

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended 30 September 2017
2. SEC¹ Identification Number AS092-00589 3. BIR Tax Identification No. 001-817-292
4. Exact name of Issuer as specified in its charter Greenergy Holdings Incorporated
5. Philippines
Province, country, or other jurisdiction of
incorporation or organization
6. (SEC Use Only)
Industrial Classification Code:
7. 54 National Road, Dampol II-A, Pulilan, Bulacan
Address of principal office 3005
Postal Code
8. (02) 997-5184
Issuer's telephone number, including area code
9. Not Applicable
Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the Revised Securities Act ("RSA")
- | Title of Each Class | Number of Shares of Common Stock
Outstanding and Amount of Debt
Outstanding ² |
|------------------------------------|--|
| Common | 1,800,778,572 |
| Preferred | 1,000,000,000 |
| Amount of Debt Outstanding: | P203,034,962.00 |
11. Are any or all of these securities listed on a stock exchange
- Yes [] No []
- If yes, state the name of such stock exchange and the classes of securities listed therein:
- The Philippines Stock Exchange ("PSE")** **Common Shares**

¹ Securities and Exchange Commission ("SEC")

² The Company is still in the process of implementing the change in par value of its common shares as approved by the Securities and Exchange Commission. For the purpose of this report, the number of shares issued and subscribed was rounded off. However, the same is still subject to change/adjustment upon completion of the implementation of the change in par value of common shares of the Company.

12. Check whether the Issuer:

- a. has filed all reports required to be filed by Section 17 of the Securities Regulation Code ("SRC") and SRC Rule 17.1 thereunder or Section 11 of the Revised Securities Act ("RSA") and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines (the "Code") during the preceding twelve (12) months (or for such shorter period that the Issuer was required to file such reports); and

Yes [] No []

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

Yes [] No []

SIGNATURES

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

Issuer **GREENERGY HOLDINGS INCORPORATED**

Signature and Title 
ANTONIO L. TIU
Chairman and President

Date 16 November 2017

Signature and Title 
KENNETH S. TAN
Chief Financial Officer

Date 16 November 2017

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Interim 3rd quarter

Balance Sheet

Cash amounted to P1.65 million as at September 30, 2017 and at December 31, 2016. The minimal movement in cash is primarily due to interest income and bank charges only.

Receivables increased to P268.57 million in September 30, 2017 from P251.13 million as of December 31, 2016 mainly due to the accrual of rental income of a nine (9) hectare property situated inside the Park and receivable to the buyer for the sale of investment property situated in Quezon City.

Due from related parties decreased to P773.83 million in September 30, 2017 from P786.25 million consolidated at December 31, 2016 as a result of liquidation and payment.

Other current assets increased to P0.63 million in September 30, 2017 from P0.62 million consolidated at December 31, 2016 due to increase in input VAT during the quarter.

Investment in associate increased to P304.54 million in September 30, 2017 from P297.93 million at December 31, 2016 as a result of the share of net income in the operations of its associates acquired.

Biological assets represent livestock and breeding stocks which are valued at cost less amortization and impairment loss both amounted to P2.70 million in September 30, 2017 and December 31, 2016.

Property and equipment, net decreased to P0.27 million in September 30, 2017 from P1.38 million as at December 31, 2016 mainly due to the amortization of depreciation expense.

Trade and Other Payables increased to P20.17 million in September 30, 2017 compared to the December 31, 2016 amounting to P20.33 million as a result of increase in payables to third parties.

Non controlling interest decreased to P141.73 million in September 30, 2017 from P141.80 million as at December 31, 2016 due to the results of the operations of subsidiaries under common control.

Income Statement

There are no revenues of Group for the third quarter of 2017 except for the gain on sale of investment property, equity share in net income of an associate, rental income and interest income from banks. The share in net income of an associate increased from P2.20 million in 2016 to P4.63million in 2017 due to a positive result of operations from its associate. Expenses such as contractual services, materials and supplies, salaries and wages, freight charges and depreciation increased during the 3rd quarter of 2017 as compared to last year quarter.

The Company estimates that its Gross Profit Margins will improve in the next two (2) years when returns on the Company's investments become visible especially on the increase in service income for agri-tourism and sale of harvests from greenhouse projects in one of its subsidiaries.

General and administrative expenses in 2017 totaled P13.40 million, an increase of 40% compared to that in 2016 which amounted to P9.59 million due to the acquisition of additional subsidiaries of which their expenses were included in the consolidation beginning 2015. Other than the Group's investment in Rosario, Batangas, new business opportunities are being explored by the Company including those in the field of IT and renewable energy.

As a result of the above, the Company had a Consolidated Operating Income in 2017 of P2.46 million.

Discussion and Analysis of Material Events and/or Uncertainties Known to Management.

a. Any known trend, demand, commitments, events or uncertainties that will have a material impact on the issuer's liquidity.

There is no known trend, demand, commitments, events or uncertainties that will have a material impact on the issuer's liquidity.

b. Any event that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

There is no event that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

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

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

d. Any material commitment for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures.

The Company has no firm material commitment for capital expenditures.

e. Any known trend, 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.

There Company has no known trend, events or uncertainties that have has or that are reasonably expected to have a material impact on the sales from operations.

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

There are no significant elements of income or loss that did not arise from the issuer's continuing operations.

g. The causes for any material change from period to period.

There are no significant material change that have a material effect on the financial conditions or results of operations.

h. Any seasonal aspect that has a material effect on the financial condition or results of operations.

There are no seasonal aspects that have a material effect on the financial condition or results of operations.

Key Performance Indicators

The top 5 key performance indicators for the Company's business are shown below:

Key performance indicators

	For the nine months ended September 30	
	2017	2016
Current ratio	5.15:1	5.07:1
Debt to equity ratio	0.17:1	0.18:1
Bank debt to equity ratio	0.004:1	0.007:1
Income (Loss) per share	0.001	(0.002)
Return on equity	0.002	(0.007)

1. Current assets divided by current liabilities
2. Total liabilities divided by equity
3. Bank loan divided by equity
4. Loss divided by shares outstanding
5. Income divided by equity

Definition of Liquidity Ratios

A class of financial metrics that is used to determine a company's ability to pay off its short term debts obligations. Generally, the higher the value of the ratio, the larger the margin of safety that the Company possesses to cover short term debts.

Common liquidity ratios include the current ratio, the quick ratio and the operating cash flow ratio. Different analysts consider different assets to be relevant in calculating liquidity. Some analysts will calculate only the sum of cash and equivalents divided by current liabilities because they feel that they are the most liquid assets, and would be the most likely to be used to cover short-term debts in an emergency.

A company's ability to turn short-term assets into cash to cover debts is of the utmost importance when creditors are seeking payment. Bankruptcy analysts and mortgage originators frequently use the liquidity ratios to determine whether a Company will be able to continue as going concern.

Definition of 'Solvency Ratio'

One of many ratios used to measure a company's ability to meet long-term obligations. The solvency ratio measures the size of a company's after-tax income, excluding non-cash depreciation expenses, as compared to the firm's total debt obligations. It provides a measurement of how likely a company will be to continue meeting its debt obligations.

The measure is usually calculated as follows:

$$\text{SOLVENCY RATIO} = \frac{\text{After Tax Net Profit} + \text{Depreciation Expense}}{\text{Long Term Liabilities} + \text{Short Term Liabilities}}$$

Definition of 'Debt/Equity Ratio'

A measure of a company's financial leverage calculated by dividing its total liabilities by stockholders' equity. It indicates what proportion of equity and debt the company is using to finance its assets.

Total Liabilities

Debt/Equity Ratio = Shareholders Equity

Note: Sometimes only interest-bearing, long-term debt is used instead of total liabilities in the calculation.

Also known as the Personal Debt/Equity Ratio, this ratio can be applied to personal financial statements as well as corporate ones.

A high debt/equity ratio generally means that a company has been aggressive in financing its growth with debt. This can result in volatile earnings as a result of the additional interest expense.

If a lot of debt is used to finance increased operations (high debt to equity), the company could potentially generate more earnings than it would have without this outside financing. If this were to increase earnings by a greater amount than the debt cost (interest), then the shareholders benefit as more earnings are being spread among the same amount of shareholders. However, the cost of this debt financing may outweigh the return that the company generates on the debt through investment and business activities and become too much for the company to handle. This can lead to bankruptcy, which would leave shareholders with nothing.

The debt/equity ratio also depends on the industry in which the company operates. For example, capital-intensive industries such as auto manufacturing tend to have a debt/equity ratio above 2, while personal computer companies have a debt/equity of under 0.5.

Definition of 'Interest Coverage Ratio'

A ratio used to determine how easily a company can pay interest on outstanding debt. The interest coverage ratio is calculated by dividing a company's earnings before interest and taxes (EBIT) of one period by the company's interest expenses of the same period:

$$\text{Interest Coverage Ratio} = \frac{\text{EBIT}}{\text{Interest Expense}}$$

The lower the ratio, the more the company is burdened by debt expense. When a company's interest coverage ratio is 1.5 or lower, its ability to meet interest expenses may be questionable. An interest coverage ratio below 1 indicates the company is not generating sufficient revenues to satisfy interest expense.

Definition of 'Return On Equity - ROE'

The amount of net income returned as a percentage of shareholders equity. Return on equity measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested. ROE is expressed as a percentage and calculated as:

Return on Equity = Net Income/Shareholder's Equity

Net income is for the full fiscal year (before dividends paid to common stock holders but after dividends to preferred stock.) Shareholder's equity does not include preferred shares.

Also known as "return on net worth" (RONW).

The ROE is useful for comparing the profitability of a company to that of other firms in the same industry.

There are several variations on the formula that investors may use:

1. Investors wishing to see the return on common equity may modify the formula above by subtracting preferred dividends from net income and subtracting preferred equity from shareholders' equity, giving the following: return on common equity (ROCE) = $\frac{\text{net income} - \text{preferred dividends}}{\text{common equity}}$.
2. Return on equity may also be calculated by dividing net income by *average* shareholders' equity. Average shareholders' equity is calculated by adding the shareholders' equity at the beginning of a period to the shareholders' equity at period's end and dividing the result by two.
3. Investors may also calculate the change in ROE for a period by first using the shareholders' equity figure from the beginning of a period as a denominator to determine the beginning ROE. Then, the end-of-period shareholders' equity can be used as the denominator to determine the ending ROE. Calculating both beginning and ending ROEs allows an investor to determine the change in profitability over the period.

GREENERGY HOLDINGS INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2017 AND DECEMBER 31, 2016
(Amounts in Philippine Pesos)

	Note	2017	2016
ASSETS			
Current Assets			
Cash	5	₱1,645,536	₱1,655,902
Receivables–net	6	268,568,625	251,133,983
Advances to related parties–net	17	773,828,136	786,249,841
Other current assets–net	7	625,037	617,837
Total Current Assets		1,044,667,334	1,039,657,563
Noncurrent Assets			
Deposits for land acquisition	9	11,000,000	11,000,000
Available–for–sale (AFS) investments	10	370,000	370,000
Investment in an associate	11	304,538,419	297,927,710
Property and equipment–net	12	269,335	1,378,210
Investment properties	13	7,057,560	13,045,276
Biological assets	14	2,679,692	2,679,692
Total Noncurrent Asset		325,915,006	326,400,888
TOTAL ASSETS		₱1,370,582,340	₱1,366,058,451
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	15	₱20,170,797	₱20,328,135
Income tax payable		701,319	472,380
Loans payable	16	5,153,846	5,153,846
Advances from related party	17	9,000	–
Deposit for future stock subscriptions	17	177,000,000	177,000,000
Total Current Liabilities		203,034,962	202,954,361
Noncurrent Liability			
Loan payable–net of current portion	16	–	–
Total Liabilities		203,034,962	202,954,361

(Forward)

(Carryforward)

	Note	2017	2016
Equity			
Equity attributable to equity holders of Parent Company			
Capital stock	18		
Common shares		₱1,703,278,572	₱1,703,278,572
Preferred shares		100,000,000	100,000,000
		1,803,278,572	1,803,278,572
Additional paid-in capital		268,090,531	268,090,531
Deficit		(1,058,955,881)	(1,061,478,111)
Equity in other comprehensive income of an associate-net		13,791,814	11,809,293
Fair value loss on AFS investment		(390,600)	(390,600)
		1,025,814,436	1,021,309,687
Non-controlling interest	23	141,732,942	141,794,403
Total Equity		1,167,547,378	1,163,104,090
TOTAL LIABILITIES AND EQUITY		₱1,370,582,340	₱1,366,058,451

See accompanying Notes to Consolidated Financial Statements.

GREENERGY HOLDINGS INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
(Amounts in Philippine Pesos)

	Notes	For the quarter ended Sept 30		For the nine months ended Sept 30	
		2017	2016	2017	2016
INCOME					
Equity in net income of associate	11	P1,021,874	P89,916	P4,628,190	P2,202,585
Gain on sale of investment property	13	11,244,427	–	11,252,527	–
Rental income	19	67,500	–	202,500	–
Interest income	5	2,610	853	4,135	3,155
		12,336,411	90,769	16,087,352	2,205,740
General and administrative expenses	20	4,165,489	4,149,311	13,397,644	9,590,954
Interest expense	21	–	589,528	–	589,528
		4,165,489	4,738,839	13,397,644	10,180,482
INCOME (LOSS) BEFORE INCOME TAX		8,170,922	(4,648,070)	2,689,708	(7,974,742)
INCOME TAX EXPENSE	22	226,239	–	228,939	–
NET INCOME (LOSS)		7,944,683	(4,648,070)	2,460,769	(7,974,742)
OTHER COMPREHENSIVE INCOME	11				
Share on equity in other comprehensive income of associate on exchange difference on translation of foreign operation		(30,381)	–	1,982,519	–
		P7,914,302	(P4,648,070)	P4,443,288	(P7,974,742)
NET INCOME (LOSS) ATTRIBUTABLE TO:					
Equity holders of the Parent Company		P8,102,401	(P3,045,717)	P2,522,230	(P4,500,736)
Non-controlling interests	24	(157,718)	(1,602,353)	(61,461)	(3,474,006)
		7,944,683	(4,648,070)	2,460,769	(7,974,742)
Total Comprehensive Loss Attributable					
Equity holders of the Parent Company		8,072,020	(P3,045,717)	P4,504,749	(P4,500,736)
Non-controlling interests	24	(157,718)	(1,602,353)	(61,461)	(3,474,006)
		P7,914,302	(P4,648,070)	P4,443,288	(P7,974,742)

GREENERGY HOLDINGS INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
(Amounts in Philippine Pesos)

	Note	2017	2016
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT COMPANY			
CAPITAL STOCK			
	18		
Common shares—₱1.0 par value			
Issued and paid			
Balance at beginning of year		₱1,598,289,455	₱1,598,289,451
Issuance during the year		—	—
Balance at end of year		1,598,289,455	1,598,289,451
Subscribed			
Balance at beginning and end of year		202,489,117	202,489,117
Subscriptions receivable			
Beginning of the year		(97,500,000)	(97,500,000)
Issuance of shares		—	—
Balance at end of year		(97,500,000)	(97,500,000)
		104,989,117	104,989,117
		1,703,278,572	1,703,278,568
Preferred shares —₱0.1 par value		100,000,000	100,000,000
		1,803,278,572	1,803,378,568
ADDITIONAL PAID-IN CAPITAL	18	268,090,531	268,090,531
FAIR VALUE LOSS ON AFS INVESTMENTS			
	10		
Balance at beginning of year		(390,600)	(390,600)
Fair value gain (loss) during the year		—	—
Balance at end of year		(390,600)	(390,600)

(Forward)

(Carryforward)

	Note	2017	2016
EQUITY IN OTHER COMPREHENSIVE INCOME OF AN ASSOCIATE			
	11		
Balance at beginning of year		₱11,809,295	(₱10,046,002)
Exchange differences on translation of foreign operations		1,982,519	–
Balance at end of year		13,791,814	(₱10,046,002)
DEFICIT			
Balance at beginning of year		(1,061,478,111)	(1,013,153,859)
Net income (loss) for the year		2,522,230	(4,500,736)
Balance at end of year		(1,058,955,881)	(1,017,654,595)
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT COMPANY			
		1,025,814,436	1,043,277,902
NON-CONTROLLING INTEREST 24			
Balance at beginning of year		141,794,403	142,122,304
Net loss during the year		(61,461)	(3,474,006)
Balance at end of year		141,732,942	138,648,298
TOTAL EQUITY		₱1,167,547,378	₱1,181,926,200

See accompanying Notes to Consolidated Financial Statements

GREENERGY HOLDINGS INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
(Amounts in Philippine Pesos)

	Notes	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax		₱2,689,708	(₱7,974,742)
Adjustments for:			
Gain on sale of investment property	13	(11,252,527)	(2,202,585)
Equity in net income of associates	11	(4,628,190)	(2,202,585)
Depreciation	12, 20	1,108,875	178,762
Interest expense		–	589,528
Interest income	5	(4,135)	(3,155)
Operating loss before working capital changes		(12,086,269)	(9,412,192)
Decrease (increase) in:			
Receivables	6	(17,434,642)	14,963
Other current assets	7	(7,200)	(1,104,992)
Increase (decrease) in trade and other payables	15	(157,338)	(9,572,954)
Net cash used in operations		(29,685,449)	(20,075,175)
Interest received	5	4,135	3,155
Net cash used in operating activities		(29,681,314)	(20,072,020)
CASH FLOWS FROM AN INVESTING ACTIVITIES			
Collections received (advances made) from related parties	17	12,421,705	(1,061,361)
Deposit received from sale of investment property	13	–	14,544,000

(Forward)

(Carryforward)

	Note	2017	2016
CASH FLOWS FROM AN INVESTING ACTIVITIES			
Proceeds on investment property		17,240,243	17,232,143
Net cash provided by investing activities		29,661,948	30,714,782
CASH FLOW FROM A FINANCING ACTIVITIES			
Payments of loan payable	16	–	(10,353,846)
Advances received from related parties	17	9,000	239,000
Interest paid		–	(589,528)
Net cash provided by financing activities		9,000	(10,704,374)
NET DECREASE IN CASH		(10,366)	(61,612)
CASH AT BEGINNING OF YEAR		1,655,902	1,650,178
CASH AT END OF YEAR	5	P1,645,536	P1,588,566

See accompanying Notes to Consolidated Financial Statements.

GREENERGY HOLDINGS INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Greenery Holdings Incorporated (the Parent Company) was registered and incorporated with the Philippine Securities and Exchange Commission (SEC) on January 29, 1992 as MUSX Corporation to primarily engage in the manufacturing and sale of semiconductor products. In 2011, the SEC approved the amendment of its Articles of Incorporation to change the registered name to Greenery Holdings Incorporated. The Parent Company was listed in the Philippine Stock Exchange (PSE) on September 26, 1996.

The Parent Company's primary purpose is to invest in, purchase, or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, or otherwise dispose of real or personal property of every kind and description, including shares of stocks, bonds, debentures, notes, evidence of indebtedness, marketable securities, deposit substitutes in any valid currency, and other securities or obligations of any corporation or corporations, association or associations, domestic or foreign, for whatever lawful purpose or purposes the same may have been organized, and to pay therefor in money or by exchanging therefor stocks, bonds, or other evidence of indebtedness or securities of this or any other corporation, stocks, bonds, debentures, contracts, or obligations; to receive, collect, and dispose of the interest, dividends, proceeds, and income arising from such property; and to possess and exercise in respect therefor all voting powers of any stock so owned, provided that the corporation shall not engage as stock broker or dealer in securities.

The Parent Company and its subsidiaries (collectively referred to as the Group) are involved in diversified industries such as renewable energy, agriculture and real estate, information technology and waste management.

The Parent Company's principal office is at 54 National Road, Dampol II-A, Pulilan, Bulacan. The Group's business address is at Unit 112 Cedar Mansion II, #7 St. Jose Maria Escrivá Drive, Ortigas Center, Barangay San Antonio, Pasig City.

The consolidated financial statements include the Parent Company and the following subsidiaries:

Investee	Country of Incorporation	Nature of Business	Principal Place of Business	Effective Ownership	
				2017	2016
<i>Subsidiaries</i>					
Winsun Green Ventures, Inc. (WGVI)	Philippines	Renewable energy system	Pulilan, Bulacan	100%	100%
Agrinurture Development Holdings Inc. (ADHI)	Philippines	Investment holding	Pasig City	100%	100%
Sunchamp Real Estate Development Corp. (SREDC)	Philippines	Agriculture and real estate	Makati City	62.39%	62.39%
Lite Speed Technologies, Inc. (LSTI)	Philippines	Information technology	Makati City	51%	51%
Total Waste Management Recovery System, Inc. (TWMRSI)	Philippines	Waste management facility	Pulilan, Bulacan	51%	51%

<i>Associate</i> Agrinurture, Inc. (ANI)	Philippines	Export and Distribution	Pulilan, Bulacan	30.26%	30.26%
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Approval of Financial Statements

The consolidated financial statements of the Group as of and for the period ended September 30, 2017 were authorized for issue by the Board of Directors (BOD) on November 16, 2017.

2. **Status of Operations**

Going Concern

The Group's consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to continue to increase its revenues and improve operations despite heavy losses from operations. Although, the Group has a deficit of ₱1.06 billion as of September 30, 2017 and December 31, 2016, respectively, the fair market value of the Parent Company's investment in associate (ANI) increased from ₱865.4 million as of December 31, 2016 to ₱2.3 billion as of November 14, 2017 (Note 11).

At present, the Group shall continue to expand its core business and increase coverage in various investments in diversified industries such as, but not limited to, renewable energy, real estate, agriculture, waste management facility and information technology. The Group's associate is fully operational with its respective cash flows and key subsidiaries are in the pre-operating stages with various projects in the pipeline under modest spending guidelines. Also, the Group has started an active campaign to gain new clients, as well as to revive previous relationships through marketing and selling activities in the Philippines and overseas. With these investments, the Management of the Group assessed that the going concern assumption remains to be appropriate as the Group continues to generate sufficient cash flows to sustain operations and complete its current and future plans.

Trading Suspension of the Parent Company

On May 13, 2015, the Parent Company requested for a voluntary suspension of the trading of its securities in the PSE. The request was filed to prevent any unusual volatility in the trading of the Parent Company's securities that may cause investor panic as a result of a news article on the inclusion of certain bank accounts of the Parent Company in a freeze order issued by the Court of Appeals (CA).

On said date, the PSE suspended the trading of the Parent Company's securities until further notice.

Subsidiaries

WGVI

WGVI was incorporated in 2012 with the primary purpose of engaging in renewable energy projects. In 2014, WGVI's AFS investment amounting to ₱22.5 million was fully provided with an allowance for impairment loss. In addition, WGVI has a capital deficiency both amounting to ₱66.37 million as of September 30, 2017 and December 31, 2016, respectively. Accordingly, a full allowance for impairment loss was provided by the Parent Company in 2014 since Management believed that the investment in WGVI was impaired.

As of reporting date, WGVI has not yet started its commercial operations.

ADHI

On June 17, 2014, the SEC approved the incorporation of ADHI whose primary purpose shall be to serve as a holding company of the agricultural portfolio of the Group.

As of reporting date, ADHI has not yet started its commercial operations.

SREDC

The Parent Company's investment in SREDC represents 365,000,000 shares or 62.39% of the voting shares of SREDC, a real estate company that focuses on the development of self-sustaining agri-tourism areas.

On January 18, 2013, SREDC entered into an agreement with a third party for the transfer of all the rights, title and interests over a 150-hectare land in Rosario, Batangas, which is currently the site of a self-sustaining agri-tourism park called "Suncamp Agri-Tourism Park" (the Park) (Note 9). The Park is intended to re-shape people's perception of agriculture. The Park showcases the farm-to-plate business model that promotes agriculture as a commercially viable and growing business activity. The Park also uses the latest techniques for organic and natural farming.

To encourage Filipinos to become "agri-entrepreneurs" or professionals in the agriculture industry, the Park will offer agri-tourism and lifestyle center activities where families will have a hands-on agriculture and culinary experience. As regards the tourism aspect, the Park intends to showcase the Filipino farmers' creativity and hospitality, as well as educate children about the future of agriculture.

SREDC started its commercial operations in the last quarter of 2017.

LSTI

On June 16, 2014, the BOD of the Parent Company approved the incorporation of LSTI, a 51% owned subsidiary. LSTI was registered with the SEC on August 14, 2014 to engage in the business of information and communication technology.

As of reporting date, LSTI has not yet started its commercial operations.

TWMRSI

In 2012, the Parent Company acquired 51% of TWMRSI, a domestic corporation engaged in the business of building, operating and managing waste recovery facilities and waste management systems within the Philippines. The operation of its facilities is geared toward efficient, hygienic and economical collection, segregation, recycling, composting, filling, disposing, treating and managing of household, office, commercial and industrial garbage.

In 2013, the Parent Company advanced P235.0 million to TWMRSI, which was used to acquire machineries, equipment and steel structures for the latter's Waste Recycling Project, and was expected to be in full operation in 2014 but did not push through. The machineries, equipment and steel structures were stored for free in a warehouse owned by a director of the TWMRSI located in Santiago Street, Barangay Lingunon Valenzuela City (Note 8). In addition, TWMRSI had a capital deficiency amounting to P233.53 million as of September 30, 2017 and December 31, 2016, respectively.

Due to the above circumstances, the Parent Company's investment and advances to TWMRSI were provided with full allowance for impairment losses in 2016 because Management believed that these were already impaired.

As of reporting date, TWMRSI has not yet started its commercial operations.

ANI

On July 2, 2014, the group, upon acquisition by GHI of additional shares, reclassified its AFS investment in ANI to investment in associate amounting to P705.73 million (Note 11).

On July 7, 2014, GHI acquired 27,000,000 common shares of ANI through the open market for an aggregate consideration of ₱113.74 million inclusive of taxes, fees and commission at ₱4.21 per share. The acquisition was equivalent to 4.34% of the total issued and outstanding shares of ANI.

After the transactions, the Group currently holds a total of 30.26% of the total issued and outstanding shares of ANI.

3. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Basis of Preparation

The consolidated financial statements of the Group have been prepared using the historical cost basis, except for the AFS investments that are measured at fair value. The consolidated financial statements are presented in Philippine peso, which is the Group's functional and presentation currency. All values are rounded to the nearest peso, except when otherwise indicated.

Basis of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS includes statements named PFRS, Philippine Accounting Standards and Philippine Interpretations of International Financial Reporting Interpretation Committee approved by the Financial Reporting Standards Council (FRSC) and the SEC.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as of September 30, 2017 and December 31, 2016.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect the return through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affects its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual agreements; and
- The Group's voting rights and potential voting rights

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

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Non-controlling interest represents the portion of profit or loss and the net assets not held by the Group. Transactions with non-controlling interest are accounted for using the entity concept method, whereby the difference between the consideration and the book value of the share of the net assets acquired is recognized as an equity transaction.

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

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

New Standards and Amendments and Interpretations of Existing Standards

The accounting policies adopted by the Group are consistent with those of the previous financial year, except for the following amended PFRS, amended PAS and interpretations which became effective in 2016. Adoption of the new standards and amendments did not have any significant impact on the Group's consolidated financial statements. The nature of each new standard and amendments are described below.

- PFRS 10, PFRS 12 and PAS 28, "*Investment Entities*": *Applying the Consolidation Exception (Amendments)*
These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value and that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture), when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.
- PFRS 11, Joint Agreements – "*Accounting for Acquisitions of Interests in Joint Operations*" *(Amendments)*
The amendments clarify the accounting for acquisitions of an interest in a joint operation when the operation constitutes a business. The acquirer of an interest in a joint operation in which the activity constitutes a business is required to apply the principles on business combinations accounting. Previously held interest in joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. Amendments do not apply when the parties sharing joint control, including the reporting entity, are under the common control of the same ultimate controlling party.
- PFRS 14, "*Regulatory Deferral Accounts*"
PFRS 14 is an optional standard that allows an entity whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures

on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements.

- PAS 1, "*Presentation of Financial Statements*": *Disclosure Initiative (Amendments)*
The amendments were a response to comments that there were difficulties in applying the concept of materiality in practice as the wording of some of the requirements in PAS 1 had in some cases been read to prevent the use of judgment. Certain key highlights in the amendments are follows:
 - An entity should not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.
 - An entity need not provide a specific disclosure required by a PFRS if the information resulting from that disclosure is not material.
 - In the other comprehensive income section of a statement of profit or loss and other comprehensive income, the amendments require separate disclosure for the following items:
 - The share of other comprehensive income of associates and joint ventures accounted for using the equity method that will not be reclassified subsequently to profit or loss; and
 - The share of other comprehensive income of associates and joint ventures accounted for using the equity method that will be reclassified subsequently to profit or loss.
- PAS 16, "*Property, Plant and Equipment*" and PAS 38, "*Intangible Assets*": *Clarification of Acceptable Methods of Depreciation and Amortization (Amendments)*
The amendments clarify that revenue-based method to calculate the depreciation of an asset is inappropriate because revenue generated by an activity that includes the use of an asset reflects factors other than the consumption of the economic benefits embodied in the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.
- PAS 16, "*Property, Plant and Equipment*" and PAS 41, "*Agriculture*": *Bearer Plants (Amendments)*
The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply.
- PAS 27, "*Separate Financial Statements*": *Equity Method in Separate Financial Statements (Amendments)*
The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply the change retrospectively. For first time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS.

- Annual Improvements to PFRS (2012-2014 Cycle)

The annual improvements to PFRS (2012-2014 Cycle) are effective January 1, 2016 and contain non-urgent but necessary amendments to the following standards:

- PFRS 5, “*Noncurrent Assets Held for Sale and Discontinued Operations*”: *Changes in Methods of Disposal (Amendment)*
The amendment is applied prospectively and clarifies that the accounting for a change in a disposal plan from a plan to sell to a plan to distribute a dividend in kind to its shareholders (or vice versa) when an entity reclassifies an asset (or disposal group) directly from one method of disposal to other should not be considered a new plan rather as a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.
- PFRS 7, “*Financial Instruments*”: *Disclosure – Servicing Contracts (Amendments)*
This amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity is required to disclose any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will be applied retrospectively. An entity that first applies the amendments is not required to provide comparative disclosures for any period beginning before the annual period of first application.
- PFRS 7, “*Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*” (Amendments)
The amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.
- PAS 19, “*Employee Benefits*”: *Regional Market Issue Regarding Discount Rate (Amendments)*
This amendment is applied prospectively and clarifies that the rate used to discount post-employment benefit obligations (both funded and unfunded) shall be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. Where there is no deep market in such high quality corporate bonds, the market yields (at the end of the reporting period) on government bonds shall be used. The currency and term of the corporate bonds or government bonds shall be consistent with the currency and estimated term of the post-employment benefit obligations.
- PAS 34, “*Interim Financial Reporting*” *Disclosure of Information ‘elsewhere in the Interim Financial Report’ (Amendments)*
This amendment is applied retrospectively and clarifies that an entity discloses information elsewhere in the interim financial report when it incorporates disclosures by cross-reference to information in another statement and wherever they are included within the greater interim financial report (e.g., management commentary or risk report).

Effective beginning on or after January 1, 2017

The following amendments do not have any material impact on the Group’s consolidated financial statements:

PAS 7, “*Statement of Cash Flows*”: *Disclosure Initiative – Amendments to PAS 7*

The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial

application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted.

PAS 12, "Income Taxes": Recognition of Deferred Tax Assets for Unrealized Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in the opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application is permitted.

PFRS 12, "Clarification of the Scope of the Standard" (Part of Annual Improvements to PFRSs 2014-2016 Cycle) (Amendments)

The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

Effective beginning on or after January 1, 2018

The following amendments do not have any material impact on the Group's consolidated financial statements:

PFRS 9, "Financial Instruments: Classification and Measurement"

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, Financial Instruments: Recognition and Measurement, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Early application is permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

PFRS 2, "Share-based Payment: Classification and Measurement of Share-based Payment Transactions" (Amendments)

The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the transaction changes its classification from cash-settled to equity-settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

PFRS 4, "Insurance Contracts: Applying PFRS 9, Financial Instruments, with PFRS 4" (Amendments)

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standards. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contract standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

PAS 28, “*Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRS 2014-2016 Cycle)*” (Amendments)

The amendments clarify that an entity that is a venture capital organization, or other qualifying entity may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate’s or joint venture’s interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

PAS 40, “*Investment Property: Transfer of Investment Property*” (Amendments)

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management’s intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

PFRS 15, “*Revenue from Contracts with Customers*”

PFRS 15 was issued in May 2014 and establishes new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRS. Either a full or modified retrospective application is required. Early adoption is permitted.

IFRIC 22, “*Foreign Currency Transactions and Advances Consideration*”

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of the reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Effective beginning on or after January 1, 2019

PFRS 16, “*Leases*”

Under the new standard, lessees will no longer classify their lease as either operating or finance leases in accordance with PAS 17 *Leases*. Rather, leases will apply the single-asset model, wherein lessees will recognize the assets and the related liabilities for most leases in their statement of financial position and, subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Early application of this new standard is permitted.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

The new standard will not have significant impact on the Group's consolidated financial statements.

Deferred Effectivity

PFRS 10 and PAS 28, "*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*" (Amendments)

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

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

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted prices in active markets for an identical asset or liability;
- Level 2 – Those involving inputs other than quoted prices included in Level 1 that are observable for an asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3 – Those with inputs for an asset or liability that are not based on observable market data (unobservable inputs).

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the assets or liability and the level of the fair value hierarchy as explained above.

Financial Assets and Liabilities

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

Initial Recognition of Financial Instruments. 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 fair value of the consideration given or received is determined by reference to the transaction price or other market prices. If such market prices are not reliably determinable, the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rate of interest for similar instruments with similar maturities. The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction costs.

Determination of Fair Value. The fair value of financial instruments traded in active markets at the consolidated statement in financial position date is based on their quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

Where the transaction price in a non-active market is different from the fair value of the other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a Day 1 Profit) in the consolidated statement of comprehensive income, unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only the recognition in the Group's consolidated statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'day 1' profit amount.

Financial Assets

Financial Assets at FVPL. A financial asset is classified in this category if acquired principally for the purpose of selling or repurchasing in the near term, or upon initial recognition, it is designated by management as at FVPL. Derivatives are also categorized as held at FVPL, except those derivatives designated as effective hedging instruments.

Assets classified in this category are carried at fair value in the consolidated statement of financial position. Changes in the fair value of such assets are accounted for in the consolidated statement of comprehensive income. Financial instruments held at FVPL are classified as current if they are expected to be realized within twelve months from the end of financial reporting period.

The Group has no financial assets at FVPL as of September 30, 2017 and December 31, 2016.

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. Loans and receivables are carried initially at cost and at amortized cost subsequent to initial recognition in the Group's consolidated statement of financial position. Amortization is determined using the effective interest rate method. Loans and receivables are included in current assets if maturity is within twelve months from the end of financial reporting period. Otherwise, these are classified as noncurrent assets.

The Group's financial assets categorized as loans and receivables are presented as cash, receivables and advances to related parties. Cash includes cash on hand and cash in banks.

Held-To-Maturity (HTM) Investments. HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Group's management has the positive intention and ability to hold to maturity. Where the Group sells other than an insignificant amount of HTM investments, the entire category would be tainted and classified as AFS investments. After initial measurement, these investments are measured at amortized cost using the effective interest method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that is an integral part of the effective interest rate.

The Group has no HTM investments as of September 30, 2017 and December 31, 2016.

Available-For-Sale (AFS) Financial Assets. AFS investments are those non-derivative financial assets that are designated as AFS or are not classified in any of the three preceding categories. After initial recognition, AFS financial assets are measured at fair value with gains or losses being recognized as separate component of equity until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the Group's consolidated statement of comprehensive income.

The fair value of investments that are actively traded in organized financial market is determined by reference to quoted market bid prices at the close of business on the end of financial reporting period. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include recent arm's length market transaction, reference to the current market value of another instrument which is substantially the same, discounted cash flows analysis and option pricing models.

The Group has AFS investments as of September 30, 2017 and December 31, 2016.

Financial Liabilities

Financial Liabilities at FVPL. Financial liabilities are classified in this category if these result from trading activities or derivatives transactions that are not accounted for as accounting hedges, or the Group elects to designate a financial liability under this category.

As of September 30, 2017 and December 31, 2016, the Group has no financial liabilities at FVPL.

Other Financial Liabilities. This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon inception of the liability. These include liabilities arising from operations (e.g. payables excluding statutory regulated payables, accruals) or borrowing (e.g. long-term debt).

Other financial liabilities are initially recorded at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost the using the effective interest rate method. These include liabilities arising from operations and borrowings.

This category includes trade and other payables, deposit for future stock subscriptions, advances from related party and loans payable.

Impairment of Financial Assets

The Group assesses at the end of each financial reporting period whether a financial asset or group of financial assets is impaired.

Assets carried at amortized cost. If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in the consolidated statement of comprehensive income.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If in a subsequent period, the amount of the impairment loss decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of comprehensive income to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Assets carried at cost. If there is objective evidence that an impairment loss has been incurred in an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

AFS Financial Assets. If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the consolidated statement of comprehensive income, is transferred from equity to the consolidated statement of comprehensive income. Reversals in respect of equity instruments classified as AFS financial assets are not recognized in the consolidated statement of comprehensive income. For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as AFS financial assets, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost.

Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of comprehensive income is removed from equity and recognized in the consolidated statement of comprehensive income. Impairment losses on equity investments are not reversed through the consolidated statement of comprehensive income; increases in their fair value after impairment are recognized directly in equity.

Derecognition of Financial Assets and Liabilities

Financial Assets

A financial asset is derecognized when (1) the rights to receive cash flows from the financial instruments expire, (2) the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement, or (3) the Group has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows of an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of an asset nor transferred control of the assets, the asset is recognized to the extent of the Group’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Where the 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 consolidated statement of comprehensive income.

Classification of Financial Instrument between Debt and Equity

Financial instruments are classified as debt or equity in accordance with the substance of the contractual arrangement. Interest relating to a financial instrument or a component that is a financial liability is reported as expenses.

A financial instrument is classified as debt if it provides for a contractual obligation to: (a) deliver cash or another financial asset to another entity; or (b) exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or (c) satisfy the obligation other than by exchange of a fixed amount of cash or other financial asset for a fixed number of own equity shares.

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

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

Investment in Associate

Investment in associate (Investee Company) is accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

An investment is accounted for using the equity method from the day it becomes an associate. On acquisition of investment, the excess of the cost of investment over the investor’s share in the net fair value of the investee’s identifiable assets, liabilities and contingent liabilities is accounted for as goodwill and included in the carrying amount of the investment and not amortized. Any excess of the investor’s share of the net fair value of the investee’s identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the

investment, and is instead included as income in the determination of the share in the earnings of the investees.

Under the equity method, the investments in the investee company are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share in the net assets of the investee companies, less any impairment in values. The consolidated statement of comprehensive income reflects the share of the results of the operations of the investee companies. The Group's share of post-acquisition movements in the investee's equity reserves is recognized directly in equity. Profits and losses resulting from transactions between the Group and the investee companies are eliminated to the extent of the interest in the investee companies and for unrealized losses to the extent that there is no evidence of impairment of the asset transferred. Dividends received are treated as a reduction of the carrying value of the investment.

The Group discontinues applying the equity method when their investments in Investee Company are reduced to zero. Accordingly, additional losses are not recognized unless the Group has guaranteed certain obligations of the investee company. When the investee company subsequently report net income, the Group will resume applying the equity method but only after its share of that net income equals the share of net losses not recognized during the period the equity method was suspended.

The reporting dates of the investee company and the Group are identical and the investee company's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in the consolidated statement of comprehensive income.

Deposits for Land Acquisition

Deposit for land acquisition mainly represents usufruct rights over a property and is stated at cost less impairment losses, if any.

Asset Held-for-Sale

Asset classified as held-for-sale includes properties that the Group intends to sell to a third party. These are measured at the lower of carrying amounts of assets, immediately prior to their classification as held for sale and their fair value less costs to sell.

Advances for Waste Recycling Project

Advances for waste recycling project are stated at cost less any impairment in value. It represents mainly machineries and equipment and steel structures for the construction of a waste recycling machinery and equipment. Advances for waste recycling project are transferred to property and equipment once the relevant assets are completed and put into operational use and will be subject to depreciation.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. The initial cost of property and equipment consists of its purchase price, including any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance and overhaul costs, are normally charged to income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation and any impairment in value are removed from the accounts and any resulting gain or loss is charged to current operations.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

	Number of Years
Land improvements	15
Building and improvements	10
Transportation equipment and others	5
Furniture, fixture and equipment	5

The useful lives and the depreciation method are reviewed periodically to ensure that the periods and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

Fully depreciated assets that are still being used in the operations continue to be carried in the accounts.

Investment Properties

Investment property mainly pertains to properties held for capital appreciation. These are initially recorded at cost, including transaction cost. The carrying amount includes the cost of replacing part of an existing property at the time the cost are incurred if the recognition criteria are met, and excludes the cost of day-to-day servicing of investment property. Subsequent to initial recognition, investment properties are carried at cost less any impairment in value.

Investment properties are derecognized when disposed of or when the investment properties are permanently withdrawn from use and there is no future economic benefit expected to arise from the continued use of the properties. Any gain or loss on the retirement or disposal of said properties are recognized in the consolidated statement of comprehensive income in the year of retirement or disposal. Transfer to, or from, investment property shall be made when, and only when, there is a change in use, evidenced by: (a) commencement of owner-occupation, for a transfer from investment property to owner-occupied property; (b) commencement of development with a view to sale for a transfer from investment property to inventories; (c) end of owner occupation, for a transfer from owner-occupied property to investment property; or, (d) commencement of an operating lease to another party, for a transfer from inventories to investment property. Transfers to or from investment properties are measured at the carrying value of the assets transferred.

Biological Assets

Biological assets comprise of breeding stocks. Breeding stocks are initially recognized at cost and are subsequently carried at cost less amortization and impairment loss. The cost and expenses incurred up to the start of the productive stage are accumulated and amortized over the estimated productive lives of the breeding stocks. The Group uses this method of valuation since fair value cannot be measured reliably. The Group's biological assets or any similar assets prior to point of harvest have no active market available. Further, the existing sector benchmarks are determined to be irrelevant and the estimates (i.e., revenues due to highly volatile prices, input costs and efficiency values) necessary to compute for the present value of expected net cash flows comprise a wide range of data which will not result in a reliable basis for determining the fair value.

Depreciation is computed using the straight-line method over the estimated productive life of seven years of breeding stocks.

Impairment of Non-financial Assets

The carrying values of assets such as deposit for land acquisition, property and equipment, investment properties, biological assets and other current assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

An assessment is made at each end of the financial reporting period to determine whether there is any indication of impairment of non-financial assets, or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is computed as the higher of the asset's value in use or its net selling price. An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to operations in the period in which it arises.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation and amortization), had no impairment loss been recognized for the asset in prior years.

Equity

Capital stock is measured at par value for all shares subscribed and paid, or issued.

Additional paid-in capital includes any premiums received on the initial issuance of capital stocks. Any transaction cost associated with the issuance of shares is deducted from additional paid-in capital, net of any related income tax benefits.

Subscription receivable pertains to the uncollected portion of the subscribed shares.

Fair value loss on AFS investments represents loss recognized due to changes in fair value of the asset.

Equity in other comprehensive income (loss) of associate represents share on other comprehensive income (loss) attributable to equity holders of the associate.

Deficit represents the cumulative balance of net loss.

Deposit for Future Stock Subscriptions

Deposits for future stock subscriptions represent payments made on subscription of shares which cannot be directly credited to capital stock pending registration with the SEC of the amendment to the Articles of Incorporation increasing capital stock. The paid-up subscriptions can be classified under equity if the nature of the transaction gives rise to a contractual obligation of the Group to deliver its own shares to the subscriber in exchange of the subscription amount, otherwise, it is recognized as liability. In addition, deposits for future stock subscriptions shall be classified under equity if all of the following elements are present as of reporting date:

- The unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract;
- There is BOD approval on the proposed increase in authorized capital stock (for which a deposit was received by the Group);
- There is stockholders' approval of said proposed increase; and
- The application for the approval of the proposed increase has been filed with the SEC.

Revenue Recognition

Revenue is recognized to the extent that is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The Group has concluded that it is the principal in all of its revenue agreements since it is the primary obligor in all revenue agreements has pricing latitude and is also exposed to credit risk. The following specific recognition criteria must also be met before revenue can be recognized:

Rental income from the Group's usufructuary rights at the Park is recognized under the operating lease method. Under this method, the aggregate rentals are reported as income in the consolidated statement of comprehensive income on a straight-line basis over the life of the lease. Related expenses, like taxes and maintenance, are charged to current operations as incurred.

Interest income is recognized as the interest accrues, taking into account the effective yield on the asset.

Expense Recognition

Expenses are recognized in the consolidated statement of comprehensive income upon utilization of goods and services or at the date these are incurred.

General and administrative expense incurred in the direction and general administration of day-to-day operation of the Group are generally recognized when the service is used or the expense arises.

Other income (expense) includes income (expenses) which is incidental to the Group's business operations and is recognized when earned (incurred) in the consolidated statement of comprehensive income.

Employee Benefits

Short-term employee benefits are recognized as expense in the period when the economic benefits are given. Unpaid benefits at the end of the financial reporting period are recognized as accrued expense while benefits paid in advance are recognized as prepayment to the extent that it will lead to a reduction in future payments. Short-term benefits given by the Group to its employees include salaries and wages, social security contributions, short-term compensated absences, bonuses and non-monetary benefits.

Earnings (Loss) Per Share (EPS)

Basic EPS (LPS) is computed by dividing net income (loss) for the year attributable to common equity holders of the Group by the weighted average number of common shares issued and outstanding during the year adjusted for any subsequent stock dividends declared. The Group has no dilutive potential common shares that would require disclosure of diluted earnings per share in the consolidated statement of comprehensive income.

Income Tax

Current Income Tax

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

Deferred Income Tax

Deferred income tax is provided, using the liability method, on temporary differences at the end of the reporting period 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 income tax assets are recognized for all deductible temporary differences, tax credits from excess of minimum corporate income tax (MCIT) and net operating loss carryover (NOLCO) that is expected to reduce taxable income in the future, to the extent that it is probable that taxable profit will be available against which the deferred tax assets can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred income tax assets to be recovered.

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

Leases

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating lease. Lease income from operating leases is recognized on a straight-line basis over the lease term.

Foreign Currency Transactions

Transactions denominated in foreign currencies are recorded using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated at the exchange rate prevailing at the end of each reporting period. Exchange gains or losses arising from the restatement or settlement of foreign currency denominated monetary assets and liabilities are recognized in the consolidated statement of comprehensive income. For income tax purposes, foreign exchange gains and losses are recognized upon settlement of the related foreign currency denominated monetary assets and liabilities.

Related Parties

Parties are considered to be related to the Group if it has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant stakeholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments are presented in Note 28.

Provision and Contingent Liabilities

Provisions are recognized for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation. Accrued provisions are reviewed at the end of each reporting period and are adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Events After the End of Reporting Period

Adjustments are made to recognize the effects, if any, of post year-end events that provide additional information about the Group's financial position at the end of the reporting period (adjusting events). Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements, when material.

4. Summary of Significant Judgments, Estimates and Assumptions

The Group's consolidated financial statements prepared in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and related notes. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the Group's consolidated financial statements as they become reasonably determinable.

Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcome can differ from these estimates.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations which have the most significant effect on the amounts recognized in the consolidated financial statements:

Assessment of Going Concern

Management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. As discussed in Note 2, the associate is fully operational with its respective cash flows and key subsidiaries are in pre-operating stages with various projects in the pipeline under modest spending guidelines. Furthermore, Management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

Determination of Control

The Group determines control when it is exposed, or has the rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the equity. The Group controls an entity if and only if the Group has all of the following:

- a. Power over the entity;
- b. Exposure, or rights, to variable returns from its involvement with the entity; and
- c. The ability to use its power over the entity to affect the amount of the Group's returns.

Determination of Functional Currency

Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency of the Group has been determined to be the Philippine Peso. The Philippine Peso is the currency of the primary economic environment in which the Group operates. It is the currency that mainly influences the sale of real properties, services, and investments and the cost of providing the services and of the sold investments.

Classification of Financial Instruments

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

Determination of Fair Value of Financial Instruments

The Group recognized certain instruments at fair value and discloses also the fair values of financial instruments, which requires extensive use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group utilized different valuation methodologies

and assumptions. Any changes in fair value of these financial assets and liabilities would affect profit and loss and equity.

The summary of the carrying values and fair values of the Group's financial instruments as of September 30, 2017 and December 31, 2016 is shown in Note 26.

Determination of Operating Leases – Group as Lessor

The Group has entered into property lease agreements on its usufructuary rights at the Park. The Group has determined that it retains all the significant risks and rewards of ownership of these properties, thus, accounted them as operating leases.

Impairment of AFS Equity Investments

The Group treats AFS equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or when other objective evidence of impairment exists. The Group generally considers significant decline as 20% or more of the cost and prolonged decline as greater than six months. In addition, the Group evaluates other factors, including normal volatility in share price for equities and the future cash flows and the discount factors for unquoted equities.

Income Taxes

Judgment is required in determining the provision for income tax. There are transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Provisions and Contingencies

Judgment is exercised by management to distinguish between provision and contingencies. Policies on recognition and disclosures of provisions and contingencies are discussed in Note 3.

Estimates and Assumptions

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

Estimating Allowance for Impairment of Financial Assets

Recoverability of specific receivables, including advances to related parties, is evaluated based on best available facts and circumstances, the length of the Group's relationship with its debtors, the debtors' payment behavior and known market factors. These specific reserves are re-evaluated and adjusted as additional information received affects the amount estimated to be uncollectible. Any increase in allowance would increase operating expenses and decrease related accounts.

The Group's allowance for impairment amounted to ₱40.1 million and ₱49.9 million as of September 30, 2017 and December 31, 2016, respectively (Notes 6 and 17). Accounts written off amounted to nil as of September 30, 2017 and ₱10.2 million as of December 31, 2016 (Notes 6, 17 and 20).

Estimating Useful Lives of Property and Equipment

The Group estimates the residual value and useful lives of its property and equipment based on the period over which these assets are expected to be available for use. The estimated residual value and useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these assets. It is possible that future results of operations could be materially affected by changes in estimates brought about by changes in these factors.

The carrying values of property and equipment are analyzed in Note 12. There is no change in the estimated useful lives and residual values of property and equipment as of September 30, 2017 and December 31, 2016 based on management's assessment.

Estimating Impairment of Non-Financial Assets

The Group's policy on estimating impairment of non-financial assets is discussed in Note 3. Though Management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment losses could have a material adverse effect on the results of operations.

The Group's allowance for impairment of non-financial assets amounted to ₱236.1 million as of September 30, 2017 and December 31, 2016, respectively (Notes 7 and 8). No accounts were written off as of September 30, 2017 and December 31, 2016.

Estimating Realizable Amount of Deferred Tax Assets

The Group reviews its deferred tax assets at the end of each reporting period 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. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences is based on the past years and projected future taxable income. The details of the unrecognized deferred tax assets are shown in Note 22.

Estimating Cost of Lawsuit and Claims

The Group is a party to certain lawsuit and claims arising in the extra-ordinary circumstances. The probable costs for the resolution of these lawsuit and claims are estimated in consultation with legal counsel and are based upon an analysis of potential outcome. No provision for probable losses has been recognized in the Group's consolidated financial statements, as management believes that the eventual liabilities under the lawsuit and claims, if any, will not be material (Note 29).

5. **Cash**

The account consists of:

	2017	2016
Cash in banks	₱1,267,063	₱1,277,427
Cash on hand	378,473	378,473
	₱1,645,536	₱1,655,902

Cash in banks represent savings and current accounts with local banks which earn interest at the prevailing bank deposit rates.

Interest income, net of final tax, earned from bank deposits amounted to ₱4,135 in 2017 and ₱3,155 in 2016.

On May 11, 2015, the CA ordered the freezing of three (3) bank accounts of the Group. The freeze order was lifted *motu proprio* by the CA upon the lapse of the maximum six-month period to freeze a bank account allowed under the law. However, the said bank accounts with a total deposit of ₱632,795 was subsequently included in the civil forfeiture case docketed as AMLC Case No. 15-007-53 pending with the Regional Trial Court (RTC) of Manila, Branch 53. The bank accounts became the subject of a Provisional Asset Preservation Order and subsequently an Asset Preservation Order issued by the RTC on November 13, 2015 and December 15, 2015, respectively (Note 29).

6. **Receivables – Net**

This account consists of:

	2017	2016
Nontrade receivables	₱267,464,478	₱250,283,520
Accounts receivables	769,500	567,000
Advances to officers and employees	305,678	348,991
Deposit to suppliers	99,168	99,168
Others	277,428	182,931
	268,916,252	251,481,610
Allowance for impairment loss	(347,627)	(347,627)
	₱268,568,625	₱251,133,983

Nontrade Receivables

Nontrade receivables include an unsecured, noninterest-bearing receivable from ThomasLloyd Cleantech Infrastructure Fund GMBH (TLCIF) amounting to ₱250,142,630, which was subsequently assigned by TLCIF to Zhong Shan Fu Chang Ltd (ZSFCL) on December 29, 2014, subject to the consent of the Parent Company. The Parent Company agreed to the assignment of receivables to ZSFCL under the following terms and conditions:

- a. ZSFCL shall pay the nontrade receivables on or before December 31, 2016 in cash or non-cash assets acceptable to the Parent Company; and
- b. If the nontrade receivables will be paid with non-cash assets, the appraised value thereof shall be determined by an independent appraiser mutually acceptable to ZSFCL and the Parent Company.

As of September 30, 2017, the nontrade receivables from ZSFCL had not been collected. However, Management assessed that these are still fully collectible.

Nontrade receivables also include advances to Lodestar Investment Holdings, Inc. (LIHC) amounting to ₱10.2 million as of December 31, 2015. An allowance for impairment loss was fully provided on the receivable as of December 31, 2015, which was subsequently written off in 2016.

Advances to Officers and Employees

Advances to officers and employees are unsecured, noninterest-bearing advances and will be realized twelve (12) months after the reporting period. These advances are made for various business-related expenses, which are subject to liquidation on demand. As of December 31, 2016, the Parent Company had provided a full allowance for impairment on the advances as it believed that these were no longer recoverable (Note 21).

Other Advances

Other advances represent unsecured, noninterest-bearing funds advanced to the Parent Company's lawyer, which will be charged to expense upon utilization. As of December 31, 2016, the Parent Company provided a partial allowance for impairment as it believed that certain receivables amounting to ₱32,000 were no longer recoverable (Note 21). Other advances amounting to ₱3,070 were written off for the year ended December 31, 2016 (Note 20).

Allowance for Impairment Loss

The movements of allowance for impairment loss in 2017 and 2016 are shown below.

	2017	2016
Balance at beginning of year	₱347,627	₱10,194,828
Accounts written off	–	(10,194,828)
Provision for impairment loss (Note 21)	–	347,627
Balance at end of year	₱347,627	₱347,627

Accounts written off in 2015 totaling ₱15,156,896 consist of receivables that were no longer recoverable, for which allowance for impairment was previously provided, as follows:

- a. Loans receivable of ₱8,023,363 pertaining to five-year interest-bearing loans granted by the Parent Company to its employees and the BOD (Eligible Members) for the purchase of the issued shares of the Parent Company; and
- b. Advances to projects that did not push through in 2013 amounting to ₱7,133,533, which pertain to deposits made by the Parent Company to Tianjin Tianbao Investment and Development Corporation.

7. Other Current Assets – Net

This account consists of:

	2017	2016
Input tax	₱1,701,746	₱1,694,546
Prepaid tax	1,319	1,319
Miscellaneous deposits	460	460
	1,703,525	1,696,325
Allowance for impairment loss	(1,078,488)	(1,078,488)
	₱625,037	₱617,837

Allowance for impairment loss as of September 30, 2017 and December 31, 2016 pertains to unrecoverable input tax.

The movement of allowance for impairment loss in 2017 and 2016 are shown below.

	2017	2016
Balance at beginning of year	₱1,078,488	₱965,164
Provision for impairment loss (Note 21)	–	113,324
Balance at end of year	₱1,078,488	₱1,078,488

8. Advances For Waste Recycling Project

Advances for Waste Recycling Project amounting to ₱235.0 million as of December 31, 2013 represent machineries, equipment and steel structure for the construction of a waste recycling machinery and equipment, which will function as a wet process recovery system for solid waste (the Facility). These are currently stored for free in a warehouse owned by a director of the Company located in Santiago Street, Barangay Lingunon Valenzuela City. The Facility, which was expected to be fully operational in 2014, did not push through (Note 2).

In 2014, the advances were fully provided with an allowance since Management believed that the assets were already impaired and no longer recoverable.

9. Deposits for Land Acquisition

On January 18, 2013, the Group, through SREDC, entered into an agreement (the Agreement) with Mr. Laureano R. Gregorio Jr. (Mr. Gregorio), a third party, for the transfer of all the rights, title and interests over a 150-hectare land in Rosario, Batangas, which is currently the site of the Park. The initial total consideration was ₱400.0 million to be settled based on the deliverables of Mr. Gregorio. The consideration shall be adjusted depending on the fair market value of the Park as may be determined by a mutually acceptable appraisal company.

A partial payment consisting of ₱6.0 million paid on January 28, 2013 and ₱5.0 million on July 2, 2014, recognized as deposits for land acquisition, was made. Pending the delivery of the documents and titles evidencing the real and enforceable rights over the Park, which shall be delivered within two (2) years from the date of agreement, SREDC was granted usufructuary rights over the property. The parties may, however, agree to extend the period as the circumstances may warrant.

The fair value of the Park as of February 8, 2013 is ₱446.1 million, which was based on the appraised value made by an independent appraiser as stated in its appraisal report dated February 20, 2013. On March 19, 2013, SREDC and Mr. Gregorio agreed to change the total consideration from its initial consideration of ₱400.0 million to ₱446.1 million based on the appraised value. The details of the appraised value are as follows:

Land (150 hectares at ₱1.8 million per hectare or ₱180 per square meter)	₱270,000,000
Buildings	75,823,000
Other land improvements	100,250,000
	<hr/>
	₱446,073,000

On February 16, 2013, the BOD of SREDC approved the proposed budget for the development of the Park, which includes the construction and operation of at most 60 greenhouses for high value crops and a 20-hectare asparagus farm by 2015. In connection with this, the BOD approved to advance ₱200.0 million to one of its stockholders to be adjusted as may be deemed appropriate.

The advances made by SREDC to its stockholder totaling ₱446.1 million in 2014 were made subject to liquidation for the following purposes (Note 17):

- a. To cover the post-dated checks issued by the stockholder as payment to Mr. Gregorio for the Park pursuant to the Agreement;
- b. To pay for the improvements that will be acquired and introduced on the Park; and
- c. To pay for the day-to-day operations of the Park.

In 2015, the stockholder paid for the improvements made in the Park including the construction of 30 greenhouses with an estimated cost of ₱10.5 million, which was liquidated at the completion of the project in 2016.

On December 10, 2014, the Agreement between Mr. Gregorio and SREDC was extended for another three (3) years or until January 17, 2018 to allow Mr. Gregorio more time to meet the conditions of the Agreement. Moreover, the parties agreed to defer the encashment of the post-dated checks issued as payment for the Park since the payments are dependent on the fulfillment of the conditions of the contract.

10. Available-For-Sale Investments

AFS investments represent quoted equity investments of a subsidiary. The Group has designated the quoted equity investments as AFS investments because these are held for long-term investment rather than trading.

The fair values of AFS investments have been determined based on the latest published stock exchange-quoted market price. As of December 31, 2016 and 2015, the Group's outstanding AFS investments amounted to ₱370,000 representing 1.0 million shares with a quoted market price of ₱0.37 per share. Fair value loss on AFS investments amounted to ₱120,000 in 2015.

11. Investment in Associate

The movement of the carrying value of the investment in associate using equity method is as follows:

	2017	2016
Balance at beginning of year	₱297,927,710	₱315,906,034
Equity in net income of associate	4,628,190	(45,274,728)
Equity in other comprehensive income of associate	1,982,519	27,296,404
Balance at end of year	₱304,538,419	₱297,927,710

The Group holds a total of 188,125,379 shares or 30.26% of the total issued and outstanding shares of AgriNurture, Inc. (ANI), a publicly listed company. In 2015, an allowance for impairment of ₱498,123,737 was provided since Management assessed that the investment in ANI was partially impaired due to recurring losses incurred by ANI.

As of September 30, 2017 and December 31, 2016, the market value of the investment in ANI amounted to ₱1,516,290,555 and ₱865,376,743, respectively, based on its price per share amounting to ₱8.06 and ₱4.6, respectively. As of reporting date, the market value of the investment in ANI amounted to ₱2,328,992,192 at a price per share of ₱12.38.

Summarized financial information of ANI follows:

	2017	2016
Current assets	₱1,014,130,718	₱1,000,914,458
Noncurrent assets	1,326,905,747	1,339,736,336
Current liabilities	1,277,200,945	1,400,813,771
Noncurrent liabilities	177,411,272	177,411,272
Net assets	888,710,714	762,425,751
Revenue	725,265,832	570,843,248
Net income (loss)	14,495,978	(149,619,065)
Other comprehensive income	6,551,615	86,469,892

In 2014, Management assessed that the investments in Music Semiconductor Philippines, Inc. (MSPI) and Isabela Alcolgas Corporation (IAC) amounting to ₱68.5 million and ₱24.2 million, respectively, will not be recovered and were written off accordingly (Note 20).

12. Property and Equipment – Net

The composition and movements of property and equipment in 2017 and 2016 are summarized below.

2017

	Land Improvements	Furniture, Fixtures and Equipment	Building and Improvements	Transportation Equipment	Total
Cost					
January 1 and September 31	₱1,463,013	₱227,078	₱43,685	₱2,293,176	₱4,026,952
Accumulated Depreciation					
January 1	195,068	157,294	3,204	2,293,176	2,648,742
Depreciation	1,035,513	69,784	3,578	–	1,108,875
September 30	1,230,581	227,078	6,782	2,293,176	3,757,617
Net Book Value	232,432	₱–	₱36,903	₱ –	₱269,335

2016

	Land Improvements	Furniture, Fixtures and Equipment	Building and Improvements	Transportation Equipment	Total
Cost					
January 1 and December 31	₱1,463,013	₱227,078	₱43,685	₱2,293,176	₱4,026,952
Accumulated Depreciation					
January 1	97,534	105,448	–	2,215,424	2,418,406
Depreciation	97,534	51,846	3,204	77,752	230,336
December 31	195,068	157,294	3,204	2,293,176	2,648,742
Net Book Value	₱1,267,945	₱69,784	₱40,481	₱ –	₱1,378,210

Based on the Group's evaluation of the carrying values of the property and equipment, Management believes that there are no indications that property and equipment were impaired as of September 30, 2017 and December 31, 2016.

13. Investment Properties

This account consists of the following:

Property	Location	2017		2016	
		Area	Cost	Area	Cost
Land	Quezon City	448 sq. m	₱–	448 sq. m	₱5,987,716
Land	Batangas	35,084 sq. m	3,157,560	35,084 sq. m	3,157,560
Land	Laguna	335 sq. m	2,400,000	335 sq. m	2,400,000
Land	Olongapo	467 sq. m	1,500,000	467 sq. m	1,500,000
			₱7,057,560		₱13,045,276

The movement of this account is as follows:

	2017	2016
Balance at beginning of year	₱13,045,276	₱36,996,141
Investment properties sold	–	(23,950,865)
Balance at end of year	₱13,045,276	₱13,045,276

The land located in Quezon City, which was acquired in 2013, with a total land area of 2,240 square meters is subdivided into five lots intended to be held for capital appreciation. Two lots were subsequently sold in January 2016. Proceeds for the purchase price of the sale amounting to ₱14,544,000, inclusive of VAT, was actually received in 2015 as deposit and presented under trade and other payables (Note 15). Another two lots were sold during 2016 totaling to ₱38,600,000, inclusive of VAT, the proceeds of which were received in August and October 2016. The total gain on sale of investment properties for the sale of four lots amounted to ₱23,499,135. The remaining lot was sold during the third quarter resulting in a gain on sale amounted to ₱11,252,527.

The land located in Rosario, Batangas, Cabuyao, Laguna and Olongapo City, with a total land area of 35,886 square meters are intended to be held also for capital appreciation. The estimated fair value as of September 30, 2017 and December 31, 2016 amounted to ₱6.32 million using the Market Data Approach based on available market information. This approach was used for the land as it is commonly used in the property market since inputs and data for this approach are available.

In 2014, the SREDC obtained a loan from a local bank totaling ₱50.0 million, of which ₱31.6 million is secured by the property located in Quezon City (Note 16).

The Group's management had reviewed the carrying values of the investment property for any impairment as of September 30, 2017 and December 31, 2016. Based on the evaluation, there are no indications that the property might be impaired.

14. Biological Assets

The biological assets include breeding stocks which are valued at cost less amortization and impairment loss, both amounting to ₱2,679,692 as of September 30, 2017 and December 31, 2016.

The Group's Management had reviewed the carrying values of biological assets for any impairment as of September 30, 2017. Based on the evaluation, there are no indications that the biological assets might be impaired.

15. Trade and Other Payables

This account consists of:

	2017	2016
Trade payable	₱16,771,049	₱16,885,422
Accrued expenses	2,128,843	2,148,713
Government payables	1,000,905	1,024,000
Refundable deposit (Note 19)	270,000	270,000
Deposit from customer (Note 13)	–	–
	₱20,170,797	₱20,328,135

Trade payables are unsecured, noninterest-bearing which arise from purchases of materials, supplies and services in the ordinary course of business.

Accrued expenses include professional fees and penalties.

Government payables consist mainly of Social Security System, PhilHealth and PAG-IBIG premiums, taxes withheld and other payables for remittance to the government agencies concerned.

Refundable deposit refers to the security deposit from the lease of properties.

16. Loans Payable

The maturity profile of the loans payable as of September 30, 2017 and December 31, 2016 follows:

	2017	2016
Due within one year	₱5,153,846	₱5,153,846
Due more than one year to five years	–	–
	₱5,153,846	₱5,153,846

The movement of the loans payable is as follows:

	2017	2016
Balance at beginning of year	₱5,153,846	₱16,800,000
Repayments	–	(11,646,154)
Balance at end of year	₱5,153,846	₱5,153,846

Loans payable pertain to loan obtained in 2014 from a certain bank amounting to ₱50.0 million, which will mature on July 28, 2017 with an interest rate of 6% per annum. A portion of the loan amounting to ₱31.6 million is partially secured by a parcel of land located in Quezon City (Note 13) and the remaining balance of ₱18.4 million is unsecured. The loan is payable on or before July 28, 2017, in monthly installments of ₱1,670,000 commencing on April 27, 2016. The balance is due at maturity with interest payable in advance every 30 days.

17. Related Party Transactions

The Group enters into transactions with related parties. For financial statements disclosure purposes, an affiliate is an entity under common control of the Parent Company's stockholders.

The summary of the Group's related party transactions follows:

	Amount of Transactions		Outstanding Balances	
	2017	2016	2017	2016
a. Advances to Related Parties:				
Stockholders	(₱12,421,705)	₱1,107,276	₱745,054,075	₱757,475,780
Associate	–	(3,386,719)	53,523,548	53,523,548
Affiliate	–	(51,610)	14,968,435	14,968,435
	(₱12,421,705)	(2,331,053)	813,546,058	825,967,763
Allowance for impairment loss	–	–	(39,717,922)	(39,717,922)
	(₱12,421,705)	(₱2,331,053)	₱773,828,136	₱786,249,841

b. Advances from Related Parties:				
Affiliate	₱9,000	(₱185,581)	₱9,000	₱-
c. Deposit for Future Stock Subscriptions:				
Stockholder	₱ -	₱ -	₱177,000,000	₱177,000,000
d. Key Management Personnel Cost				
Personnel Cost	₱675,350	₱674,140	₱ -	₱ -

The following are the related party transactions of the Group:

- a. Advances to related parties pertain to cash advances granted by the Parent Company to related parties which are noninterest-bearing, unsecured and have no fixed repayment terms. These are collectible in cash or offsetting with corresponding payables. Allowance for impairment loss both amounting to ₱39,717,922 in 2017 and 2016 pertains to a portion of advances to an associate, which Management believes are no longer recoverable. Advances to related parties amounting to ₱49,610 for the period December 31, 2016 were directly written off (Note 20).

The movements of the advances to related parties in 2017 and 2016 are shown below.

	2017	2016
Balance at beginning of year	₱786,249,841	₱788,580,894
Collections	(12,421,705)	(3,486,584)
Additions	-	1,205,141
Write off of advances to related parties	-	(49,610)
Balance at end of year	₱773,828,136	₱786,249,841

- b. Advances from related party amounting to ₱185,581 as of December 31, 2015 pertain to cash advances obtained from stockholders to defray the Group's expenses. The advances, which were fully paid in 2016, are noninterest-bearing, unsecured and have no fixed repayment terms.

The movements of advances from related parties in 2017 and 2016 are shown below.

	2017	2016
Balance at beginning of year	₱-	₱185,581
Repayments	-	(185,581)
Additions	9,000	-
Balance at end of year	₱9,000	₱ -

- c. On July 2, 2014, the Parent Company executed a subscription agreement with Earthright Holdings, Inc. (EHI). Subject to the application and approval of the SEC of the increase in the Parent Company's authorized capital stock to ₱3.0 billion (the Increase), EHI subscribed to ₱250.0 million worth of common shares at ₱1.00 per share and ₱37.5 million worth of preferred shares at ₱0.10 per share. Of the total subscription, ₱214.5 million shall be paid in cash upon execution of the subscription agreement with the balance due upon approval by the SEC of the Increase. Payment of ₱177.0 million received upon execution of the subscription agreement was classified as deposit for future stock subscriptions.

The deposit will be converted into equity once proper documentation and approval from the SEC have been obtained. As of reporting date, the Parent Company has not yet filed its application for the increase in its authorized capital stock with the SEC.

d. The total remuneration of key management personnel is shown below:

	2017	2016
Salaries and wages	₱613,061	₱605,321
Other short-term benefits	62,289	68,819
	₱675,350	₱674,140

18. Equity

Capital Stock

Details of capital stock as of September 30, 2017 and December 31, 2016 as follows:

2017

	Preferred		Common	
	Number of Shares	Peso Equivalent	Number of Shares	Peso Equivalent
Authorized – ₱0.10 par value per preferred share/ ₱1.0 par value per common share	1,000,000,000	₱100,000,000	1,900,000,000	₱1,900,000,000
Subscribed and issued	1,000,000,000	₱100,000,000	1,800,778,572	₱1,800,778,572

2016

	Preferred		Common	
	Number of Shares	Peso Equivalent	Number of Shares	Peso Equivalent
Authorized – ₱0.10 par value per preferred share/ ₱1.0 par value per common share	1,000,000,000	₱100,000,000	1,900,000,000	₱1,900,000,000
Subscribed and issued	1,000,000,000	₱100,000,000	1,800,778,572	₱1,800,778,572

The movement of the Group's common shares is shown below:

	2017	2016
<u>Issued and paid</u>		
Balance at beginning of year	₱1,598,289,455	₱1,598,289,451
Issuances of shares	–	4
Balance at end of year	₱1,598,289,455	₱1,598,289,455
<u>Subscribed</u>		
Balance at beginning and end of year	₱202,489,117	₱202,489,117

The related subscription receivable balance amounted to ₱97.5 million as of September 30, 2017 and December 31, 2016.

On June 22, 2011, the SEC approved the amendment of the Parent Company's Articles of Incorporation, which included, among others, the decrease in par value from ₱0.10 per share to ₱0.01 per share and the increase in authorized capital stock from ₱500.0 million divided into 5.0 billion shares at a par value of ₱0.10 per share to ₱1.0 billion divided into 100 billion shares at a par value of ₱0.01 per share.

On March 8, 2012, the SEC approved the increase in authorized capital stock of the Parent Company from ₱1.0 billion divided into 100.0 billion shares with a par value of ₱0.01 per share to ₱2.0 billion divided into 200.0 billion shares with a par value of ₱0.01 per share.

On January 27, 2013, the BOD approved the reclassification of ₱62.5 million worth of issued common shares to EHI into 625.0 million preferred shares with a par value of ₱0.10 per share. The application for the restructuring of the authorized capital stock was approved by the SEC on September 11, 2014.

On June 27, 2013, the BOD approved the restructuring of the authorized capital stock of the Parent Company from 200.0 billion shares at a par value of ₱0.01 per share to 2.9 billion shares divided into 1.9 billion common shares at a par value of ₱1.0 per share and 1.0 billion preferred shares at a par value of ₱0.10 per share.

Further in July 2, 2014, the Parent Company issued additional 375.0 million preferred shares to EHI for ₱37.5 million at a par value of ₱0.10 per share. Total issued preferred shares amounted to ₱100.0 million, which are divided into 1.0 billion shares at a par value ₱0.10 per share as of December 31, 2016, 2015 and 2014.

Based on the Amended Articles of Incorporation dated September 11, 2014, the Parent Company's preferred shares have, among others, the following features: (a) voting, (b) right to receive dividends at the rate as may be deemed by the BOD under the prevailing market conditions, and (c) in liquidation, dissolution and winding up of the Company, whether voluntary or otherwise, the right to be paid in full or ratably, insofar as the assets of the Company will permit, the par value or face value of each preferred share as the BOD may determine, upon issuance, plus unpaid and accrued dividends up to the current dividend period, before any assets of the Company shall be paid or distributed to the holders of the common shares.

The stockholders of the Parent Company shall have no pre-emptive rights to subscribe to or purchase any or all issues or disposition of shares of any class of the Parent Company.

The following summarizes the information on the Group's registration of securities under Securities Regulation Code:

<u>Date of SEC Approval</u>	<u>Authorized Shares</u>
September 11, 2014	2,000,000,000
March 8, 2012	200,000,000,000
June 22, 2011	100,000,000,000
October 15, 2009	5,000,000,000
June 24, 2008	2,450,000,000
December 28, 2007	1,120,000,000
September 7, 2007	160,000,000

The total number of shareholders of the Company is 1,035 as of September 30, 2017 and December 31, 2016, respectively.

The principal market for the Group's capital stock is the PSE. The high and low trading prices of the Group's shares are as follows:

Quarter	High	Low
January 2017 to September 2017		
First	₱0.37	₱0.37
Second	0.37	0.37
Third	0.37	0.37
January 2016 to December 2016		
First	₱0.37	₱0.37
Second	0.37	0.37
Third	0.37	0.37
Fourth	0.37	0.37

Under an Investment Agreement dated August 15, 2012 with TLCIF, the latter subscribed to 20,776,856,000 primary shares of the Parent Company at an issue price of ₱0.02 per share equivalent to ₱415,537,120 and the Parent Company issued two (2) Warrant 13 Certificates under the American Call Option covering 10,489,500,000 shares with a strike price of ₱0.02 per share and 10,489,500,000 shares of the Parent Company with a strike price of ₱0.03 per share, exercisable within one (1) year and three (3) years from issuance, respectively. The Parent Company may also issue stock warrants that would allow subscription of up to 8,123,999,500 shares of the Parent Company from its unissued authorized capital stock. The additional warrants shall contain the same terms and conditions as the warrants issued to TLCIF. The first Warrant 13 Certificates were not exercised in 2013. The second was not exercised in 2015.

On November 15, 2012, the stockholders approved the issuance and listing of warrants in favor of the Parent Company's officers and directors under such terms and conditions to be determined by the BOD.

On May 13, 2015, Parent Company requested for a voluntary suspension in the trading of its securities in the PSE. As of the date of this report, the market price per share of the Parent Company's securities is ₱0.37(Note 2).

19. Rental Income

The Group, through SREDC, entered into a lease agreement on January 8, 2015 for the lease of its nine-hectare property situated at Rosario, Batangas effective from January 1, 2015 to December 31, 2015, and shall be automatically renewed for successive one-year periods unless terminated. Under the terms of the lease agreement, the rental shall be ₱30,000 per hectare per annum, exclusive of value added tax and subject to an escalation rate of ten percent (10%) per year starting from the second year of the lease agreement. Security deposit under this lease agreement amounted to ₱270,000 (Note 15). Rental income amounted to ₱202,500 in 2017 and nil in 2016 presented in the consolidated statement of comprehensive income.

20. General and Administrative Expenses

This account consists of:

	2017	2016
Contractual services	₱5,655,760	₱5,249,961
Utilities	2,332,729	2,515,641
Materials and supplies	1,920,801	304,853
Salaries and wages	1,510,344	914,140
Depreciation (Note 12)	1,108,875	178,762

	2017	2016
Repairs and maintenance	465,921	48,680
Representation and entertainment	133,802	113,306
Legal and professional expense	60,000	–
Transportation expense	44,298	243,235
Taxes and licenses	14,098	–
Miscellaneous	151,016	22,376
	P13,397,644	P9,590,954

As of September 30, 2017 and December 31, 2016, the Group is not covered by the provisions of Republic Act No. 7641, Retirement Pay Law, because the total number of regular employees is not more than 10, which is the number mandated to comply with the said law. Accordingly, the Group has not made a provision for retirement benefits.

21. Other Expenses

This account consists of:

	2017	2016
Provision for impairment losses (Notes 6, 7, 8 and 17)	P–	P–
Foreign exchange loss (gain)	–	–
	P–	P–

22. Income Taxes

- a. The current provision for income tax in the amount of P228,939 in 2017 represent the 2% MCIT on gross taxable income.
- b. The Group has unrecognized deferred tax assets amounting to P10,158,546 and P11,617,399 as of September 30, 2017 and December 31, 2016, respectively, pertaining to the tax effects on NOLCO and MCIT. The Group's management believes that it is not probable that sufficient profit will be available against which these deferred tax assets can be utilized. The details of the unrecognized deferred tax assets are shown below.

	2017	2016
NOLCO	P9,676,637	P9,676,637
MCIT	481,909	481,909
	P10,158,546	P10,158,546

- c. As of December 31, 2016, NOLCO and MCIT that can be claimed as deduction from taxable income and used as deduction against income tax liabilities, respectively, in the next three years are as follows:

Year Incurred	Expiry Date	NOLCO		MCIT	
		2016	2015 (As restated – see Note 25)	2016	2015 (As restated – see Note 25)
2016	2019	₱ –	₱ –	₱251,121	₱ –
2015	2018	17,198,344	17,198,344	5,633	5,633
2014	2017	15,057,115	15,057,116	266	266
2013	2016	–	6,443,216	–	1,897
		₱32,255,459	₱38,698,676	₱257,020	₱7,796

In 2016, NOLCO amounting to ₱2,638,277 in 2013 was claimed as deduction from taxable income. NOLCO and MCIT of 2013 amounting to ₱3,804,939 and ₱1,897, respectively, has expired in 2016.

23. Basic Loss Per Share

The following table presents the information necessary to compute the basic loss per share attributable to equity holders of the Parent Company:

	2017	2016
Net income (loss) attributable to equity holders of the Parent Company	₱2,522,230	(₱4,500,736)
Weighted average number of common shares	1,800,778,572	1,800,778,568
Basic Loss Per Share	₱0.001	(₱0.002)

The Group has no diluted shares as of September 30, 2017 and December 31, 2016.

24. Non-controlling Interest

Non-controlling interests represents the equity in subsidiaries not attributable directly or indirectly to the Parent Company. The details of the account are as on the next page.

Subsidiaries	2017			
	Balance at Beginning of Year	Net Loss	Other Comprehensive Loss	Balance at End of Year
SREDC	₱257,102,556	(₱60,971)	₱ –	₱257,041,585
LSTI	39,034	(245)	–	38,789
TWMRSI	(115,347,187)	(245)	–	(115,347,432)
	₱141,794,403	(₱61,461)	₱ –	₱141,732,942

Subsidiaries	2016			
	Balance at Beginning of Year	Net Income (loss)	Other Comprehensive Loss	Balance at End of Year
SREDC	₱255,047,042	₱2,055,514	₱ –	₱257,102,556
LSTI	71,587	(32,553)	–	39,034
TWMRSI	(115,325,248)	(21,939)	–	(115,347,187)
	₱139,793,381	₱2,001,022	₱ –	₱141,794,403

Other comprehensive loss pertains to the fair value of AFS investment for the year attributable to non-controlling interest.

25. Restatements and Corrections of 2015 Financial Statements

Certain accounts in 2015 were restated from the amounts previously reported to adjust unrecorded and erroneously recorded transactions.

	As Previously Reported		Adjustments	As Restated
Assets				
Cash	₱1,650,178		₱ –	₱1,650,178
Receivables – net	251,190,236	a	(32,509)	251,157,727
Advances to related parties – net	800,704,464	b	(12,123,570)	788,580,894
Other current assets – net	3,324,775	c	(2,716,026)	608,749
Deposits for land acquisition	11,000,000		–	11,000,000
AFS investments	370,000		–	370,000
Investment in associate	321,347,141	d	(5,441,107)	315,906,034
Property and equipment – net	1,608,546		–	1,608,546
Investment properties	33,096,141	b	3,900,000	36,996,141
Other noncurrent assets	179,006	e	(179,006)	–
	₱1,424,470,487		(₱16,592,218)	₱1,407,878,269
Liabilities and Equity				
Trade and other payables	₱33,607,662	f	₱478,306	₱34,085,968
Loans payable	18,740,000	b	(1,940,000)	16,800,000
Advances from related parties	5,221,883	b	(5,036,302)	185,581
Deposit for future stock subscriptions	177,000,000		–	177,000,000
Capital stock	1,803,278,568		–	1,803,278,568
Additional paid-in capital	268,090,531		–	268,090,531
Equity in other comprehensive income of associate – net	(10,046,002)	d	(5,441,107)	(15,487,109)
Fair value loss on AFS investments	(390,600)		–	(390,600)
Deficit	(1,013,153,859)		(2,324,192)	(1,015,478,051)
Non-controlling interest	142,122,304		(2,328,923)	139,793,381
	₱1,424,470,487		(₱16,592,218)	₱1,407,878,269

The details of accounts that are affected by the adjustments as of December 31, 2015 are presented below.

- a. Net effect of the accounts reclassified to advances to related parties and from other current assets amounting to ₱302,509 and recognition of unrecorded rent receivable from the lease of property of SREDC amounting to ₱270,000.
- b. Advances to related parties
 To offset the advances to and from related parties for FS consolidation purposes (₱5,036,302)
 Reversal of prior year adjustments (4,734,121)
 Recognition of unrecorded investment properties paid by a stockholder (3,900,000)
 To correct the record of subscription of shares of an affiliated company in 2014 3,750,000
 Recognition of unrecorded payment of a stockholder for the principal of the loan of SREDC directly deducted to advances to stockholder (1,940,000)
 Recognition of unrecorded real property taxes of SREDC (1,288,367)
 Reclassification of advances to officers and employees from receivables 405,220
 Others 620,000
(₱12,123,570)
- c. Recognition of materials and supplies used in Batangas farm of SREDC amounting to ₱2,579,995 and net effect of accounts reclassified to receivables and expense amounting to ₱136,031.
- d. To adjust the understatement of equity on other comprehensive income of investment in associate in 2015 due to restatement made by the associate amounting to ₱5,441,107.
- e. To reverse the goodwill erroneously recorded in previous years amounting to ₱179,006.
- f. Recognition of refundable deposit from the lease of property of SREDC amounting to ₱270,000 and unrecorded other payables amounting to ₱208,306.

Reconciliation of Equity Attributable to Equity Holders of Parent Company

	December 31, 2015	December 31, 2014	January 1, 2014
Deficit as previously reported	(₱1,013,153,859)	(₱863,390,634)	(₱290,671,044)
Adjustments on effect of corrections of errors – net of tax	(2,324,192)	(3,351,452)	(141,432)
Deficit as restated	(₱1,015,478,051)	(₱866,742,086)	(₱290,812,476)

Reconciliation of Non-Controlling Interest

	December 31, 2015	December 31, 2014	January 1, 2014
Non-controlling interest as previously reported	₱142,122,304	₱145,631,237	₱266,362,276
Adjustments on effect of corrections of errors – net of tax	(2,328,923)	(964,584)	(969,328)
Non-controlling interest as restated	₱139,793,381	₱144,666,653	₱265,392,948

Reconciliation of Net Loss

	December 31, 2015	December 31, 2014
Net loss as previously reported	(₱153,226,558)	(₱718,298,748)
Adjustments on effect of corrections of errors – net of tax	(337,079)	(3,205,276)
Net loss as restated	(₱153,563,637)	(₱721,504,024)

26. Financial Instruments

Fair Values of Financial Assets and Liabilities

The following table summarizes the carrying amounts and fair values of the Group's financial assets and liabilities:

	2017		2016	
	Carrying Value	Carrying Value	Carrying Value	Fair Value
Financial Assets				
Cash	₱1,645,536	₱1,645,536	₱1,655,902	₱1,650,178
Receivables – net	268,568,625	268,568,625	251,133,982	251,154,184
Advances to related parties – net	773,828,136	773,828,136	786,249,841	786,249,841
AFS investments	370,000	370,000	370,000	370,000
	₱1,044,412,297	₱1,044,412,297	₱1,039,409,725	₱1,039,409,725
Financial Liabilities				
Trade and other payables	₱18,899,892	₱18,899,892	₱19,304,134	₱19,304,134
Loans payable	5,153,846	5,153,846	5,153,846	5,153,846
Advances from related parties	9,000	9,000	–	–
Deposit for future stock subscriptions	177,000,000	177,000,000	177,000,000	177,000,000
	₱201,062,738	₱201,062,738	₱201,457,980	₱201,457,980

Fair Value Hierarchy

Financial assets and liabilities measured at fair value are categorized in accordance with the fair value hierarchy. The different levels are defined as follows:

- a. Level 1 – Quoted prices in active markets for an identical asset or liability;
- b. Level 2 – Those involving inputs other than quoted prices included in Level 1 that are observable for an asset or liability, either directly (as prices) or indirectly (derived from prices); and
- c. Level 3 – Those with inputs for an asset or liability that are not based on observable market data (unobservable inputs).

The carrying values of the financial assets, except AFS financial assets, approximate their fair values due to their relatively short-term maturities. The fair value of AFS financial assets is based on the latest published stock exchange-quoted market prices of the investments as of the reporting date. The AFS financial assets are categorized under Level 1 of the Fair Value Hierarchy.

The carrying values of trade and other payables, deposit for future stock subscriptions and advances from related parties are the approximate fair values due to the relatively short-term maturity of these financial liabilities. The carrying values of loans payable approximates the fair value, which is determined to be the present value of future cash flows using the prevailing market rate as the discount rate. These financial liabilities are categorized under Level 3 of the Fair Value Hierarchy.

27. Financial Risk Management and Capital Management Objectives and Policies

Financial Risk Management

The Group's financial instruments arise directly from the Group's business operations. The main risks arising from the use of these financial instruments are credit, liquidity and interest risks.

Credit Risk

The Group's maximum credit exposure on its financial assets is equivalent to the carrying amount of the assets. The credit risk for cash in bank is considered negligible since the counterparty is a reputable entity with high quality external credit rating. Receivables from and advances to related parties are monitored on a regular basis to ensure that exposure to bad debts is controlled and not significant.

The credit quality of the Group's financial assets as of September 30, 2017 and December 31, 2016 is presented below.

	Carrying Amount		
	2017	2016	Credit Quality
Cash	₱1,645,536	₱1,655,902	Unimpaired
Accounts receivables:			
Beyond 30 days outstanding	268,568,625	251,133,982	Past due but not impaired
Advances to related parties:			
Beyond 30 days outstanding	773,828,136	786,249,841	Past due but not impaired
	₱1,044,042,297	₱1,039,039,725	

Impairment Assessment

The Group recognizes impairment loss based on the results of its specific/individual credit exposure. Impairment takes place when there is a presence of known difficulties in the servicing of cash flows by counterparties, infringement of the original terms of the contract, or when there is inability to pay overdue principal or interest, if any, beyond a certain threshold. These and other factors constitute observable events and/or data that meet the definition of an objective evidence of impairment.

The Group applies specific/individual assessment methodology in assessing and measuring impairment.

Under specific/individual assessment, the Group assesses each individual significant credit exposure for any objective evidence of impairment, and where such evidence exists, accordingly calculates the required impairment. Among the items and factors considered by the Group when assessing and measuring specific impairment allowances are: (a) the timing of the expected cash flows; (b) the projected receipts or expected cash flows; (c) the going concern of the counterparty's business; (d) the ability of the counterparty to repay its obligation during financial crises; (e) the availability of other sources of financial support; and, (f) the existing realizable value of the collateral, if any. The impairment allowances, if any, are evaluated as the need arises, in view of favorable or unfavorable developments.

Liquidity Risk

The Group monitors the maturities of its financial assets and liabilities and ensures that it has sufficient current assets to settle its current liabilities. The table on the next page summarizes the maturity profile of the Group's financial assets and liabilities as of September 30, 2017 and December 31, 2016.

2017

	On Demand	Within One Year	One-Five Years	Total
Financial Assets				
Cash	₱1,645,536	₱ –	₱ –	₱1,645,536
Receivables – net	–	268,568,625	–	268,568,625
Advances to related parties – net	–	773,828,136	–	773,828,136
AFS Investments	–	370,000	–	370,000
	₱1,645,536	₱1,042,766,761	₱ –	₱1,044,412,297
Financial Liabilities				
Trade and other payables	₱ –	₱18,899,892	₱ –	₱18,899,892
Loans payable	–	5,153,846	–	5,153,846
Advances from related parties	–	9,000	–	9,000
Deposit for future stock subscriptions	–	177,000,000	–	177,000,000
	₱ –	₱201,062,738	₱ –	₱201,062,738

2016

	On Demand	Within One Year	Total
Financial Assets			
Cash	₱1,655,902	₱ –	₱1,655,902
Receivables – net	–	251,133,982	251,133,982
Advances to related parties – net	–	786,249,841	786,249,841
AFS investments	–	370,000	370,000
	₱1,655,902	₱1,037,753,823	₱1,039,409,725
Financial Liabilities			
Trade and other payables	₱ –	₱19,304,134	₱19,304,134
Loans payable	–	5,153,846	5,153,846
Deposit for future stock subscriptions	–	177,000,000	177,000,000
	₱ –	₱201,457,980	₱201,457,980

Interest Risk

The Company has no exposure to the risk that the value of financial liabilities will fluctuate because the market interest rates pertaining to long-term loans are fixed.

Capital Management

The primary objective of the Group's capital management policies and procedures is to ensure that capital funds are preserved and earn adequate returns to finance developmental projects and to maintain facilities and utilities on a continuous basis.

The Group's capital mainly relates to the following:

	2017	2016
Capital stock	₱1,803,278,572	₱1,803,278,572
Additional paid-in capital	268,090,531	268,090,531
Deficit	(1,058,955,881)	(1,061,478,111)
	₱1,012,413,222	₱1,009,890,992

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. It monitors capital using leverage ratios on both gross debt and net debt basis.

As of September 30, 2017 and December 31, 2016, the Group had the following ratios:

	2017	2016
Debt to equity	20%	20%
Net debt to equity	20%	20%

The Group has no externally imposed capital requirements and manages its capital structure and makes adjustments to it, in response to changes in economic condition.

28. Segment Reporting

Business Segments

For management purposes, the Group is organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The industry segments where the Group operates are as follows:

- a. The holding segment is engaged in investment holding;
- b. The renewal energy segment is engaged in the business and/or operation of renewable energy system and/or harnessing renewable energy resources;
- c. The waste management segment is engaged in the business of building, operating and managing waste recovery facilities;
- d. The real estate segment is engaged in business of real estate development and improvement for agri-tourism; and
- e. The information technology segment is engaged in the business of software and other communication technology solutions and value added services arising from or connected to telecommunications.

Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, advances to related parties, property and equipment and investment properties. Segment liabilities include all operating liabilities and consist principally of trade and other payables and loans payable.

Segment Transactions

Segment income, expenses and performance include income and expenses from operations. Intercompany transactions are eliminated in consolidation.

29. **Other Matter**

On Civil Forfeiture

On December 15, 2015, the Regional Trial Court of the City of Manila, Branch 53, (the Court) placed under asset preservation specified bank accounts of (i) the Parent Company and (ii) SREDC, a subsidiary of the Parent Company (the Order). The Order was predicated solely on the allegation made by the Anti-Money Laundering Council that multiple transactions involving receipt of inward remittances and inter-branch fund transfers between the Parent Company, SREDC and EHI, a stockholder of the Parent Company, were allegedly without any underlying legal or trade obligation, purpose, or economic justification and/or that they were allegedly not commensurate to the business or financial capacity of the parties involved.

The rules on confidentiality and *sub judice* bar the Parent Company from publicly going into the details of the on-going proceedings with the Court; however, the Parent Company wishes to draw attention to the disclosures dated June 30, 2014 and July 1, 2, 3, 7, and 10, 2014 lodged by the same with the PSE (hence, already public and readily accessible) that would show that the receipts and transmittals involving the corporations had economic justifications and involved business transactions, which were timely made public.