certificate of Registration No. 238-383-045-176	14-Oct-21	Valid
BIR	BNF - #66 DOÑA SOLEDAD AVE. COR. CANADA ST. BETTER LIVING SUBD.PARAÑAQUE CITY BIR Certificate of Registration No. 238-383-045-177	15-Oct-21	Valid

Note: The Company has completed the processing of the necessary permits and licenses for all stores and the head office. However, the physical copies of permits for certain stores are yet to be provided by the respective local government units.

ISSUER

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