



**GREENERGY**  
Holdings

**GREENERGY HOLDINGS INCORPORATED**  
(formerly MUSX Corporation)  
54 National Road, Dampol II-A  
Pulilan, Bulacan  
Tel. No. (02) 661-6945

14 October 2013

**THE DISCLOSURE DEPARTMENT**  
**PHILIPPINE STOCK EXCHANGE, INC.**  
Philippine Stock Exchange Plaza  
Ayala Triangle, Ayala Ave.  
Makati City, Metro Manila

Attention : **MS. JANET A. ENCARNACION**  
Head, Disclosure Department

**MR. JUAN FEDERICO C. DE LEON**  
Senior Specialist, Disclosure Department

Subject : **Amended Definitive Information Statement**

**Gentlemen:**

Attached is a copy of the Amended Definitive Information Statement (SEC Form 20-IS) filed with the Securities and Exchange Commission together with the summary of amendments.

We trust that you will find the same in order.

Very truly yours,

**JENNIFER T. ONG**  
Alternate Corporate Information Officer

SUMMARY OF AMENDMENTS		
Page	Part of the SEC Form 20-IS	Amendments ( <u>in underline</u> )
1	No. 1	1. Check the appropriate box: [ / ] <u>Amended</u> Definitive Information Statement
	No. 8	Date, time, and place of the meeting of security holders: <b><u>November 15, 2013 (Friday), 3:00 P.M. at No. 54 National Road, Dampol II-A, Pulilan, Bulacan.</u></b>
	No. 9	Approximate date on which the Proxy Statement is first to be sent or given to security holders: <b><u>October 23, 2013</u></b>
	No. 11	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding  <b><u>185,952,856,500 common shares</u></b>
2	Item 1	The Annual Meeting of the stockholders of Greenergy Holdings Incorporated (formerly MUSX Corporation, the Parent Company or "Company") will be held on <b><u>November 15, 2013 (Friday), 3:00 P.M. at No. 54 National Road, Dampol II-A, Pulilan, Bulacan.</u></b>  a. The complete mailing address of the Company is at 54 National Road, Dampol II-A, Pulilan, Bulacan, Philippines.  b. The approximate date on which this Information Statement, form of proxy and other materials are first to be sent or given to security holders is on <b><u>October 23, 2012.</u></b>
	Item 2	As will be discussed in this Information Statement, subject to the ratification/approval of the stockholders on <u>November 15, 2013</u> , the Company intends to make, among other amendments to the Articles of Incorporation and By-Laws, the following amendments to the Seventh Article of the Articles of Incorporation for the purpose of:
3-4	Item 3	No director has informed the Company in writing that he/she opposes any action intended to be taken or to be acted upon in the said meeting of stockholders on <u>November 15, 2013</u> .
	Item 4	a. As of <u>October 8, 2013</u> , the Company has 185,952,856,500 issued and outstanding common shares of stock. Each outstanding share held as of the record date is entitled to one (1) vote.  b. The record date with respect to the stockholders' meeting on <u>November 15, 2013</u> is fixed at <u>October 21, 2013</u> .  xxx  d. Security Ownership of Certain Record and Beneficial Owners and Management.  As of <u>September 30, 2013</u> , the following persons or group own more than five percent (5%) of the Company's voting securities:  PCD Nominee Corp. - <u>34,187,118,570</u> ; <u>19.77%</u> (Filipino)

		PCD Nominee Corp. - <u>10,617,173,790</u> ; <u>6.14%</u> (Non-Filipino)
5	<b>Item 4</b>	<p>The following table shows the ownership of the following directors and executive officers in the Company's common shares as of <u>October 8, 2013</u>:</p> <p>Antonio L. Tiu – <u>53,601,000,000</u>; <u>53,600,000,000</u> – Indirect; <u>28.83%</u></p> <p><b>Total – <u>53,601,901,400</u>; <u>28.83%</u></b></p> <p>The aggregate number of shares owned by all officers and directors as a group as of <u>October 8, 2013</u> is <u>53,601,901,400</u> or <u>28.83%</u> of the Company's outstanding capital stock.</p>
5	<b>Item 5</b>	As of <u>October 8, 2013</u> , the following are the nine (9) individuals comprising the Board of Directors:
7	<b>Item 5</b>	<ul style="list-style-type: none"> <li>• <b>The Executive Officers of the Company as of <u>October 8, 2013</u> are as follows:</b></li> </ul>
9	<b>Item 5</b>	The nominees for the election to the Board of Directors on <u>November 15, 2013</u> are as follows:
12	<b>Item 5</b>	As of <u>October 8, 2013</u> , the said warrants have not yet been formally issued.
13	<b>Item 9</b>	As of <u>October 8, 2013</u> , the Company has an authorized capital stock of Php2,000,000,000.00 consisting of 200,000,000,000 common shares with par value of Php0.01 each, of which <u>185,952,856,500</u> common shares are issued and outstanding.
14	<b>Item 10</b>	The Company currently has an authorized capital stock of Php2 Billion divided into 200 Billion common shares with a par value of Php0.01 per share, of which, <u>185,952,856,500</u> common shares are outstanding. On June 27, 2013, the Board of Directors of the Company approved the amendment of the Seventh Article of the Articles of Incorporation for the purpose of:
15	<b>Item 10</b>	The above amendments, which shall be submitted for the ratification of the stockholders on <u>November 15, 2013</u> , shall result in the Company having an authorized capital stock of Php2 Billion divided into 1.9 Billion common shares with a par value of Php1.00 per share and 1 Billion preferred shares with a par value of Php0.10 per share, to wit:
15	<b>Item 10</b>	Further, on June 27, 2013, the Board of Directors approved the reclassification of the Php62.5 million worth of common shares of the 25 billion common shares of Earthright Holdings, Inc. into 625 million fully paid preferred shares, and giving all holders of common shares as of June 27, 2013 the same right to reclassify their common shares into preferred shares in such amounts and proportion between Earthright and all other stockholders that can be accommodated by the number of preferred shares created; provided that, stockholders must provide the Company with written notice to reclassify on or before the annual stockholders' meeting

		<u>previously scheduled</u> on August 16, 2013, provided further, that, any reclassification shall not result in the foreign ownership level of all outstanding common shares and preferred shares exceeding 40%. <u>Prior to and on August 16, 2013, the Company did not receive any written notice from other stockholders conveying their intention to reclassify their common shares into preferred shares.</u>
23	<b>Market for Issuer's Common Equity and Related Stockholders Matters</b>	As of <u>October 8, 2013</u> , the Company has one (1) class of stock – common. It has <u>185,952,856,500</u> issued and outstanding common shares, of which, <u>45,243,478,240</u> common shares are listed and traded at the PSE.
23-24	<b>Market Information</b>	The Company's common equity is traded on the PSE. As of <u>October 8, 2013</u> , the Company's stock price closed at <u>Php0.012</u> per share (with par value of Php0.01 per share).  3 <sup>rd</sup> Quarter – <u>0.017</u> (High); <u>0.013</u> (Low)
	<b>Top 20 Holders</b>	Based on the records of the Company's stock transfer agent, RGFS Registry & Agency Services, Inc. (Stock Transfer Agent) the Company had <u>1,025</u> stockholders as of <u>September 30, 2013</u> . The top twenty (20) shareholders as of said date were as follows:  PCD Nominee Corp. - <u>34,187,118,570</u> ; <u>19.77%</u> (Filipino)  PCD Nominee Corp. - <u>10,617,173,790</u> ; <u>6.14%</u> (Non-Filipino)
26	<b>Item 11</b>	On June 27, 2013, the Board of Directors approved the amendment of the Manual on Corporate Governance in order to increase the number of directors to eleven (11) directors with two (2) independent directors from nine (9) directors with two (2) independent directors. This shall be submitted for the approval of the stockholders on <u>November 15, 2013</u> .
27	<b>Item 15</b>	The matters approved and acted upon by the Board of Directors of the Company after the previous shareholders meeting on December 11, 2012, which are required to be ratified by the stockholders on <u>November 15, 2013</u> are the following:
28	<b>Item 16</b>	Nonetheless, the following shall be submitted for stockholders' approval on <u>November 15, 2013</u> in the interest of transparency and as a matter of customary practice or procedure undertaken at every annual meeting of stockholders of the Company:
29	<b>Item 17</b>	Subject to the ratification/approval of the stockholders on <u>November 15, 2013</u> , the Company intends to make the following amendments:



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**GREENERGY HOLDINGS INCORPORATED**  
(formerly MUSX Corporation)  
54 National Road, Dampol II  
Pulilan, Bulacan  
Tel. No. (02) 661-6945

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**TO ALL STOCKHOLDERS:**

NOTICE is hereby given that the Annual Meeting of Stockholders of Greenergy Holdings Incorporated (the "Company") will be held on **15 November 2013, Friday, at 3:00 in the afternoon at No. 54 National Road, Dampol II-A, Pulilan, Bulacan.**

The agenda for the said meeting shall be as follows:

1. Call to Order;
2. Certification of Notice and Determination of Quorum;
3. Approval of the Minutes of the Annual Meeting of Stockholders held last 11 December 2012;
4. Annual Report and Financial Statements for the year ended 31 December 2012;
5. Amendment of the Seventh Article of the Articles of Incorporation for the purpose of:
  - i. creating 1 Billion voting and participating preferred shares (as to assets) with a par value of Php0.10 per share from the authorized capital stock; and
  - ii. increasing the par value of all the remaining unissued and issued common shares from Php0.01 per share to Php1.00 per share;

which shall result in the Company having an authorized capital stock of Php2 Billion divided into 1.9 Billion common shares with a par value of Php1.00 per share and 1 Billion preferred shares with a par value of Php0.10 per share;

6. Amendment of the Sixth Article of the Article of Incorporation in order to increase the number of directors to 11 directors with 2 independent directors from 9 directors with 2 independent directors;
7. Amendment of the By-Laws for the purpose of separating the positions of President and Chief Executive Officer;
8. Amendment of the Manual on Corporate Governance in order to increase the number of directors to 11 directors with 2 independent directors from 9 directors with 2 independent directors;
9. Reclassification of the Php62.5 Million worth of common shares of the 25 Billion common shares of Earthright Holdings, Inc. into 625 Million fully paid preferred shares, and giving all holders of common shares as of June 27, 2013 the same right to reclassify their common shares into preferred shares in such amounts and proportion between Earthright and all other stockholders that can be accommodated by the number of preferred shares created; provided that, stockholders must provide the Company with written notice to reclassify on or before the annual stockholders' meeting on August 16, 2013; provided further, that, any reclassification shall not result in the foreign ownership level of all outstanding common shares and preferred shares exceeding 40%;

10. Approval of the issuance and listing of 17.6 Billion common shares issued to Sunchamp Real Estate Development Corp. ("Sunchamp"), in compliance with the PSE Revised Listing Rules;
11. Waiver by the minority stockholders of the right to conduct a public offering in relation to the 17.6 Billion common shares issued to Sunchamp, in compliance with the PSE Revised Listing Rules;
12. Issuance and listing of warrants in favour of officers and directors under such terms and conditions to be determined by the Board of Directors;
13. Authority to acquire primary or secondary shares and/or invest in companies under the AgriNurture Group of Companies and consolidate the Company's shareholdings in the AgriNurture Group of Companies;
14. Authorization to enter into loan transactions, credit accommodations or other types of credit facilities, surety/guaranty transactions in the aggregate amount of Five Billion Pesos (Php5,000,000,000.00), and renewals, extensions, re-availments, restructurings and amendments thereof with various banks, trust entities, quasi-banks, financial institutions, entities, corporations or individuals, as well as to enter into any other transactions or agreements in the implementation of the foregoing, under such terms and conditions as may be determined by the Board of Directors;
15. Ratification of all acts, resolutions and decisions of the Board of Directors and Management for the year 2012;
16. Election of Directors;
17. Consideration of such other business as may properly come before the meeting; and
18. Adjournment.

The Organizational Meeting of the new Board of Directors will be held immediately after the Annual Stockholders' Meeting.

By resolution of the Board of Directors, the close of business on 21 October 2013 has been fixed as the record date for the determination of the stockholders entitled to notice of such meeting and any adjournment thereof, and to attend and vote thereat.

All stockholders who will not, are unable, or do not expect to attend the meeting in person are urged to fill in, date, sign and return the enclosed proxy to the Company, at its principal office at No. 54 National Road, Dampol II-A, Pulilan, Bulacan. The proxy need not be a shareholder. A stockholder who is entitled to cast two (2) or more votes may appoint two (2) proxies and must specify the proportion of votes each proxy is appointed to exercise. All proxies must be received on or before 4 November 2013. Proxies received after the said deadline will not be recorded. Corporate stockholders are requested to attach to the proxy instrument their respective Secretary's Certificates containing the Board Resolution vis-à-vis the authority of the proxy(ies). Validation of proxy(ies) shall be held on 5 November 2013 at 2:00 p.m. at the Company's principal office. **Management is not asking you for a proxy nor is it requesting you to send a proxy in its favor.**

For convenience in registering your attendance, please bring your Identification Card containing your picture and signature, and present the same at the registration desk. Registration shall start at 2:30 p.m.

By:

  
**JENNIFER T. ONG**  
Alternate Corporate Information Officer

*We are not soliciting your proxy. However, if you would be unable to attend the meeting but would like to be represented thereat, you may accomplish the proxy form herein and submit the same to the office of the Corporate Secretary at No. 54 Dampol II-A, National Road, Pulilan, Bulacan, Philippines. All proxies should be received on or before 4 November 2013 at 5:00 p.m. For partnerships, corporations and associations, the proxies should be accompanied by a Secretary's Certificate on the appointment or designations of the proxy/representative and authorized signatories.*

## PROXY

I/WE hereby name and appoint \_\_\_\_\_ or in his/her absence, the Chairman of the meeting as my/our proxy at the Annual Stockholders' Meeting of Greenergy Holdings Incorporated to be held at No. 54 National Road, Dampol IIA, Pulilan, Bulacan, Philippines on Friday, 15 November 2013 at 3:00 o'clock in the afternoon and at any postponement or adjournment thereof.

Place/Date : \_\_\_\_\_

Name of Shareholder : \_\_\_\_\_

Signature : \_\_\_\_\_

Number of Shares : \_\_\_\_\_

Witness : \_\_\_\_\_

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20  
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

- Preliminary Information Statement  
 Amended Definitive Information Statement

2. Name of Registrant as specified in its charter: **GREENERGY HOLDINGS INCORPORATED**  
(formerly MUSX CORPORATION)

3. Province, country or other jurisdiction of incorporation or organization: **PHILIPPINES**

4. SEC Identification Number: **092-000589**

5. BIR Tax Identification Code: **001-817-292**

6. Address of principal office: **54 National Road, Dampol II-A, Pulilan, Bulacan**  
Postal Code:

7. Registrant's telephone number, including area code: **c/o (02) 661-6945**

8. Date, time, and place of the meeting of security holders: **November 15, 2013 (Friday), 3:00 P.M.**  
**at No. 54 National Road, Dampol II-A, Pulilan, Bulacan.**

9. Approximate date on which the Proxy Statement is first to be sent or given to security holders:  
**October 23, 2013**

10. In case of Proxy Solicitation:

Name of the Person filing the Statement/Solicitor: N/A

Mailing Address and Telephone No: N/A

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA  
(information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
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<b>Common</b>	<b><u>185,952,856,500</u> common shares</b>
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12. Are there securities of the registrant listed in a Stock Exchange?

Yes. The Company has 45,243,478,240 common shares listed at the Philippine Stock Exchange ("PSE").

If yes, disclose the name of such Stock Exchange and the class of securities listed therein: The Company's common shares are listed at the **PSE**.



<b>PART I – INFORMATION REQUIRED IN INFORMATION STATEMENT</b>
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**A. GENERAL INFORMATION**

**Item 1. Date, time and place of meeting of security holders**

The Annual Meeting of the stockholders of Greenergy Holdings Incorporated (formerly MUSX Corporation, the Parent Company or “Company”) will be held on **November 15, 2013 (Friday), 3:00 P.M. at No. 54 National Road, Dampol II-A, Pulilan, Bulacan.**

- a. The complete mailing address of the Company is at 54 National Road, Dampol II-A, Pulilan, Bulacan, Philippines.
- b. The approximate date on which this Information Statement, form of proxy and other materials are first to be sent or given to security holders is on **October 23, 2012.**

**Item 2. Dissenters’ Right of Appraisal**

Under Batas Pambansa Blg.168, otherwise known as the Corporation Code, a dissenting stockholder who has voted against a proposed corporate action shall have the right of appraisal or the right to demand payment of the fair value of his shares in the following instances:

1. Any amendment to the articles of incorporation which has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
2. Sale, lease, exchange, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets;
3. Merger or consolidation; and
4. Investment in another corporation, business, or for any purpose other than the primary purpose for which the corporation was organized.

The appraisal right may be exercised by a dissenting stockholder by making a written demand for the payment of the fair market value of his shares upon the corporation within thirty (30) days after the date on which the vote was taken. Payment of the shares shall be made only when the corporation has unrestricted retained earnings in its books to cover such payments. A more detailed outline of the procedure for the exercise of the appraisal right is found in Sections 81 to 86 of B.P. Blg.168.

As will be discussed in this Information Statement, subject to the ratification/approval of the stockholders on November 15, 2013, the Company intends to make, among other amendments to the Articles of Incorporation and By-Laws, the following amendments to the Seventh Article of the Articles of Incorporation for the purpose of:

- i. creating 1 Billion voting and participating preferred shares (as to assets) with a par value of Php0.10 per share from the authorized capital stock; and
- ii. increasing the par value of all the remaining unissued and issued common shares from Php0.01 per share to Php1.00 per share;

which shall result in the Company having an authorized capital stock of Php2 Billion divided into 1.9 Billion common shares with a par value of Php1.00 per share and 1 Billion preferred shares with a par value of Php0.10 per share.

In accordance with B.P. Blg.168, the foregoing proposed amendments entitle the stockholders of the Company to exercise their right of appraisal as indicated in Sections 81 to 86 of B.P. Blg.168.

**Item 3. Interest of Certain Persons in, or Opposition to, Matters to be Acted Upon**

No director has informed the Company in writing that he/she opposes any action intended to be taken or to be acted upon in the said meeting of stockholders on November 15, 2013.

**B. CONTROL AND COMPENSATION INFORMATION**

**Item 4. Voting Securities and Principal Holders Thereof**

- a. As of October 8, 2013, the Company has 185,952,856,500 issued and outstanding common shares of stock. Each outstanding share held as of the record date is entitled to one (1) vote.
- b. The record date with respect to the stockholders' meeting on November 15, 2013 is fixed at October 21, 2013.
- c. Voting Procedures:

During the elections of directors, every stockholder entitled to vote shall have the right to vote in person or by proxy the number of shares standing in his own name in the Stock and Transfer Book of the Company at the time of the election. Pursuant to Section 24 of the Corporation Code, a stockholder may vote such number of shares registered in his name as of the record date for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit; Provided that, the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Company multiplied by the whole number of directors to be elected. There are no stated conditions precedents to the exercise of cumulative rights.

The total number of votes that may be cast by a stockholder of a Company is computed as follows: *no. of shares held on record as of record date x 9 directors*. Candidates receiving the highest number of votes will be declared elected.

- d. Security Ownership of Certain Record and Beneficial Owners and Management.

As of September 30, 2013, the following persons or group own more than five percent (5%) of the Company's voting securities:

Class of Shares	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common	PCD Nominee Corp. (Filipino) 37/F The Enterprise Center Ayala Avenue, Makati City	PCD Nominee Corporation, a wholly-owned subsidiary of the Philippine Depository and Trust Corporation, Inc. (PDTC), is the registered owner of the shares in the books of the Company's stock transfer agent. The beneficial owner of	Filipino	<u>34,187,118,570</u>	<u>19.77%</u>

		<p>such shares entitled to vote the same are PDTC's participants, who hold the shares either in their own behalf or on behalf of their clients.</p> <p>There is no holder of 5% or more of the outstanding shares under PCD Nominee Corporation.</p>			
Common	<p>Earthright Holdings, Inc.* Unit 3c Value Point Exec. Bldg. 227 Salcedo St., Legaspi Village, Makati City -Private Placement Investor</p>	<p>Antonio L. Tiu, the Chairman, President and majority-owner of Earthright Holdings, Inc.</p>	Filipino	25,000,000,000	14.45%
Common	<p>Cleantech Projektgesellschaft Mbh** Hanauer Landstrabe 291B 60314 Frankfurt a.m. Deutschland -Private Placement Investor</p>	<p>Cleantech Projektgesellschaft Mbh</p>	German	20,776,856,000	12.01%
Common	<p>Sunchamp Real Estate Development Corp.*** 25 Gasan Street, Masambong, Quezon City -Private Placement Investor</p>	<p>Antonio L. Tiu, the Chairman, President and majority-owner of Sunchamp Real Estate Development Corporation</p>	Filipino	17,600,000,00	10.18%
Common	<p>PCD Nominee Corp. (Non-Filipino) 37/F The Enterprise Center Ayala Avenue, Makati City</p>	<p>PCD Nominee Corporation, a wholly-owned subsidiary of the Philippine Depository and Trust Corporation, Inc. (PDTC), is the registered owner of the shares in the books of the Company's stock transfer agent. The beneficial owner of such shares entitled to vote the same are PDTC's participants, who hold the shares either in their own behalf or on behalf of their clients.</p>	Non-Filipino	<u>10,617,173,790</u>	<u>6.14%</u>

		There is no holder of 5% or more of the outstanding shares under PCD Nominee Corporation.			
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\*shares to be voted by Antonio L. Tiu or any other duly authorized representative of Earthright Holdings, Inc.

\*\* shares to be voted by the duly authorized representative of Cleantech Projektgesellschaft Mbh.

\*\*\* shares to be voted by Antonio L. Tiu or any other duly authorized representative of Sunchamp Real Estate Development Corporation

Other than common shares, there are no other class of shares held by foreign shareholders.

The following table shows the ownership of the following directors and executive officers in the Company's common shares as of October 8, 2013:

Class of Shares	Name of Beneficial Owner	Citizenship	No. of shares	Nature	Percent Ownership
Common	Antonio L. Tiu	Filipino	53,601,000,000	1,000,000-Direct 53,600,000,000 - Indirect	28.83%
Common	George Y. Uy	Filipino	100,000	Direct	0.00%
Common	Helen O. Tong	Filipino	100,000	Direct	0.00%
Common	John Aloysius S. Bernas	Filipino	100,000	Direct	0.00%
Common	Manuel Bengson	American	100,000	Direct	0.00%
Common	Alfred Tong	Filipino	100,000	Direct	0.00%
Common	Martin C. Subido	Filipino	200,000	Direct	0.00%
Common	Leonor M. Briones	Filipino	100,000	Direct	0.00%
Common	Benjamin P. Lim	Filipino	101,400	Direct	0.00%
Common	Kenneth S. Tan	Filipino	0		0.00%
<b>Total</b>			<b>53,601,901,400</b>		<b>28.83%</b>

The aggregate number of shares owned by all officers and directors as a group as of October 8, 2013 is 53,601,901,400 or 28.83% of the Company's outstanding capital stock.

#### **Voting Trust Holders of 5% or more**

To the knowledge of the Company, no such voting trust exists.

#### **Changes in Control**

The Company is not aware of any change in control or arrangement that may result in a change in control of the Company since the beginning of its last fiscal year.

#### **Item 5. Directors and Executive Officers**

As of October 8, 2013, the following are the nine (9) individuals comprising the Board of Directors:

Name	Position	National-ity	Age	Term of Office	Period Served
George Y. Uy	Chairman	Filipino	63	1 year	2012 to present
Helen O. Tong	Vice-Chairman	Filipino	62	1 year	2012 to present
Antonio L. Tiu	Director	Filipino	37	1 year	2012 to present

John Aloysius S. Bernas	Director	Filipino	51	1 year	2012 to present
Martin C. Subido	Director	Filipino	36	1 year	2012 to present
Manuel Q. Bengson	Director	American	68	1 year	2012 to present
Alfred E. Tong	Director	Filipino	69	1 year	2012 to present
Leonor M. Briones	Independent Director	Filipino	72	1 year	2012 to present
Benjamin P. Lim	Independent Director	Filipino	67	1 year	2012 to present

**GEORGE Y. UY.** Mr. Uy started his career with the United Laboratories and Squibb between 1969 and 1970. He co-founded the Optima Scientific Consultants, Inc. which is engaged in the design of pollution abatement systems. Mr. Uy was one of the first proponents in the Philippines of the polypropylene woven bag plant using equipment from Europe, and also one of the first to set up a meat processing plant that uses equipment from Germany with a license to export to Japan from the Philippines granted by the Japanese Ministry of Agriculture. In 1988, he co-founded a company engaged in mass transport system, telecommunications, and indenter of steel products. Currently, he is also engaged in the biofuel program in the Philippines.

Mr. Uy obtained both his Bachelor's degree and Master's degree in Chemistry from the Ateneo de Manila University.

**HELEN O. TONG.** Ms. Tong is the Managing Director of Propmech Corporation. She also occupies various positions as COO/Treasurer, Secretary and/or Director of the following business entities: Safehull Marine Technologies Inc., Paleeno AP Inc., Floatech International Corporation, Philmarine Technology Group Inc. and Manila Cordage Company.

Ms. Tong obtained her degree in Bachelor of Arts in Business Administration from the College of the Holy Spirit.

**ANTONIO L. TIU.** Mr. Tiu holds the positions of CEO of Beidahuang Philippines Agro Industrial Development Corp., and Chairman/President and CEO of Agrinulture, Inc. He has held and/or continues to hold chairmanship positions in the Board of Directors of First Class Agriculture Corporation, Fresh & Green Harvest Agricultural Company Inc., Best Choice Harvest Agricultural Corp., Lucky Fruits & Vegetable Products Inc., M2000 IMEX Company Inc., Fruitilicious Company Inc., Ocean Biotech Inc., and Fresh and Green Palawan Agri Ventures. He likewise served as part-time lecturer in International Finance at DLSU Graduate School from 1999 to 2001. In 2009, he was given the Ernst and Young Emerging Entrepreneur of the Year award. He is an active member of the Integrated Food Manufacturer Association of the Philippines, PHILEXPORT, PHILFOODEX, Chinese Filipino Business Club, and Philippine Chamber of Agriculture and Food Industries.

Mr. Tiu holds a Master's degree in Commerce specializing in International Finance from University of New South Wales, Sydney Australia and a Bachelor of Science degree in Commerce major in Management from De La Salle University, Manila. He is currently a candidate for a Doctorate degree in Public Administration at the University of the Philippines.

**JOHN ALOYSIUS S. BERNAS.** Mr. Bernas sits on the Board of various commercial as well as non-profit organizations in the Philippines. He is Chairman of Team Micro Credit Corporation and member of the Board of Philippines First Plans Inc. and Philhealthcare. He is also Treasurer of Urban Program for Livelihood Finance and Training Inc. (Uplift), a non-profit MFI operating among the informal settler communities in Metro Manila. He was Associate in Global Fixed Income with Chemical Bank (now JP Morgan Chase) in New York City in 1987 before joining Continental Bank (now Bank of America). Subsequently, he joined Bankers Trust Company (now Deutsche Bank) in Tokyo as Vice President. In 1997, he moved on to Bear Stearns International (now JP Morgan Chase) as Senior Managing Director and General Partner. In 2002, he embarked on a sabbatical period to pursue his passion for cooking, completing a year-long professional culinary course at *Scuola di Culinaria Cordon Bleu* in Florence, Italy. In 2004, he returned to Manila and eventually joined the Ayala Foundation until 2006.

Mr. Bernas graduated from the Honors Program in Economics at the Ateneo de Manila University. He earned his MBA from the Darden Graduate School of Business and MA in Asian Studies from the Corcoran School of History.

**MARTIN C. SUBIDO.** Atty. Martin Subido is a Certified Public Accountant and a member of the Integrated Bar of the Philippines. He graduated with a *B.S. Accountancy* degree from *De La Salle University* and obtained his Juris Doctor degree, with honors, from the *School of Law of Ateneo de Manila University*. He was a Senior Associate of the Villaraza & Angangco Law Offices before becoming managing partner of The Law Firm of Subido Pagente Certeza Mendoza & Binay.

**MANUEL Q. BENGSON.** Mr. Manuel Q. Bengson has held a position as Independent Director of GT Capital Holdings Inc. since July 11, 2012. He also has the chairmanship of the Corporate Governance Committee and membership in the Audit Committee of GT Capital Holdings. He has also been an Independent Director of Metrobank since 2011 and in Energy Opt, Inc. since 2010. He has been a Member of the Board of Governance of the Philippine Dealing and Exchange Corporation since 2011. Mr. Bengson had been a Senior Managing Director and Treasurer of the Philippines' Ayala Corporation since 1992. From 1969 to 2003, Mr. Bengson had assumed executive functions in several entities such as the Ayala Corporation, Ayala Life- FGU, Ayala Life Fixed Income Fund, Bank of the Philippine Islands Group and Citibank. Mr. Bengson served as a Director of Ayala International Holdings Ltd., Ambeca Pte Ltd., Bank of the Philippine Islands, Ayala Life Assurance, Ayala Health Care, Inc., FGU Insurance Corporation, Universal Reinsurance Corporation Inc., BPI Family Savings Bank, BPI Capital Corporation, BPI Direct Savings Bank, and BPI International Finance Limited. Mr. Bengson served as a Director of Ayala Land Inc. until March 2003 and Meadowmere Resources Corporation since October 2012. Mr. Bengson served at the Ayala Group until January 31, 2003.

Mr. Bengson finished his Bachelor of Science in Business Administration, major in Accounting, at the University of the East, and is a Certified Public Accountant.

**ALFRED E. TONG.** Mr. Alfred Tong served as the Associate Director for the Graduate Program of the Ateneo Computer Technology Center from 1986 to 2002. He was the President and Managing Director of SM Equicom Computer Services, Inc. from 1986 to 2005 and has been the Managing Director of Equitable Computer Services, Inc. and Equicom, Inc. from 1986 until the present. He earned his Bachelor of Arts Degree from the Ateneo de Manila University and Doctorate in Philosophy from Tulane University, New Orleans, Louisiana.

**LEONOR M. BRIONES\*.** Prof. Briones is Director for Policy and Executive Development of the National College of Public Administration and Governance, University of the Philippines System, Diliman. She is also a Professor and Faculty Member, Graduate Level, in the same university. Prof. Briones was the Treasurer of the Philippines' Bureau of Treasury from August 1998 to February 2001 and was concurrently the Presidential Adviser for Social Development, with Cabinet Rank, Office of the President.

**BENJAMIN P. LIM\*.** Mr. Lim has served as Vice-President for Operations, Vice President for Corporate Services and various other management positions while with the PNOC Energy Development Corporation from 1993 until 2005. After his retirement, he became adviser to the Board of Directors of the PNOC rendering timely advice on policy and operational matters. He also occupied various management positions while working with Petron Corporation from 1977 until 1993. Previously, he was connected with Lakeview Industrial Corporation from 1974 until 1977, Esso Philippines Incorporated from 1971 until 1974, and Freeman Incorporated from 1967 until 1969. He was also a member of the Faculty of Engineering of the University of Sto. Tomas from 1966-1969.

Mr. Lim obtained his degree in BS Chemical Engineering (*summa cum laude*) at the University of Sto. Tomas and his degree in MS Chemical Engineering at the University of Washington.

\* The Independent Directors have never been engaged as Consultant/s of the Company.

• **The Executive Officers of the Company as of October 8, 2013 are as follows:**

Chairman	- George Y. Uy
Vice Chairman	- Helen O. Tong
President and CEO	- Antonio L. Tiu
Treasurer (Interim Capacity)	- Kenneth S. Tan <sup>1</sup>
Corporate Secretary/Corporate Information Officer and Compliance Officer	- Martin C. Subido

<b>Name</b>	<b>Age</b>	<b>Citizen-ship</b>	<b>Period Served</b>	<b>Business Experience for the past 5 years</b>
George Y. Uy, Chairman	63	Filipino	December 11, 2012 to present	Mr. Uy is the Chairman of the Company. He is currently engaged in the biofuel program in the Philippines. Starting his career with the United Laboratories and Squibb between 1969 and 1970, he co-founded the Optima Scientific Consultants, Inc. which is engaged in the design of pollution abatement systems. He is one of the first proponents in the Philippines of the polypropylene woven bag plant using equipment from Europe, and also first to set up a meat processing plant that uses equipment from Germany with a license to export to Japan.
Helen O. Tong, Vice-Chairman	62	Filipino	December 11, 2012 to present	Ms. Tong is Vice-Chairman of the Company. She is also the Managing Director of Propmech Corporation. She likewise occupies various positions as COO/Treasurer, Secretary and/or Director of the following business entities: Safehull Marine Technologies Inc., Paleeno AP Inc., Floatech International Corporation, Philmarine Technology Group Inc. and Manila Cordage Company.
Antonio L. Tiu, President and CEO	36	Filipino	December 11, 2012 to present	Mr. Tiu is the President and CEO of the Company. Mr. Tiu is also the CEO of Beidahuang Philippines Agro Industrial Development Corp., and Chairman/President and CEO of Agrinurture, Inc. He has held and/or continues to hold chairmanship positions in the Board of Directors of First Class Agriculture Corporation, Fresh & Green Harvest Agricultural Company Inc., Best Choice Harvest Agricultural Corp., Lucky Fruits & Vegetable Products Inc., M2000 IMEX Company Inc., Fruitilicious Company Inc., Ocean Biotech Inc., and Fresh and Green Palawan Agri Ventures. He likewise served as part-time lecturer in International Finance at DLSU Graduate School from 1999 to 2001. In 2009, he was given the Ernst and Young Emerging Entrepreneur of the Year award. He is an active member of the Integrated Food Manufacturer Association of the Philippines, PHILEXPORT, PHILFOODEX, Chinese Filipino Business Club, and Philippine Chamber of Agriculture and Food Industries.

<sup>1</sup> Assumed the functions of Treasurer in the interim capacity upon the resignation of the Treasurer on April 29, 2013.

Kenneth S. Tan, Treasurer (Interim Capacity)	39	Filipino	April 29, 2013 to present	Mr. Tan was an officer of Citibank and Manulife Financial. He was a part-time lecturer in Economics at an international school in Manila. He earned his Bachelor of Arts degree from the Ateneo de Manila University.
Martin C. Subido, Corporate Secretary, Corp. Information Officer and Compliance Officer	36	Filipino	December 11, 2012 to present	Atty. Subido is a Certified Public Accountant and a member of the Integrated Bar of the Philippines. He graduated with a <i>B.S. Accountancy</i> degree from <i>De La Salle University</i> and obtained his Juris Doctor degree, with honors, from the <i>School of Law of Ateneo de Manila University</i> . He was a Senior Associate of the Villaraza & Angangco Law Offices before becoming managing partner of The Law Firm of Subido Pagente Certeza Mendoza & Binay.

The directors are elected at each annual stockholders' meeting by the stockholders entitled to vote. Each director holds office for a period of one (1) year and until the next annual election when his/her successor is duly elected and qualified, unless he/she resigns, dies, or is removed prior to said next annual election.

Since the Company's last annual stockholders' meeting on December 11, 2012, none of the directors elected therein by the stockholders has resigned or declined to stand for re-election to the Board of Directors due to a disagreement with the Company on any matter relating to the Company's operations, policies or practices, and the required disclosures relevant to the existence thereof.

As previously disclosed, the Company has subscribed to Php25 million worth of common shares in Isabela Alcogas Corporation at par value of Php1.00 per share equivalent to 25 million primary common shares. The Chairman and President of Isabela Alcogas Corporation, Mr. George Y. Uy, is also the Chairman of the Company.

The nominees for the election to the Board of Directors on November 15, 2013 are as follows:

1. George Y. Uy
2. Antonio L. Tiu
3. Helen O. Tong
4. Martin C. Subido
5. Manuel Q. Bengson
6. Alfred E. Tong
7. Yuan-Ming Zheng
8. Leonor M. Briones (Independent Director)
9. Benjamin P. Lim (Independent Director)

**YUAN-MING ZHENG, 50, Chinese R.O.C.** Mr. Zheng is currently the Managing Director of Mond Brothers, Inc., President of Uhuat Int'l Travel, Inc., and Vice Chairman of Nieves Securities, Inc. He is also the President of the Grand United Mason of the Philippines and Vice President of the Philippine Chinese Chamber of Commerce and Industry.

**MANUEL Q. BENGSON, 68, American.** Mr. Bengson currently sits as Independent Director of GT Capital Holdings, Member of the Board of Advisers of Metrobank, Member of the Board of Governance of Philippine Dealing & Exchange Corp. and Member of the Board of Directors and Vice President of the Two Salcedo Place Condominium Association. He has served as Senior Managing Director and Treasurer of Ayala Corporation, and as Member of the Board of Directors of Ayala Land, Inc., Ayala International PTE, Limited, Ayala International Holdings, Limited, Ayala Life Insurance, Inc., Ayala Plans, Inc., Ayala Health Care, Inc., Ayala Life Fixed Income Fund, Inc. (Chairman), Bank of the Philippine Islands, BPI International Finance Limited, BPI Family Savings Bank, BPI Capital Corporation, BPI Direct Savings Bank, Inc., Filipino Fund, Inc., FGU Insurance Corporation, and Universal Reinsurance Corporation. He has also acted as Commissioner of the Board of



Commissioners of PT Asuransi Jiwa Eka Life (Indonesia) and has worked for Citibank, N.A. in Manila, San Francisco, CA and Jakarta as Vice-President/Asst. Vice President/Treasurer. He has also served either as Chairman or Member of the Board of Trustees of the Paref Southridge School, Parents for Education Foundation, Inc., BPI Foundation, Inc., and Ayala Foundation, Inc.

Mr. Bengson obtained his degree in BS Business Administration at the University of the East and has attended the Ateneo de Manila University for his MBA units. He is a Certified Public Accountant.

**ALFRED E. TONG, 68, Filipino.** Mr. Tong is the Managing Director of Equitable Computer Systems since 1986. He was President of Business Computer Systems from 1981 until 1986. He has also worked as Associate Professor at the Ateneo de Manila University from 1976-1977 and at the State University of New York (Albany) from 1968 until 1976.

Mr. Tong obtained his A.B. Mathematics degree from the Ateneo de Manila University and PhD. in Mathematics at the Tulane University.

Prof. Leonor M. Briones and Mr. Benjamin P. Lim have been nominated by Antonio L. Tiu to stand election as independent directors. Mr. Tiu has no business relationship with each nominee for independent directors. Attached are the updated Certificates of Qualification for 2013 of the nominated independent directors.

In compliance with SEC Memorandum Circular No. 16, series of 2002 (now Rule 38 of the SRC) which provides for the guidelines on the nomination and election of independent directors, a Nomination and Compensation Committee has been created which is composed of the following:

Chairman - Benjamin P. Lim (Independent Director)

Member - Antonio L. Tiu

Member - Martin C. Subido

The Nomination and Compensation Committee pre-screened the nominees for election as independent directors pursuant to the criteria in the SEC Memorandum Circular and in the Manual for Corporate Governance, and has determined that the nominees meet the qualifications and none of the disqualifications for independent directors.

#### **Family Relationships**

There are no other existing family relationships within the fourth civil degree either by consanguinity or affinity among the directors, executive officers, or persons nominated or chosen by the Company to become directors or executive officers.

#### **Certain Relationships and Related Transactions**

The Company's related parties include key management personnel and stockholders (for more discussion, please refer to the Company's 2012 Consolidated Financial Statement note 26).

#### **Involvement in Legal Proceedings**

To the best of the Company's knowledge, in the last five (5) years up to the latest date of this Information Statement, none of the directors or officers is or has been involved in any of the following events material in evaluating his ability or integrity as such director or officer:

- a. any bankruptcy proceeding filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two (2) years prior to that time;
- b. any conviction by final judgment;
- c. any order, judgment or decree, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and

d. violation of a securities or commodities law or regulation.

## Significant Employees

The Company considers the collective efforts of all its employees as instrumental to the overall success of the business. The Company recognizes that its success depends upon the combined efforts of its management and employees who are currently challenged by the Company's market, business and product development strategies. The Company believes that so long as it continues to provide opportunity for growth to its employees coupled with appropriate incentive compensation programs, the employees will continue to be satisfied with and loyal to the Company.

## Item 6. Compensation of Directors and Executive Officers

The following summarizes the aggregate compensation of the executive officers and directors and the amounts paid to the Chief Executive Officer and four (4) most highly compensated executive officers of the Company:

Annual Compensation of the Group's Executive Officers and Directors				
Name & Position of CEO and 4 Most Compensated Executive Officers	Year	Salary (US\$)	Bonuses (US\$)	Other Income
Antonio L. Tiu*-President and CEO (effective 2010-up to present)	2013 (estimated)	100,000	NA	0
James L. Tiu*-Treasurer (effective 2010-up to April 29, 2013)	2012	30,000	NA	0
Lyra Gracia L. Lipae-Fabella*- Corporate Secretary/Corporate Information and Compliance Officer (effective 2010-up to December 11, 2012)	2011	0	NA	0
Rafaelito M. Soliza*-Comptroller (Non-executive) (effective 2010-up to present)				
Aggregate compensation of the Executive Officers and Directors/Other Officers as a group unnamed.	2013 (estimated)	100,000	NA	0
	2012	30,000	NA	0
	2011	0	NA	0

\*The President and CEO, Treasurer and Corporate Secretary/Corporate Information and Compliance Officer did not receive compensation in 2011.

## Compensation of Directors

In 2007, each non-employee member of the Board of Directors received a per diem of US\$800 for attendance at every regular board meeting, and US\$400 for attendance at every special board meeting. The Chairman of a Committee received US\$200 every month, while the members received US\$200 per attendance at every committee meeting. Commencing 2008, the directors' fees had been reduced to US\$500 for attendance at every regular board meetings and US\$250 for special board meetings. Starting May 2008, the monthly fee for Chairman of each Committee had been reduced from \$200 to \$100, while membership attendance fee for each Committee meeting was also reduced from \$200 to \$100. Effective January 2010, the monthly chairmanship fee of all committees had been removed. All directors were paid based on attendance to committee meetings. In 2011, the Board of Directors, committee chairmen and members did not receive compensation or director's fees. Effective January 2012, the members of the Board of Directors were entitled to reimbursement on actual transportation expenses for attendance to any regular or special meetings.

## **Employment Contracts**

None.

## **Warrants and Options Outstanding and Options Held by Directors and Officers**

On October 19, 2011, the stockholders approved to issue 100 Billion warrants relating to 100 Billion common shares at an issue price of Php0.001 per warrant and with a strike price equivalent to the par value per share, with a term of five (5) years, under such terms and conditions as may be determined by the Board of Directors and as may be warranted and allowed under existing laws, rules and regulations.

Accordingly, on February 22, 2012, the Board of Directors approved to issue 1 Billion warrants to the Company's President and CEO, Mr. Antonio L. Tiu, at the issue price of Php0.001/warrant and with a strike price equivalent to the par value per share, and under such terms as may further be agreed upon and subject to existing requirements of the Philippine Securities and Exchange Commission ("SEC") and the PSE.

On April 14, 2012, the Board of Directors approved to issue 7.5 Billion warrants to the Company's Chairman, Mr. George Y. Uy at the issue price of Php0.001/warrant and with a strike price equivalent to the par value per share, and under such terms as may further be agreed upon and subject to existing requirements of the SEC and the PSE.

As of October 8, 2013, the said warrants have not yet been formally issued.

## **Item 7. Independent Public Accountants**

- a. BDO Alba Romeo & Co. is a general professional partnership established in 1995. It is composed of partners whose competence and expertise have been tested by the business community for more than thirty (30) years.

BDO Alba Romeo & Co. is a member of BDO (BINDER DIJKER OTTE) INTERNATIONAL, one of the largest accounting and consulting organizations in the world with more than six hundred (600) offices in over one hundred (100) countries. As one of the leading providers of accounting and consulting services in the Philippines, BDO Alba Romeo & Co has over eight hundred (800) audit clients which operate in all sectors of business activity and ranging from single proprietorship to large multinational companies. It maintains offices in Metro Manila and in the key cities of Bacolod, Cagayan De Oro and Metro Cebu.

- b. Representatives of BDO Alba Romeo & Co. are expected to be present at the Annual Stockholders' Meeting to respond to appropriate questions and will be given the opportunity to make a statement if they desire to do so.
- c. There are no disagreements with the Company's external auditors as regards to accounting principle, practices or financial disclosures.
- d. With reference to SRC Rule 68(3)(b)(iv) re: rotation of external auditors, the engagement of BDO Alba Romeo & Co. as the external auditors complies with this requirement.
- e. BDO Alba Romeo & Co. is recommended for election for calendar year 2013 as external auditor.

The Company's Audit and Compliance Committee is composed of the following:

Chairman - Leonor M. Briones (Independent Director)  
Member - Martin C. Subido  
Member - Manuel Q. Bengson

## **Item 8. Compensation Plans**

None.

## **C. ISSUANCE AND EXCHANGE OF SECURITIES**

### **Item 9. Authorization or Issuance of Securities other than for Exchange**

As of October 8, 2013, the Company has an authorized capital stock of Php2,000,000,000.00 consisting of 200,000,000,000 common shares with par value of Php0.01 each, of which 185,952,856,500 common shares are issued and outstanding.

The last Annual Stockholders' Meeting of the Company took place on December 11, 2012. In attendance in said meeting were the following:

Total issued and outstanding shares	- 142,852,856,500
Total no. of shares present or represented in the meeting	- 110,190,166,000 (77.14%)

The following matters, which were on the agenda, were approved/ratified by the stockholders present or represented in the said annual stockholders' meeting:

1. Minutes of the Annual Meeting of the Stockholders held on October 19, 2011;
2. Adoption of the Audited Financial Statements for the calendar year ended December 31, 2011, as contained in the Annual Report;
3. Issuances of the following primary common shares and warrants, and to cause listing thereof, as may be necessary:
  - a. 25,000,000,000 primary common shares issued to Earthright Holdings, Inc. at par value of Php0.01 per share, pursuant to the increase in authorized capital stock from Php1 Billion to Php2 Billion as approved by the SEC on March 8, 2012;
  - b. 2,500,000,000 primary common shares issued to Southern Field Limited at par value of Php0.01 per share, per Subscription Agreement dated July 18, 2012;
  - c. 20,776,856,000 primary common shares issued on October 5, 2012 to Cleantech Projektgesellschaft mbH for a total subscription price of Php415,537,300.00, and two (2) Warrant Certificates under the American call option covering 10,489,500,000 shares of the Company with a strike price of Php0.02 per share and 10,489,500,000 shares of the Company with a strike price of Php0.03 per share, exercisable within one (1) year and three (3) years from issuance, respectively;
  - d. 25,200,000,000 primary common shares issued to various private placement investors on October 31, 2012 at par value of Php0.01 per share; and
  - e. 8,500,000,000 primary common shares approved on November 16, 2012 to be issued to various private placement investors at par value of Php0.01 per share.
4. Waiver by majority of the minority shareholders of the requirement, if any, to conduct a rights or a public offering with respect to the shares enumerated in the preceding item;
5. Amendments to the Company's Articles of Incorporation and By-Laws to effect the following changes and to delegate the determination thereof to the Board of Directors:

- a. Change of corporate name; and
  - b. Increase of authorized capital stock from Php2 Billion up to an amount not exceeding Php10 Billion.
6. Authority for Music Semiconductors Philippines, Inc. ("MSPI") (39%-owned) to look for prospective investors to fund its expansion with waiver on the pre-emptive right to subscribe to any of its future issuance of shares and further authority to list its shares with the PSE in compliance with existing rules;
  7. Investment in companies or acquisition of assets and delegation of authority to the Board of Directors;
  8. Investments in Isabela Alcogas Corporation amounting to Php25 million worth of shares with authority to make advances up to Php50 million, and in Total Waste Management Recovery Systems, Inc. up to Php300 million;
  9. All prior acts, resolutions and decisions of the Board of Directors and Management; and
  10. Appointment of BDO Alba Romeo & Co. as external auditor for the calendar year 2012.

At the same meeting, the following were elected directors of the Company:

1. George Y. Uy
2. Antonio L. Tiu
3. John Aloysius S. Bernas
4. Helen O. Tong
5. Martin C. Subido
6. Manuel Q. Bengson
7. Alfred E. Tong
8. Leonor M. Briones (Independent Director)
9. Benjamin P. Lim (Independent Director)

On 2 May 2013, Mr. Hung Kamtin subscribed to 4 Billion primary common shares of the Company at an issue price of Php0.01 per share by virtue of a Subscription Agreement of even date.

On 22 May 2013, Sunchamp Real Estate Development Corp. ("Sunchamp") subscribed to 17.6 Billion primary common shares of the Company at an issue price of Php0.01 per share by virtue of a Subscription Agreement of even date. Considering that the amount subscribed by Sunchamp consists of 10.18% of the total issued and outstanding shares of the Company on the date of subscription, in compliance with the Revised Listing Rules of the PSE, the issuance and listing of said 17.6 Billion primary common shares will be submitted for the approval of the stockholders on August 16, 2013. Further, considering that Sunchamp is a related party of the Company at the time of the foregoing subscription, likewise in compliance with the Revised Listing Rules of the PSE, the Company intends to obtain the waiver by the minority stockholders of the right to conduct a public offering in relation to the 17.6 Billion primary common shares issued to Sunchamp.

#### **Item 10. Modification or Exchange of Securities**

The Company currently has an authorized capital stock of Php2 Billion divided into 200 Billion common shares with a par value of Php0.01 per share, of which, 185,952,856,500 common shares are outstanding. On June 27, 2013, the Board of Directors of the Company approved the amendment of the Seventh Article of the Articles of Incorporation for the purpose of:

- i. creating 1 Billion voting and participating preferred shares (as to assets) with a par value of Php0.10 per share from the authorized capital stock; and

ii. increasing the par value of all the remaining unissued and issued common shares from Php0.01 per share to Php1.00 per share;

which shall result in the Company having an authorized capital stock of Php2 Billion divided into 1.9 Billion common shares with a par value of Php1.00 per share and 1 Billion preferred shares with a par value of Php0.10 per share.

The above amendments, which shall be submitted for the ratification of the stockholders on November 15, 2013, shall result in the Company having an authorized capital stock of Php2 Billion divided into 1.9 Billion common shares with a par value of Php1.00 per share and 1 Billion preferred shares with a par value of Php0.10 per share, to wit:

	<b>No. of Shares</b>	<b>Par Value</b>	<b>Authorized Capital</b>
Common	1,900,000,000	Php1.00	Php1,900,000,000.00
Preferred	1,000,000,000	Php0.10	Php100,000,000.00
			<b>Php2,000,000,000.00</b>

The material features of and rights pertaining to said common and preferred shares pursuant to the proposed amendments are as follows:

	<b>Par Value</b>	<b>Material Features</b>
Common	Php1.00	No preference as to assets and dividends, voting
Preferred	Php0.10	Preferred as to assets, voting, participating

Further, on June 27, 2013, the Board of Directors approved the reclassification of the Php62.5 million worth of common shares of the 25 billion common shares of Earthright Holdings, Inc. into 625 million fully paid preferred shares, and giving all holders of common shares as of June 27, 2013 the same right to reclassify their common shares into preferred shares in such amounts and proportion between Earthright and all other stockholders that can be accommodated by the number of preferred shares created; provided that, stockholders must provide the Company with written notice to reclassify on or before the annual stockholders' meeting previously scheduled on August 16, 2013, provided further, that, any reclassification shall not result in the foreign ownership level of all outstanding common shares and preferred shares exceeding 40%. Prior to and on August 16, 2013, the Company did not receive any written notice from other stockholders conveying their intention to reclassify their common shares into preferred shares.

Considering that the Company's business is primarily engaging in nationalized activities, the foregoing modification of shares is being proposed so that the Company can accept more investors while still maintaining the required Filipino ownership level.

The common shares will remain listed or will be listed in the PSE, as the case may be, while the preferred shares will not be listed.

#### **Item 11. Financial and Other Information**

A copy of the Company's Consolidated Audited Financial Statements for the year ended 31 December 2012 is attached hereto as **Annex "A"**.

## **MANAGEMENT REPORT**

The Company was registered with the SEC per Registration No. ASO92-00589 in 1992 to engage in the creation, design, development and manufacture of specialty semiconductors products and to market and sell the same to customers worldwide. In 1999, the Company became a holding company but reverted to a semiconductor operations company in 2003. In 2008, as approved by the SEC on December 15, 2008, the Parent Company changed its primary purpose to a holding company. At present, the Parent Company continues to operate as a holding company.

### ***Exploring Possibilities with Renewable Energy and Waste Management Systems***

As part of its preparation to venture into other fields of business, such as, but not limited to, the fields of renewable energy and waste management systems, the stockholders, during the annual stockholders meeting held on December 23, 2010, approved, among others, the proposal to change the name of the Parent Company to its present name. In the same meeting, the stockholders approved the growth strategy of the Parent Company to focus on renewable energy and waste management systems by divesting 61% of its interest in Music Semiconductors Philippines, Inc. ("MSPI"), and all its interests in foreign subsidiaries that are engaged in the semiconductor business, namely: MUSIC Semiconductors, Inc. ("MSI"), Musem Electronic N.V. ("Musem") and Protelcon, Inc. ("Protelcon").

### ***Status of operations***

In 2011, the Company agreed to the establishment of a US\$1.3 billion joint venture project with Chinese firm, Tianjin Tianbao Investment and Development Corporation, to engage in wind energy projects amounting to US\$200 million, as priority, and other subsequent renewable energy projects such as, but not limited to, bio-mass, solar, hydro and geothermal energy. The Company also agreed to acquire 51% of Total Waste Management Recovery System, Inc., a domestic corporation engaged in the business of building, operating and managing waste recovery facilities and waste management systems within the Philippines. The equipment of Total Waste Management Recovery System, Inc. has been completed and awaiting approval for installation in the targeted waste recovery site.

In 2012, the Company established certain subsidiaries to further mark its venture into the field of renewable energy. These subsidiaries are (i) the 60%-owned Biomass Holdings, Inc., which owns 64% of San Carlos Biopower, Inc. that is in the progressive stage of completing a 19MW biomass power plant in the San Carlos EcoZone, Negros Occidental, Philippines; (ii) the wholly-owned Winsun Green Ventures, Inc., which shall be primarily engaged in acquiring and/or developing windmill energy projects; and (iii) the 50%-owned Isabela Alcogas, Inc.

#### ***a. Biomass Holdings, Inc.***

In 2012, the Company and Cleantech Projektgesellschaft mbH ("Cleantech"), a German fund managed by the ThomasLloyd Global Asset Management (Switzerland) AG of Zurich, incorporated Biomass Holdings, Inc. as their joint venture vehicle for the investment in the biomass power plant of San Carlos BioPower, Inc. in Negros Occidental.

Pursuant to the Investment Agreement dated August 15, 2012, Cleantech invested Php415,537,300.00 in Biomass Holdings, Inc., while the Company agreed to infuse Php667,537,300.00. Biomass Holdings, Inc. then entered into an Investment Agreement with San Carlos BioPower, Inc. for the acquisition of a 64% equity interest in the latter for a total consideration of Php667.53 million (the "Total Investment Price") pursuant to the increase of authorized capital stock of San Carlos BioPower, Inc.

On March 6, 2013, Biomass Holdings, Inc. released the Total Investment Price to San Carlos BioPower, Inc., which completes the equity requirement of San Carlos BioPower, Inc., and thus enabled San Carlos BioPower, Inc. to immediately commence the implementation and construction of the 19-megawatt bagasse-fired power generation project in San Carlos City, Negros Occidental (the "SCB Project").

On May 8, 2013, the SEC approved the application for increase of authorized capital stock of San Carlos BioPower, Inc., resulting in Biomass Holdings, Inc. owning 64% equity interest in the former.

The SCB Project was issued its Certificate of Registration by the Board of Investments on December 21, 2012 and, on February 13, 2013, was found by the Department of Energy (“DOE”) to have satisfactorily met the documentary requirements to avail of the Feed-in-Tariff (“FIT”) rates when it begins commercial operations in early 2015 as part of the first 250MW of installed biomass power capacity. With these, the SCB Project officially began construction on April 2, 2013.

Under the FIT system, electric power industry participants are mandated to source electricity from renewable energy generation at a guaranteed fixed price. The guidelines governing the FIT system are as follows<sup>2</sup>:

- (i) Priority connections to the grid for electricity generated from emerging renewable energy resources such as wind, solar, ocean, run-of-river, hydropower and biomass power plants within the territory of the Philippines;
- (ii) The priority purchase, transmission of, and payment for such electricity by the grid system operators;
- (iii) Determination of the fixed tariff to be paid for electricity produced for each type of renewable energy resources and the mandated number of years for the application of such tariff, which shall in no case be less than twelve (12) years;
- (iv) Application of the FIT to the emerging renewable energy resources to be used in compliance with the Renewable Portfolio Standards (“RPS”). Only electricity generated from wind, solar, ocean, run-of-river, hydropower and biomass power plants covered under the RPS shall enjoy the FIT;
- (v) Other rules and mechanisms that are deemed appropriate and necessary by the Energy Regulatory Commission, in consultation with the National Renewable Energy Board, for the full implementation of the FIT system.

**b. Winsun Green Ventures, Inc.**

In 2012, Winsun Green Ventures, Inc. commenced negotiations and studies on various wind energy projects that it may commence and acquire.

**c. Total Waste Management Recovery System, Inc.**

In 2012, the Company completed its investment in the waste recycling and management facilities of Total Waste Management and Recovery System, Inc. Through this facility, the Company is now equipped to explore the business opportunities in the field of waste recycling and management systems, given the garbage problems in Metro Manila and neighboring localities.

### **Audited Financial Statements and Interim Financial Statements**

#### **Changes in, and Disagreements with, Accountants on Accounting and Financial Disclosure –**

The Company has had no disagreements with its previous auditors or with the current auditor, BDO Alba Romeo & Co., on either accounting matters or on Financial Disclosures.

### **Management’s Discussion and Analysis of Financial Condition and Results of Operations**

The Company revenues for 2012 amounted to Php11.77 million, a notable increase from the revenue generated in 2011 which totaled Php0.27 million. This is expected in view of the effects of

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<sup>2</sup> Implementing Rules of the Renewable Energy Act of 2008



discontinued operations mainly due to the collapse of the technology-based demand on a worldwide basis as a result of the global economic crisis affecting revenues for 2010 and 2011. The share in income of an associate increased from Php0.266 million in 2011 to Php5.49 million in 2012 as a result of the recognition of share in income of associate company reclassified from a subsidiary company.

Gross Loss in 2012, at Php28.08 million or -239% of revenues, is a predetermined outcome compared to 2011 which was Php172.16 million or -62648% of revenues. Discontinued operations from the divestment of subsidiaries in 2011 expectedly affected both the revenue and expenses forecast. The Company estimates that its Gross Profit Margins will improve in 2013 when returns on Company's investments become visible.

Administrative expenses in 2012 totaled Php20.25 million, an increase by 415% compared to that in 2011 which amounted to Php3.93 million. In 2012, the Company's other operating expenses decreased to Php19.61 million. In 2011, at Php168.43 million, it was greatly affected by the impairment losses as a result of the divestment of its subsidiaries as it expects further decline in demand for semiconductor products. New business opportunities are being explored by the Company including those in the field of renewable energy. The Other Expenses are due largely to the impairment loss from prepayments and other assets.

As a result of the above, the Company had a Consolidated Operating Loss in 2012 of Php28.08 million. In 2011, at Php264.58, the loss relating to the semiconductor business was largely due to the global economic crisis.

Other Income and Expense for 2012 came from the finance income at Php2.34 million, net change in the fair value of AFS investment and net exchange differences from translation to presentation currency amounting to Php19.12 million resulting to the company's total comprehensive loss for the year to Php47.2 million.

## **BALANCE SHEET TRENDS**

Cash increased to Php472.62 million as of December 31, 2012 from Php0.602 million of December 31, 2011 and Php39.1 million of December 31, 2010. The increase in 2012 is attributable largely to the investments/advances made by Cleantech, an investor for renewable energy projects.

Receivables, net, increased to Php1.08 million as of December 31, 2012 from Php0.19 million as of December 31, 2011 and Php14.7 million at December 31, 2010. The increase was largely due to the increase in unliquidated advances. In 2011, the decrease was brought about by the divestment of subsidiary wherein balance from collectibles of normal trading of goods sold during the year are reflected at the end of the accounting period.

Inventories were no longer maintained as of the end of 2012 and 2011 since they were with the divested subsidiaries in a manufacturing and trading concern.

Available-for-sale investment was disposed of in 2011. In 2012, new investments were made in the amount of Php75.44 million. At the end of 2010, it decreased to Php39.8 million from Php51.6million at the end of 2009.

Intangible assets were not carried as at the end of 2011 since they were with the divested subsidiaries and thus, no longer maintained in 2012 except for the newly recognized goodwill at Php0.179 million. It grew to Php193.1 million in 2010 from Php182.2 million in 2009, reflecting the development of the "HARRP" and "FlexHARRP" products.

In 2012, advances to related party amounted to Php268.99 million, 1,306% higher than that in 2011 which amounted to Php19.13 million, projects amounted Php7.77, 63% lower than that in 2011 which amounted to Php20.73 million, and for future subscription accounts amounted to Php200 million, 15% lower than that in 2011 which amounted to Php235.0 million. Consequently, investment in associate account in 2012 amounted to Php85.7 million, 45% higher than that in 2011 which amounted to Php58.93 million.

The 2010 intangible assets of Php187.3 million and deferred tax assets of Php62.5 million were eliminated in 2011 as a consequence of the divestment of subsidiaries and impairment assessment, respectively.

Total Current Liabilities are up to Php11.85 million in 2012 from Php2.0 million in 2011 and Php53.1 million in 2010. The increase in 2012 is a result of advances from related party account paying for some expenses related to projects, while the increase in amount in 2010 was a result of the recording as part of accrued salaries and benefits account under accounts payable and accrued expenses the outstanding balance of retirement liability as of 2009 which was previously classified as non-current liability.

The increase in Total Current Liabilities in 2012 is due primarily to the eliminated Php48.4 million in Trade and Other Payables attributable to the divested subsidiaries in 2011.

Non-current liability in 2012 was reduced to nil pertains to Long Term Loans balance in the acquisition of transport equipment purchased through bank financing. The reclassified amount of Php0.713 million in Long Term Loans accounts for the non-current portion of the loans from the bank.

Share capital increased to Php1,100.28 million in 2012 from P522.01 million in 2011 and P308.75 million in 2010 mainly due to the issuance of new shares from the increased authorized capital stock.

### **Discussion and analysis of material events and/or uncertainties known to Management**

#### **Timely and sufficient fund raising for product developments**

Fund raising in a timely fashion is uncertain at best. In 2012, the Company issued a total of 57.83 billion common shares with total additional paid up capital of Php578.2 million. This was used to augment the operational needs of the Company and support its projects related to its exploration of new business opportunities in the fields of renewable energy and waste management systems.

Given the above and the report under Item 7 hereof, there are no other:

1. Known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Company's liquidity increasing or decreasing in any material way;
  2. Events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation;
  3. 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;
  4. Material commitments for capital expenditures;
  5. Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations;
  6. Significant elements of income or loss that did not arise from the Company's continuing operations; and
  7. Seasonal aspects that had a material effect on the financial condition or results of operations.
- A. The causes for the material changes are included in the discussion under Item 6 (Management's Discussion and Analysis or Plan of Operation and Balance Sheet Trends) above.

## Key Performance Indicators

The top five (5) key performance indicators are shown below for the years 2012 and 2011:

	2012	2011
Current ratio	79.87:1	127.62:1
Debt to equity ratio	0.0088:1	.0081:1
Bank debt to equity ratio	0.00054:1	.0043:1
Loss per share	0.000295	0.004502
Return on Equity	-0.021	-0.79

The above indicators, taken together, indicate the health and dynamics of the business.

### 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 a 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:

$$\text{Solvency Ratio} = \frac{\text{After Tax Net Profit} + \text{Depreciation}}{\text{Long Term Liabilities} + \text{Short Term Liabilities}}$$

### 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.

$$= \frac{\text{Total Liabilities}}{\text{Shareholders Equity}}$$

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 expenses.

### **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") = net income - preferred dividends/ 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.

### **Definition of 'Gross Margin'**

A company's total sales revenue minus its cost of goods sold, divided by the total sales revenue, expressed as a percentage. The gross margin represents the percent of total sales revenue that the company retains after incurring the direct costs associated with producing the goods and services sold by a company. The higher the percentage, the more the company retains on each dollar of sales to service its other costs and obligations.

$$\text{Gross Margin (\%)} = \frac{\text{Revenue} - \text{Cost of Goods Sold}}{\text{Revenue}}$$

This number represents the proportion of each dollar of revenue that the company retains as gross profit. For example, if a company's gross margin for the most recent quarter was 35%, it would retain \$0.35 from each dollar of revenue generated, to be put towards paying off selling, general and administrative expenses, interest expenses and distributions to shareholders. The levels of gross margin can vary drastically from one industry to another depending on the business. For example, software companies will generally have a much higher gross margin than a manufacturing firm.

### **Definition of 'Net Margin'**

The ratio of net profits to revenues for a company or business segment - typically expressed as a percentage – that shows how much of each dollar earned by the company is translated into profits. Net margins can generally be calculated as:

$$\text{Net Margins} = \frac{\text{Net Profit}}{\text{Revenue}}$$

**, where Net Profit = Revenue - COGS - Operating Expenses - Interest and Taxes**

Net margins will vary from company to company, and certain ranges can be expected from industry to industry, as similar business constraints exist in each distinct industry. A company like Wal-Mart has made fortunes for its shareholders while operating on net margins less than 5% annually, while at the other end of the spectrum some technology companies can run on net margins of 15-20% or greater.

Most publicly traded companies will report their net margins both quarterly (during earnings releases) and in their annual reports. Companies that are able to expand their net margins over time will generally be rewarded with share price growth, as it leads directly to higher levels of profitability.

### **Audit and Audit-Related Fees – 2012 and 2011**

The audit fees for the services rendered by the Company's external auditor, BDO Alba Romeo and Co., for its services, in connection with the statutory and regulatory filings of the Company's financial statements for calendar year 2012 amounted to Php150,000.00, Php234,950.00 for 2011, and P610,000.00 for 2010.

### **Tax Fees –2012 and 2011**

The fees paid to the external auditors on tax services on various tax queries were all zero in 2012, 2011 and 2010.

### **All Other Fees – 2012 and 2011**

The Company engaged the services of Multinational Investment Bancorporation amounting to Php350,000.00 for the fairness opinion on the conversion of debt to equity in 2011.

### **Audit Committee's Approval Policies and Procedures for the above services**

The Audit Committee had approved the above fees paid to the external auditors for the calendar years 2012, 2011 and 2010.

### **(b) Incorporation by Reference**

### **Market for Issuer's Common Equity and Related Stockholders Matters**

#### **Securities**

As of October 8, 2013, the Company has one (1) class of stock – common. It has 185,952,856,500 issued and outstanding common shares, of which, 45,243,478,240 common shares are listed and traded at the PSE.

There are no sales of unregistered securities within the past three (3) years.

No debt securities are registered or are contemplated to be registered.

The Company has approved the reacquisition of 1,232,522,260 common shares covered by the stock purchase plan. Please refer to item on Securities Subject to Redemption or Call.

The Company has outstanding warrants. Please refer to item on Warrants.

#### **Market Information**

The Company's common equity is traded on the PSE. As of October 8, 2013, the Company's stock price closed at Php0.012 per share (with par value of Php0.01 per share).

The following is a summary of the trading prices at the PSE for each of the quarterly periods for 2013, 2012 and 2011:

Ave. Price	**2013		2012**		2011		
	Quarter	High	Low	High	Low	High	High
	1 <sup>st</sup>	0.022	0.018	0.02	*0.070	*0.072	0.095
	2 <sup>nd</sup>	0.019	0.013	0.02	*0.071	*0.072	0.098
	3 <sup>rd</sup>	<u>0.017</u>	<u>0.013</u>	0.02	**0.011	**0.011	0.115
	4 <sup>th</sup>	--	--	0.02	**0.011	**0.012	0.118

\*At par value of P0.10 per share.

\*\*At par value of P0.01 per share.

#### **Holders**

Based on the records of the Company's stock transfer agent, RGFS Registry & Agency Services, Inc. (Stock Transfer Agent) the Company had 1,025 stockholders as of September 30, 2013. The top twenty (20) shareholders as of said date were as follows:

	Shareholder	No. of Common Shares	Pct.*
1	PCD NOMINEE CORP. (FILIPINO)	<u>34,187,118,570</u>	<u>19.77%</u>
2	EARTHRIGHT HOLDINGS, INC.	25,000,000,000	14.45%
3	CLEANTECH PROJEKTGESELLSCHAFT MBH	20,776,856,000	12.01%
4	SUNCHAMP REAL ESTATE DEVELOPMENT	17,600,000,000	10.18%

	CORPORATION		
5	PCD NOMINEE CORP. (NON-FILIPINO)	10,617,173,790	6.14%
6	THREE STAR CAPITAL LIMITED (BVI)	6,000,000,000	3.47%
7	PPARR MANAGEMENT & HOLDINGS CORPORATION C/O GREENERGY 2009-2011	5,800,000,000	3.35%
8	SOUTHERN FIELD LIMITED (BVI) C/O GREENERGY PALM GROVE HOUSE	5,500,000,000	3.18%
9	JERRY GO YU C/O GREENERGY 2011	5,200,000,000	3.00%
10	ANN LORAIN BUENCAMINO	5,150,000,000	2.98%
11	MARC KENRICH DUCA C/O GREENERGY	5,000,000,000	2.89%
12	HUNG KAMTIN	4,000,000,000	2.31%
13	PAUL VINCENT LEE C/O GREENERGY	3,600,000,000	2.08%
14	JAIME L. TIU	3,000,000,000	1.73%
15	JAMES L. TIU*	3,000,000,000	1.73%
16	JOSE MARIE E. FABELLA	3,000,000,000	1.73%
17	PRESTEJENCHRIS DAN (PSJCD) INC.	3,000,000,000	1.73%
18	LEONARDO S. GAYAO C/O MUSX	2,800,000,000	1.62%
19	MARK KENNETH DUCA	2,500,000,000	1.45%
20	JIAN-CHENG CAI	2,000,000,000	1.16%
21	BG ZENITH INC. C/O GREENERGY	1,250,000,000	0.72%
22	EUGENE B. MACALALAG C/O MUSX	900,000,000	0.52%
23	NORA DE LARA GARCIA C/O MUSX	500,000,000	0.29%
	<b>Total</b>	170,380,795,260	98.51%

\*He owns 9,000,000 additional shares lodged under PCD Nominee Corp. (Tri-State Securities, Inc.)

### **Background of Major Shareholders**

**PCD Nominee Corporation** (“PCNC”) is a wholly owned subsidiary of the Philippine Central Depository, Inc. (“PCD”), a corporation established to improve operations in securities transactions and to provide a fast, safe and highly efficient system for securities settlement in the Philippines. PCNC acts as trustee-nominee for all shares lodged in the PCD system, where trades effected on the PSE are finally settled with the PCD.

PCD, now known as **Philippine Depository and Trust Corporation**, is a private institution established in March 1995 to improve operations in securities transactions. Regulated by the SEC, PCD is owned by major capital market players in the Philippines, namely: the PSE, Bankers Association of the Philippines, Financial Executives Institute of the Philippines, Development Bank of the Philippines, Investment House Association of the Philippines, Social Security System and Citibank N.A.

All PSE-member brokers are Participants of PCD. Other Participants include custodian banks, institutional investors and other corporations or institutions that are active players in the Philippine equities market.

**Earthright Holdings, Inc.** (“EHI”) is a domestic company incorporated with the purpose of acquiring, holding, selling, exchanging, dealing and investing in the shares of stock, bonds or any kind of securities of any government or any subdivision thereof or any public or private corporation in the Philippines and abroad, and in real or personal property of any kind in the Philippines and abroad in the same manner and to the same extent as a natural person might, could or would do, to exercise all rights, powers and privileges or ownership, including the right to vote therein, or consent in respect thereof, for any and all purposes without managing securities portfolio or similar securities or acting as broker of securities. EHI’s Chairman and majority-owner is the Company’s President and CEO, Mr. Antonio L. Tiu.

**Cleantech Projektgesellschaft MBH** is an entity duly organized under the laws of Germany with registered address at Hanauer Landstraße 291B, 60314 Frankfurt a. M., Deutschland, and represented in the transaction by its Managing Director T.U. Michael Sieg. It is a cleantech infrastructure fund managed by ThomasLloyd Global Asset Management (Switzerland) AG.

**Sunchamp Real Estate Development Corp.** (“Sunchamp”) is a domestic company incorporated on May 31, 2004. Its primary purpose is “to engage in the business of trading in, transacting or dealing with real properties, either as principal or owner, agent, commission merchant or broker, whether for its own account or of others; to undertake real estate development and improvement, as well as to build, construct, erect or install buildings, structures, edifices, whether public, private, residential, commercial, agricultural or industrial; to lease, sub-lease, sell, dispose of, mortgage or encumber any of said real estate in pursuance of its business.” Sunchamp’s Chairman, President and majority-owner is the Company’s President and CEO, Mr. Antonio L. Tiu.

### **Dividends**

No dividends were distributed in 2010, 2011 and 2012. Except for the required presence of unrestricted retained earnings, there are no restrictions that limit the Company’s ability to pay dividends on common equity or that are likely to do so in the future.

### **Warrants**

On October 19, 2011, the stockholders approved to issue 100 Billion warrants relating to 100 Billion common shares at an issue price of Php0.001 per warrant and with a strike price equivalent to the par value per share, with a term of five (5) years, under such terms and conditions as may be determined by the Board of Directors and as may be warranted and allowed under existing laws, rules and regulations.

Accordingly, on February 22, 2012, the Board of Directors approved to issue 1 Billion warrants to the Company’s President and CEO, Mr. Antonio L. Tiu, at the issue price of Php0.001/warrant and with a strike price equivalent to the par value per share, and under such terms as may further be agreed upon and subject to existing requirements of the S EC and the PSE.

On April 14, 2012, the Board of Directors approved to issue 7.5 Billion warrants to the Company’s Chairman, Mr. George Y. Uy at the issue price of Php0.001/warrant and with a strike price equivalent to the par value per share, and under such terms as may further be agreed upon and subject to existing requirements of the S EC and the PSE.

As of June 30, 2013, the said warrants have not yet been formally issued.

On August 15 2012, the Company issued stock warrants (American call option) in favor of Cleantech that would allow the latter to subscribe to (i) 10,489,500,000 primary shares of the Company at a strike price of Php0.02 within one (1) year from issuance of the warrants and (ii) an additional 10,489,500,000 primary shares at a strike price of Php0.03 within three (3) years from the issuance of the warrants. As of June 30, 2013, Cleantech has not exercised any of said warrants.

### **Debt Securities**

No debt securities are registered or contemplated to be registered.

### **Stock Option**

Please see item on Warrants.

### **Securities Subject to Redemption or Call**

On October 31, 2012, the Board of Directors approved the reacquisition of 1,232,522,260 common shares covered by the stock purchase plan with the finalization of the same delegated to the Company’s President and CEO. The execution of the transaction shall be made in compliance with



existing laws and rules. To date, the reacquisition of the said common shares has not yet been executed.

Except for the above, no other securities subject to redemption or call exist or are planned.

### **Market Information for Securities Other Than Common Equity**

None.

### **Corporate Governance**

The Company has adopted the Corporate Governance Self-Rating system to measure its compliance with the Manual on Corporate Governance. Items that need improvement are being reviewed and discussed for actions by champions as assigned by the Audit and Compliance Committee. The results of these reviews are documented and forwarded to the Board of Directors for further discussion and if needed, for resolutions.

The performance of the Board of Directors and its individual members is being measured and monitored via the Board Performance Tracking system. Areas for improvement are discussed for action during the Board/Committee meetings. Board performance metrics include, among others, the individual director's attendance to Board and Committee meetings, availability of minutes, open/closed action items, etc. For the year 2012, there was compliance with the SEC Memorandum Circular No. 6 Series of 2009 requirement of at least fifty percent (50%) Board attendance. No independent director has less than fifty percent (50%) attendance during his one (1) year incumbency.

The Board of Directors, through its Audit and Compliance Committee, continuously reviews and follows-up until closure all action items needed to be in full compliance with the Company's Manual on Corporate Governance and its related documents and policies.

No substantial deviation from the Company's Manual on Corporate Governance was recorded and disclosed in 2012.

The Board of Directors approved on March 30, 2011 the Revised Manual on Corporate Governance in full compliance with SEC Memorandum Circular No. 6, Series of 2009.

On June 27, 2013, the Board of Directors approved the amendment of the Manual on Corporate Governance in order to increase the number of directors to eleven (11) directors with two (2) independent directors from nine (9) directors with two (2) independent directors. This shall be submitted for the approval of the stockholders on November 15, 2013.

#### **Plan to improve the Corporate Governance of the Company:**

Continuous training is being undertaken by members of the Board of Directors, Management officers and personnel to fully acquaint them with the Company's corporate governance manual, policies and related matters.

### **Item 12. Mergers, Consolidations, Acquisitions and Similar matters**

Pursuant to the new direction of the Company, which is to widen and diversify its investment portfolio as a holding company, the Company plans to make investments and acquisitions that will include or involve companies or assets relating to the businesses of the Company's President and CEO, Mr. Antonio L. Tiu. Among the businesses being considered for acquisition or investment are food and agriculture, banking and finance, real estate development and construction, renewable energy, technology, information technology and retail.

To facilitate the investments or acquisitions, the transactions contemplated may involve one or a combination of any of the following fund-raising activities: the issuance of primary shares, sale of secondary shares, debt financing or other means as the Board of Directors may see fit.

It is proposed that the Board of Directors be authorized to approve the investments and acquisitions and determine the terms and conditions thereof, and to approve and determine the manner of raising funds to finance the acquisition of the new investments and assets.

To date, no definitive agreements have been executed yet by the Company relating to the above.

**Item 13. Acquisition or Disposition of Property**

As discussed in Item 12 above, the Company plans on widening and diversifying its investment portfolio as a holding company, and the subject of the investment and acquisitions will include or involve companies or assets relating to the businesses of the Company’s President and CEO, Mr. Antonio L. Tiu which include those in the sectors of food and agriculture, banking and finance, real estate development and construction, renewable energy, technology, information technology and retail.

To facilitate the investments or acquisitions, the transactions contemplated may involve one or a combination of any of the following fund-raising activities: the issuance of primary shares, sale of secondary shares, debt financing or other means as the Board of Directors may see fit.

It is proposed that the Board of Directors be authorized to approve the investments and acquisitions and determine the terms and conditions thereof, and to approve and determine the manner of raising funds to finance the acquisition of the new investments and assets.

To date, no definitive agreements have been executed yet by the Company relating to the above.

**Item 14. Restatement of Accounts**

None contemplated at this time.

**D. OTHER MATTERS**

**Item 15. Action with Respect to Reports**

The following reports will be submitted for approval by the stockholders of the Company:

1. The Minutes of the Annual Stockholders’ Meeting held on December 11, 2012;
2. Audited Financial Statements for the year ended December 31, 2012; and
3. Annual Report for the year ended December 31, 2012.

Approval of the Annual Report and the Audited Financial Statements for the year ended December 31, 2012 constitutes ratification by the stockholders of the Company’s performance for 2012.

The matters approved and acted upon by the Board of Directors of the Company after the previous shareholders meeting on December 11, 2012, which are required to be ratified by the stockholders on November 15, 2013 are the following:

<b>Date of approval by the Board of Directors</b>	<b>Matters approved by the Board of Directors and for ratification by the Stockholders</b>
June 27, 2013	a. Amendment of the Seventh Article of the Articles of Incorporation for the purpose of: <ol style="list-style-type: none"> <li>i. creating 1 Billion voting and participating preferred shares (as to assets) with a par value of Php0.10 per share from the authorized capital stock; and</li> </ol>

	<p style="text-align: center;">ii. increasing the par value of all the remaining unissued and issued common shares from Php0.01 per share to Php1.00 per share;</p> <p>which shall result in the Company having an authorized capital stock of Php2 billion divided into 1.9 billion common shares with a par value of Php1.00 per share and 1 billion preferred shares with a par value of Php0.10 per share;</p> <p>b. Amendment of the Sixth Article of the Article of Incorporation in order to increase the number of directors to eleven (11) directors with two (2) independent directors from 9 directors with 2 independent directors;</p> <p>c. Amendment of the By-Laws for the purpose of separating the positions of President and Chief Executive Officer;</p> <p>d. Amendment of the Manual on Corporate Governance in order to increase the number of directors to eleven (11) directors with two (2) independent directors from nine (9) directors with two (2) independent directors; and</p> <p>e. Reclassification of the Php62.5 million worth of common shares of the 25 billion common shares of Earthright Holdings, Inc. into 625 million fully paid preferred shares, and giving all holders of common shares as of June 27, 2013 the same right to reclassify their common shares into preferred shares in such amounts and proportion between Earthright and all other stockholders that can be accommodated by the number of preferred shares created; provided that, stockholders must provide the Company with written notice to reclassify on or before the annual stockholders' meeting on August 16, 2013, provided further, that, any reclassification shall not result in the foreign ownership level of all outstanding common shares and preferred shares exceeding 40%.</p>
--	--

**Item 16. Matters not required to be submitted**

Aside from the matters mentioned in Item 15 above, there are no other acts of management and the Board of Directors in the preceding year that required the approval of the stockholders. (i) Minutes of the previous stockholders' meeting, Annual Report and Financial Statements as of December 31, 2012, and (ii) ratification of acts of management and of the Board of Directors referred to in the Notice of Annual Meeting refer only to acts done in the ordinary course of business and operation of the Company and/or pursuant to the previous authority given by the stockholders, some of which have been duly disclosed to the SEC and the PSE in accordance with law.

Nonetheless, the following shall be submitted for stockholders' approval on November 15, 2013 in the interest of transparency and as a matter of customary practice or procedure undertaken at every annual meeting of stockholders of the Company:

- a. Issuance and listing of warrants in favour of officers and directors under such terms and conditions to be determined by the Board of Directors;
- b. Authority to acquire primary or secondary shares and/or invest in companies under the AgriNurture Group of Companies and consolidate the Company's shareholdings in the AgriNurture Group of Companies;
- c. Authority to enter into loan transactions, credit accommodations or other types of credit facilities, surety/guaranty transactions in the aggregate amount of Php5 billion, and renewals, extensions, re-availments, restructurings and amendments thereof with various banks, trust entities, quasi-banks, financial institutions, entities, corporations or individuals, as well as to enter into any other transactions or agreements in the implementation of the foregoing, under such terms and conditions as may be determined by the Board of Directors;

- d. Approval of the issuance and listing of 17.6 billion common shares issued to Sunchamp Real Estate and Development Corporation (in compliance with the PSE Revised Listing Rules); and
- e. Waiver by the minority stockholders of the right to conduct a public offering in relation to the 17.6 billion common shares of Sunchamp Real Estate and Development Corporation (in compliance with the PSE Revised Listing Rules).

**Item 17. Amendment of Charter, Bylaws or Other Documents**

Subject to the ratification/approval of the stockholders on November 15, 2013, the Company intends to make the following amendments:

- a. Amendment of the Seventh Article of the Articles of Incorporation for the purpose of:
  - i. creating 1 billion voting and participating preferred shares (as to assets) with a par value of Php0.10 per share from the authorized capital stock; and
  - ii. increasing the par value of all the remaining unissued and issued common shares from Php0.01 per share to Php1.00 per share;

which shall result in the Company having an authorized capital stock of Php2 billion divided into 1.9 billion common shares with a par value of Php1.00 per share and 1 billion preferred shares with a par value of Php0.10 per share;

- b. Amendment of the Sixth Article of the Article of Incorporation in order to increase the number of directors to eleven (11) directors with two (2) independent directors from nine (9) directors with two (2) independent directors;
- c. Amendment of the By-Laws for the purpose of separating the positions of President and Chief Executive Officer;
- d. Amendment of the Manual on Corporate Governance in order to increase the number of directors to eleven (11) directors with two (2) independent directors from nine (9) directors with two (2) independent directors; and
- e. Reclassification of the Php62.5 million worth of common shares of the 25 billion common shares of Earthright Holdings, Inc. into 625 million fully paid preferred shares, and giving all holders of common shares as of June 27, 2013 the same right to reclassify their common shares into preferred shares in such amounts and proportion between Earthright and all other stockholders that can be accommodated by the number of preferred shares created; provided that, stockholders must provide the Company with written notice to reclassify on or before the annual stockholders' meeting on August 16, 2013, provided further, that, any reclassification shall not result in the foreign ownership level of all outstanding common shares and preferred shares exceeding 40%.

Considering that the Company's business is primarily engaging in nationalized activities, the amendments indicated in items (a) and (e) are being proposed so that the Company can accept more investors while still maintaining the required Filipino ownership level.

As for the amendments under items (b), (c) and (d), the same are being proposed by the Company for the purpose of improving its corporate governance. Said amendments will enhance the oversight functions of the Board of Directors and ensure that the Company's management team is composed of highly qualified individuals from diversified fields.

**Item 18. Other Proposed Action**

None.

**Item 19. Voting Procedures**

- a. For the approval or ratification of the reports and acts of the Board of Directors and Management in Item Nos. 15 (a), (b) and (c) above, the vote of stockholders present in person or by proxy representing at least two-thirds (2/3) of the total outstanding capital stock entitled to vote shall be required. For the approval or ratification of the reports and acts of the Board of Directors and Management in Item Nos. 15 (d) and (e), and Item 16 Nos. (a), (b), (c) and (d) above, the vote of stockholders present in person or by proxy representing at least a majority of the total outstanding capital stock entitled to vote shall be required. As for Item 16 (e) above, the majority vote representing the outstanding shares held by the minority stockholders (i.e., stockholders who hold less than 10% of the total outstanding capital stock of the Company) present in person or by proxy shall be required.
- b. During the election of directors, there must be present, either in person or by representative authorized to act by written proxy, the owners of at least a majority of the total outstanding capital stock. Unless a poll is demanded either before or on the declaration of the result of the vote on a show of hands, the election shall be done by a show of hands. Every stockholder entitled to vote shall have the right to vote in person or by proxy the number of shares of stock standing, at the time fixed in the By-Laws, in his own name on the stock books of the Company, or where the By-Laws is silent, at the time of election; and said stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit; Provided, That the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Company multiplied by the whole number of directors to be elected; Provided, however, that no delinquent stock shall be voted. Candidates receiving the highest number of votes shall be declared elected. Any meeting of the stockholders called for an election may adjourn from day to day or from time to time but not *sine die* or indefinitely if, for no reason, no election is held, or if there be not present or represented by proxy, at the meeting, the owners of a majority of the outstanding capital stock.

The total number of votes that may be cast by a stockholder of a Company is computed as follows: *no. of shares held on record as of record date x 9 directors*. Candidates receiving the highest number of votes will be declared elected.

The votes shall be duly taken and counted by the Corporate Secretary and shall be counted *viva voce*.

**UPON WRITTEN REQUEST OF A STOCKHOLDER, THE COMPANY UNDERTAKES TO FURNISH SAID STOCKHOLDER A COPY OF SEC FORM 17-A FREE OF CHARGE, EXCEPT FOR EXHIBITS ATTACHED THERETO WHICH SHALL BE CHARGED AT COST. ANY WRITTEN REQUEST FOR A COPY OF SEC FORM 17-A SHALL BE ADDRESSED AS FOLLOWS:**

**GREENERGY HOLDINGS INCORPORATED  
54 National Road, Dampol II-A  
Pulilan, Bulacan, Philippines**

**Attention: Mr. Martin C. Subido**

**SIGNATURE**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct.

Makati City, Philippines 11 October 2013.

**GREENERGY HOLDINGS INCORPORATED**  
(formerly MUSX Corporation)

By:



**KENNETH S. TAN**  
Treasurer

**GREENERGY HOLDINGS INCORPORATED AND ITS SUBSIDIARIES**  
*(Formerly MUSX Corporation and its Subsidiaries)*

**CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012 AND 2011**

# COVER SHEET

A S 0 9 2 0 0 5 8 9

SEC Registration Number

G R E E N E R G Y   H O L D I N G S   I N C O R P O R A T E D  
 A N D   I T S   S U B S I D I A R I E S

(Company's Full Name)

5 4   N A T I O N A L   R O A D ,   D A M P O L   I I - A  
 P U L I L A N ,   B U L A C A N

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

**Atty. Martin Subido**

(Contact Person)

**893-2687 (02)**

(Company Telephone Number)

1 2   3 1

Month   Day  
(Fiscal Year)

A F S 1 2

(Form Type)

0 6    

Month   Day  
(Annual Meeting)

**NOT APPLICABLE**

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

\_\_\_\_\_ LCU

Document ID

\_\_\_\_\_ Cashier





**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR CONSOLIDATED FINANCIAL STATEMENTS**

The management of Greenergy Holdings Incorporated and its Subsidiaries (*formerly MUSX Corporation and its Subsidiaries*) is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2012 and 2011, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders.

Alba Romeo & Co., the independent auditors, appointed by the stockholders has examined the consolidated financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.



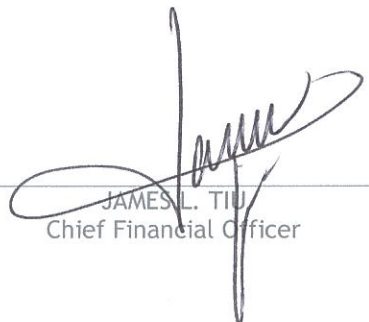
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ANTONIO L. TIU  
Chief Executive Officer



---

GEORGE Y. UY  
Chairman of the Board



---

JAMES L. TIU  
Chief Financial Officer


REPUBLIC OF THE PHILIPPINES}  
MAKATI CITY } S.S.

**SUBSCRIBED AND SWORN** to before me on 3 April 2013, at Makati City, affiants exhibiting to me the following evidence of their identity, to wit:

NAMES	GOV'T ISSUED ID	VALID UNTIL/ Date Issued	PLACE OF ISSUE
Antonio L. Tiu	Passport No. XX1478710	24 June 2013	Department of Foreign Affairs - Manila
James L. Tiu	Driver's License No. N04-00-162928	21 June 2013	Land Transportation Office-Quezon City
George Y. Uy	CTC 13866551 Tin 137-718-372	February 8, 2013	Quezon City

WITNESS MY HAND AND SEAL.

Doc. No. 463;  
Page No. 94;  
Book No. 1;  
Series of 2013.

  
**ATTY. JOSELINA PAULA A. GABRIEL**  
Notary Public  
Until December 31, 2013  
Roll of Attorneys No. 00663  
IBP Lifetime Member No. 010647  
PTR No. 3680876/01-11-13/Makati City  
Notarial Commission No. M-523  
TIN 276-796-846  
MCLE Compliance No. IV-0011446/01-15-13



ALBA ROMEO & CO.

Tel: +(632) 844 2016

Fax: +(632) 844 2045

www.bdo.net.ph

7/F Multinational Bancorporation Centre

6805 Ayala Avenue, Makati City 1226 Philippines

Branches: Bacolod / Cagayan de Oro / Cebu

## INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors  
Greenergy Holdings Incorporated and its Subsidiaries  
*(formerly MUSX Corporation and its Subsidiaries)*  
54 National Road, Dampol II-A,  
Pulilan, Bulacan

We have audited the accompanying consolidated financial statements of Greenergy Holdings Incorporated and its Subsidiaries *(formerly MUSX Corporation and its Subsidiaries)* which comprise the consolidated statements of financial position as at December 31, 2012 and 2011, and the consolidated statements of loss, statements of comprehensive loss, statements of changes in equity and statement of cash flows for each of the three years in the period ended December 31, 2012, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Greenergy Holdings Incorporated and its Subsidiaries (*formerly MUSX Corporation and its Subsidiaries*) as at December 31, 2012 and 2011, and its financial performance and its cash flows for each of the three year in the period ended December 31, 2012 in accordance with Philippine Financial Reporting Standards.

*Alba Romeo M.*

**ALBA ROMEO & CO.**

April 3, 2013  
Makati City, Philippines

*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Greenery Holdings Incorporated and its Subsidiaries (*formerly MUSX Corporation and its Subsidiaries*) as at December 31, 2012 and 2011, and its financial performance and its cash flows for each of the three year in the period ended December 31, 2012 in accordance with Philippine Financial Reporting Standards.

**ALBA ROMEO & CO.**



Antonio V. Cruz  
Partner

CPA Certificate No. 0017482

Tax Identification No. 141-791-333-000

PTR No. 3682024, issued on January 12, 2013, Makati City

BOA/PRC Registration No. 0005, issued on November 12, 2012,  
effective until December 31, 2015

SEC Accreditation No. A-597-A (Individual), Group A,  
issued on February 11, 2013, effective until June 11, 2013

SEC Accreditation No. 0007-FR-3 (Firm), Group A, issued on March 22, 2012,  
effective until March 21, 2015

BIR Accreditation No. 08-001682-3-2012, issued on January 4, 2012,  
effective until January 4, 2015

April 3, 2013  
Makati City, Philippines

GREENERGY HOLDINGS INCORPORATED AND ITS SUBSIDIARIES  
(formerly MUSX Corporation and its Subsidiaries)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2012 AND 2011

	Notes	In US Dollars (Functional Currency)		In Philippine Peso (Presentation Currency)	
		2012	2011	2012	2011
<b>ASSETS</b>					
<b>Current assets</b>					
Cash on hand and in banks	7	US\$11,473,673	US\$13,699	P472,623,537	P601,786
Receivables, net	8	26,253	4,263	1,081,429	187,264
Advances to related parties	24	6,530,169	435,420	268,990,733	19,127,147
Advances for future stock subscription	10	4,855,312	5,349,663	200,000,000	235,000,000
Prepayments and other current assets, net	11	88,492	6,975	3,645,216	306,377
<b>Total current assets</b>		<b>22,973,899</b>	<b>5,810,020</b>	<b>946,340,915</b>	<b>255,222,574</b>
<b>Noncurrent assets</b>					
Loans receivable	13	-	-	-	-
Available-for-sale (AFS) investments, net	9	1,831,352	-	75,436,653	-
Advances to projects	14	188,616	471,879	7,769,466	20,728,692
Investment in associate	15	2,081,150	1,341,459	85,724,640	58,927,607
Property and equipment, net	16	5,742,288	47,910	236,513,475	2,104,621
Intangible asset	28	4,169	-	179,006	-
Deferred tax assets	25	1,947	-	80,205	-
<b>Total noncurrent assets</b>		<b>9,849,522</b>	<b>1,861,248</b>	<b>405,703,445</b>	<b>81,760,920</b>
<b>Total assets</b>		<b>US\$32,823,421</b>	<b>US\$7,671,268</b>	<b>P1,352,044,360</b>	<b>P336,983,494</b>
<b>LIABILITY AND EQUITY</b>					
<b>Current liabilities</b>					
Trade and other payables	17	US\$77,044	US\$27,859	P3,173,631	P1,223,777
Advances from related parties	24	187,053	-	7,705,104	-
Interest-bearing loans and borrowings	18	23,124	16,336	952,533	717,600
Income tax payable		414	1,332	17,468	58,527
<b>Total current liabilities</b>		<b>287,635</b>	<b>45,527</b>	<b>11,848,736</b>	<b>1,999,904</b>
<b>Noncurrent liability</b>					
Interest-bearing loans and borrowings	18	-	16,239	-	713,333
<b>Total liabilities</b>		<b>287,635</b>	<b>61,766</b>	<b>11,848,736</b>	<b>2,713,237</b>
<b>Equity</b>					
<b>Equity attributable to owners of the Parent Company</b>					
Share capital	19	26,418,746	12,518,989	1,100,278,565	522,010,005
Share premium	20	6,126,637	1,123,903	268,090,531	60,321,971
Fair value reserve	9	(212,302)	-	(8,705,880)	-
Translation reserves		480,208	235,375	18,268,207	28,683,061
Other reserves		(538,186)	-	(29,327,852)	-
Deficit		(6,886,034)	(6,268,765)	(302,795,513)	(276,744,780)
		25,389,069	7,609,502	1,045,808,058	334,270,257
Non-controlling interest	27	7,146,717	-	294,387,566	-
<b>Total equity</b>		<b>32,535,786</b>	<b>7,609,502</b>	<b>1,340,195,624</b>	<b>334,270,257</b>
<b>Total liabilities and equity</b>		<b>US\$32,823,421</b>	<b>US\$7,671,268</b>	<b>P1,352,044,360</b>	<b>P336,983,494</b>

(The notes on pages 10 to 66 are integral part of these financial statements.)

GREENERGY HOLDINGS INCORPORATED AND ITS SUBSIDIARIES  
(formerly MUSX Corporation and its Subsidiaries)

CONSOLIDATED STATEMENTS OF LOSS  
FOR THE YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010

	Notes	In US Dollar (Functional Currency)			In Philippine Peso (Presentation Currency)		
		2012	2011	2010	2012	2011	2010
<b>Continuing operations</b>							
Share in income of an associate	15	US\$130,039	US\$6,147	US\$-	P5,488,876	P266,228	P-
Other operating income	21	93,496	-	96,486	3,948,251	-	4,352,469
General and administrative expenses	22	(480,557)	(90,843)	(195,225)	(20,257,309)	(3,934,699)	(8,806,555)
Other operating expenses	23	(464,341)	(3,888,691)	(512,125)	(19,608,630)	(168,431,264)	(23,101,805)
Operating loss		(721,363)	(3,973,387)	(610,864)	(30,428,812)	(172,099,735)	(27,555,891)
Finance income	7	55,337	198	1,006	2,336,826	8,580	45,380
Finance cost	18	-	(1,605)	-	-	(69,511)	-
Loss before tax from continuing operation		(666,026)	(3,974,794)	(609,858)	(28,091,986)	(172,160,666)	(27,510,511)
Provision for income tax	25	190	-	(55)	8,033	-	(2,481)
Loss for the year from continuing operation		(665,836)	(3,974,794)	(609,913)	(28,083,953)	(172,160,666)	(27,512,992)
<b>Discontinued operations</b>							
Income (loss) after tax for the year from discontinued operations	12	-	(1,826,906)	347,052	-	(92,422,237)	15,655,412
Loss for the year		(US\$665,836)	(US\$5,801,700)	(US\$262,861)	(P28,083,953)	(P264,582,903)	(P11,857,580)
<b>Loss for the year attributable to:</b>							
Equity holders of Parent Company		(US\$617,269)	(US\$5,801,700)	(US\$262,861)	(P26,050,733)	(P264,582,903)	(P11,857,580)
Non-controlling interest	27	(48,567)	-	-	(2,033,220)	-	-
		(US\$665,836)	(US\$5,801,700)	(US\$262,861)	(P28,083,953)	(P264,582,903)	(P11,857,580)
<b>Basic and diluted loss per share</b>							
	26	(US\$0.000007)	(US\$0.000099)	(US\$0.000007)	(P0.000295)	(P0.004502)	(P0.000331)

(The notes on pages 10 to 66 are integral part of these financial statements.)

GREENERGY HOLDINGS INCORPORATED AND ITS SUBSIDIARIES  
(formerly MUSX Corporation and its Subsidiaries)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS  
FOR THE YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010

	Notes	In US Dollar (Functional Currency)			In Philippine Peso (Presentation Currency)		
		2012	2011	2010	2012	2011	2010
Loss for the year		(US\$665,836)	(US\$5,801,700)	(US\$262,861)	(P28,083,953)	(P264,582,903)	(P11,857,580)
Other comprehensive income (loss)							
Net fair value of AFS investment reclassified to profit or loss	9	-	204,828	-	-	11,685,544	-
Net change in fair value of AFS investment	9	(212,302)	-	(430,024)	(8,705,880)	-	(22,423,544)
Net exchange differences from translation to presentation currency		424,776	(470,544)	306,002	(10,414,854)	(20,770,752)	(1,800,038)
Reclassification adjustment on translation due to disposal of subsidiaries		-	435,616	-	-	31,365,462	-
		<u>212,474</u>	<u>169,900</u>	<u>(124,022)</u>	<u>(19,120,734)</u>	<u>22,280,254</u>	<u>(24,223,582)</u>
<b>Total comprehensive loss</b>		<u>(US\$453,362)</u>	<u>(US\$5,631,800)</u>	<u>(US\$386,883)</u>	<u>(P47,204,687)</u>	<u>(P242,302,649)</u>	<u>(P36,081,162)</u>
<b>Total comprehensive loss for the year attributable to:</b>							
Equity holders of Parent Company		(US\$584,738)	(US\$5,631,800)	(US\$386,883)	(P45,171,467)	(P242,302,649)	(P36,081,162)
Non-controlling interest		131,376	-	-	(2,033,220)	-	-
		<u>(US\$453,362)</u>	<u>(US\$5,631,800)</u>	<u>(US\$386,883)</u>	<u>(P47,204,687)</u>	<u>(P242,302,649)</u>	<u>(P36,081,162)</u>

(The notes on pages 10 to 66 are integral part of these financial statements.)



GREENERGY HOLDINGS INCORPORATED AND ITS SUBSIDIARIES  
(formerly MUSX Corporation and its Subsidiaries)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010

	Share capital (Note 19)	Share premium (Note 20)	Fair value reserve (Note 9)	Translation reserve	Other reserve	Deficit	Treasury shares	Non-controlling interest (Note 27)	Total
In U.S. Dollars: Functional currency									
Balance at January 1, 2010	US\$6,673,446	US\$1,123,903	US\$225,196	(US\$35,699)	US\$-	(US\$204,204)	US\$-	US\$-	US\$7,782,642
Transactions with owners, directly recorded in equity									
Issuance of common shares	3,531,958	-	-	-	-	-	-	-	3,531,958
Increase in subscription receivable	(2,648,968)	-	-	-	-	-	-	-	(2,648,968)
Total after transactions with owners	882,990	-	-	-	-	-	-	-	882,990
Total comprehensive income (loss)									
Loss for the year	-	-	-	-	-	(262,861)	-	-	(262,861)
Other comprehensive income (loss)	-	-	(430,024)	306,002	-	-	-	-	(124,022)
Total comprehensive income (loss) for the year	-	-	(430,024)	306,002	-	(262,861)	-	-	(386,883)
Balance at December 31, 2010	7,556,436	1,123,903	(204,828)	270,303	-	(467,065)	-	-	8,278,749
Transactions with owners, directly recorded in equity									
Issuance of common shares	4,520,689	-	-	-	-	-	-	-	4,520,689
Decrease in subscription receivable	441,864	-	-	-	-	-	-	-	441,864
Total after transactions with owners	4,962,553	-	-	-	-	-	-	-	4,962,553
Total comprehensive income (loss)									
Loss for the year	-	-	-	-	-	(5,801,700)	-	-	(5,801,700)
Other comprehensive income	-	-	204,828	(34,928)	-	-	-	-	169,900
Total comprehensive income (loss) for the year	-	-	204,828	(34,928)	-	(5,801,700)	-	-	(5,631,800)
Balance at December 31, 2011	12,518,989	1,123,903	-	235,375	-	(6,268,765)	-	-	7,609,502

(forward)

	Share capital (Note 19)	Share premium (Note 20)	Fair value reserve (Note 9)	Translation reserve	Other reserve	Deficit	Treasury shares	Non-controlling interest (Note 27)	Total
Balance at December 31, 2011	12,518,989	1,123,903	-	235,375	-	(6,268,765)	-	-	7,609,502
<b>Transactions with owners, directly recorded in equity</b>									
Issuance of common shares	17,515,206	5,002,734	-	-	-	-	-	-	22,517,940
Increase in subscription receivable	(3,615,449)	-	-	-	-	-	-	-	(3,615,449)
<b>Total after transactions with owners</b>	<b>13,899,757</b>	<b>5,002,734</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,902,491</b>
<b>Total comprehensive loss</b>									
Loss for the year	-	-	-	-	-	(617,269)	-	(48,567)	(665,836)
Other comprehensive income	-	-	(212,302)	244,833	-	-	-	179,943	212,474
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>(212,302)</b>	<b>244,833</b>	<b>-</b>	<b>(617,269)</b>	<b>-</b>	<b>131,376</b>	<b>(453,362)</b>
<b>Transactions with non-controlling interest</b>									
Non-controlling interest arising from business combination	-	-	-	-	-	-	-	6,477,155	6,477,155
Post-acquisition of non-controlling interest	-	-	-	-	(538,186)	-	-	538,186	-
<b>Total after transactions with non-controlling interest</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(538,186)</b>	<b>-</b>	<b>-</b>	<b>7,015,341</b>	<b>6,477,155</b>
Balance at December 31, 2012	US\$26,418,746	US\$6,126,637	(US\$212,302)	US\$480,208	(US\$538,186)	(US\$6,886,034)	US\$-	US\$7,146,717	US\$32,535,786

(forward)

	Share capital (Note 19)	Share premium (Note 20)	Fair value reserve (Note 9)	Translation reserve	Other reserve	Deficit	Treasury shares	Non-controlling interest (Note 27)	Total
<b>In Philippine Peso:</b>									
<b>Presentation currency</b>									
Balance at January 1, 2010	270,000,000	60,321,971	10,738,000	19,888,389	-	(304,297)	-	-	360,644,063
<b>Transactions with owners, directly recorded in equity</b>									
Issuance of common shares	155,000,000	-	-	-	-	-	-	-	155,000,000
Increase in subscription receivable	(116,250,000)	-	-	-	-	-	-	-	(116,250,000)
<b>Total after transactions with owners</b>	<b>38,750,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>38,750,000</b>
<b>Total comprehensive income (loss)</b>									
Loss for the year	-	-	-	-	-	(11,857,580)	-	-	(11,857,580)
Other comprehensive loss	-	-	(22,423,544)	(1,800,038)	-	-	-	-	(24,223,582)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>(22,423,544)</b>	<b>(1,800,038)</b>	<b>-</b>	<b>(11,857,580)</b>	<b>-</b>	<b>-</b>	<b>(36,081,162)</b>
Balance at December 31, 2010	308,750,000	60,321,971	(11,685,544)	18,088,351	-	(12,161,877)	-	-	363,312,901
<b>Transactions with owners, directly recorded in equity</b>									
Issuance of common shares	193,760,005	-	-	-	-	-	-	-	193,760,005
Decrease in subscription receivable	19,500,000	-	-	-	-	-	-	-	19,500,000
<b>Total after transactions with owners</b>	<b>213,260,005</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>213,260,005</b>
<b>Total comprehensive income (loss)</b>									
Loss for the year	-	-	-	-	-	(264,582,903)	-	-	(264,582,903)
Other comprehensive income	-	-	11,685,544	10,594,710	-	-	-	-	22,280,254
<b>Total comprehensive income (loss) for the year</b>	<b>-</b>	<b>-</b>	<b>11,685,544</b>	<b>10,594,710</b>	<b>-</b>	<b>(264,582,903)</b>	<b>-</b>	<b>-</b>	<b>(242,302,649)</b>
Balance at December 31, 2011 <i>(forward)</i>	<b>P522,010,005</b>	<b>P60,321,971</b>	<b>P-</b>	<b>P28,683,061</b>	<b>P-</b>	<b>(P276,744,780)</b>	<b>P-</b>	<b>P-</b>	<b>P334,270,257</b>

	Share capital (Note 19)	Share premium (Note 20)	Fair value reserve (Note 9)	Translation reserve	Other reserve	Deficit	Treasury shares	Non-controlling interest (Note 27)	Total
Balance at December 31, 2011	P522,010,005	P60,321,971	P-	P28,683,061	P-	(P276,744,780)	P-	P-	P334,270,257
<b>Transactions with owners, directly recorded in equity</b>									
Issuance of common shares	734,768,560	207,768,560	-	-	-	-	-	-	942,537,120
Increase in subscription receivable	(156,500,000)	-	-	-	-	-	-	-	(156,500,000)
<b>Total after transactions with owners</b>	<b>578,268,560</b>	<b>207,768,560</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>786,037,120</b>
<b>Total comprehensive loss</b>									
Loss for the year	-	-	-	-	-	(26,050,733)	-	(2,033,220)	(28,083,953)
Other comprehensive income	-	-	(8,705,880)	(10,414,854)	-	-	-	-	(19,120,734)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>(8,705,880)</b>	<b>(10,414,854)</b>	<b>-</b>	<b>(26,050,733)</b>	<b>-</b>	<b>(2,033,220)</b>	<b>(47,204,687)</b>
<b>Transactions with non-controlling interest</b>									
Non-controlling interest arising from business combination	-	-	-	-	-	-	-	267,092,934	267,092,934
Post-acquisition of non-controlling interest	-	-	-	-	(29,327,852)	-	-	29,327,852	-
<b>Total after transactions with non-controlling interest</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(29,327,852)</b>	<b>-</b>	<b>-</b>	<b>296,420,786</b>	<b>267,092,934</b>
Balance at December 31, 2012	P1,100,278,565	P268,090,531	(P8,705,880)	P18,268,207	(P29,327,852)	(P302,795,513)	P-	P294,387,566	P1,340,195,624

*(The notes on pages 10 to 66 are integral part of these financial statements.)*

GREENERGY HOLDINGS INCORPORATED AND ITS SUBSIDIARIES  
(formerly MUSX Corporation and its Subsidiaries)

CONSOLIDATED STATEMENTS OF CASH FLOWS  
DECEMBER 31, 2012, 2011 AND 2010

	Notes	In US Dollars (Functional Currency)			In Philippine Peso (Presentation Currency)		
		2012	2011	2010	2012	2011	2010
<b>Cash flows from operating activities</b>							
Loss before tax on continuing operation		(US\$665,836)	(US\$3,974,794)	(US\$609,858)	(P28,083,953)	(P172,160,666)	(P27,510,511)
Income (loss) before tax on discontinued operation	12	-	(1,743,443)	472,392	-	(88,802,932)	21,309,462
Adjustments for:							
Depreciation	16,22	12,148	8,501	-	512,978	368,185	-
Provision for impairment loss on advances to related parties	23,24	464,341	-	468,287	19,608,630	-	21,124,286
Share on profit of an associate	15	(130,039)	(6,147)	-	(5,488,876)	(266,228)	-
Unrealized forex gain	21	(72,814)	-	-	(3,074,850)	-	-
Provision for impairment loss on loans receivable	13,23	-	185,241	-	-	8,023,363	-
Provision for impairment loss on receivables	8,23	-	223,678	10,931	-	9,688,175	493,094
Loss on disposal of AFS investment	9	-	269,792	-	-	11,685,544	-
Provision for impairment loss on investment in associate	23	-	3,209,980	-	-	139,034,182	-
Provision for impairment loss on prepayments and other current assets	11,23	-	-	21,617	-	-	975,136
Finance income	7	(55,337)	(198)	(1,006)	(2,336,826)	(8,580)	(45,380)
Finance cost	18	-	1,605	-	-	69,511	-
Operating income (loss) before working capital changes		(447,537)	(1,825,785)	362,363	(18,862,897)	(92,369,446)	16,346,087
Decrease (increase) in:							
Receivables		(21,990)	110,800	(97,537)	(894,165)	4,852,278	(2,998,794)
Advances to related party		(6,512,613)	-	(436,090)	(267,076,242)	-	(19,137,810)
Prepayments and other current assets		(81,072)	(84,875)	(5,025)	(3,320,443)	(63,124)	(220,522)
Increase (decrease) in:							
Advances from related party		(26,218)	-	-	(1,079,976)	-	-
Trade and other payables		28,667	(341,669)	300,478	1,104,668	(14,992,971)	11,928,909
Cash provided by (used in) operations		(7,060,763)	(2,141,529)	124,189	(290,129,055)	(102,573,263)	5,917,870

(forward)

Notes	(Functional Currency)			(Presentation Currency)		
	2012	2011	2010	2012	2011	2010
<b>Cash flows from operating activities</b>						
Cash provided by (used in) operations	(7,060,763)	(2,141,529)	124,189	(290,129,055)	(102,573,263)	5,917,870
Finance income received	55,337	198	1,006	2,336,826	8,580	45,380
Income tax paid	(918)	-	-	(41,059)	-	-
<b>Net cash provided by (used in) operations</b>	<b>(7,006,344)</b>	<b>(2,141,331)</b>	<b>125,195</b>	<b>(287,833,288)</b>	<b>(102,564,683)</b>	<b>5,963,250</b>
<b>Cash flows from investing activities</b>						
Investment in subsidiaries	(3,505,221)	-	-	(154,035,780)	-	-
Disposal of subsidiaries net of proceeds	-	3	-	-	132	-
Investment in associates	(869,730)	-	-	(21,308,157)	-	-
Advances for future stock subscription	5,349,663	(5,349,663)	-	235,000,000	(235,000,000)	-
Acquisition of AFS investments	(2,043,654)	-	(87,026)	(84,142,533)	-	(3,819,136)
Proceeds from sale AFS investment	-	908,019	-	-	39,848,414	-
Acquisition of property and equipment	(1,339)	(56,292)	-	86,204	(2,472,806)	-
Increase in advances to projects	283,263	(471,879)	-	12,959,226	(20,728,692)	-
Decrease in non-current assets	-	-	38,387	-	-	1,684,613
<b>Net cash used in investing activities</b>	<b>(787,018)</b>	<b>(4,969,812)</b>	<b>(48,639)</b>	<b>(11,441,040)</b>	<b>(218,352,952)</b>	<b>(2,134,523)</b>
<b>Cash flows from financing activities</b>						
Proceeds from issuance of shares of stock	18,902,491	4,962,553	882,990	786,037,120	213,260,005	38,750,000
Proceeds from interest-bearing loans	-	41,887	-	-	1,840,000	-
Payment of interest-bearing loans	(9,451)	(9,312)	-	(478,400)	(409,067)	-
Finance cost paid	-	(1,605)	-	-	(69,511)	-
<b>Net cash provided by financing activities</b>	<b>18,893,040</b>	<b>4,993,523</b>	<b>882,990</b>	<b>785,558,720</b>	<b>214,621,427</b>	<b>38,750,000</b>
Effects of exchange rate changes on cash on hand and in banks	360,296	(580,870)	-	(14,262,641)	(20,755,582)	(874,289)
Net cash flows incurred by disposed subsidiaries	-	1,820,896	(493,582)	-	88,539,183	(22,306,596)
Net increase (decrease) in cash on hand and in banks	11,459,974	(877,594)	465,964	472,021,751	(38,512,607)	19,397,842
January 1	13,699	891,293	425,329	601,786	39,114,393	19,716,551
December 31	<u>US\$11,473,673</u>	<u>US\$13,699</u>	<u>US\$891,293</u>	<u>P472,623,537</u>	<u>P601,786</u>	<u>P39,114,393</u>
<b>Information on significant non-cash transactions</b>						
Investment in associate	US\$-	(US\$1,335,321)	US\$-	P-	(P58,661,379)	P-
Investment in subsidiaries	-	1,335,321	-	-	58,661,379	-
	<u>US\$-</u>	<u>US\$-</u>	<u>US\$-</u>	<u>P-</u>	<u>P-</u>	<u>P-</u>

(The notes on pages 10 to 66 are integral part of these financial statements.)

**GREENERGY HOLDINGS INCORPORATED AND ITS SUBSIDIARIES**  
*(formerly MUSX Corporation and its Subsidiaries)*

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010**

**NOTE 1 - CORPORATE INFORMATION**

Greenergy Holdings Incorporated (formerly MUSX Corporation, the Parent Company) was registered with the Philippine Securities and Exchange Commission (SEC) per Registration No. ASO92-00589 in 1992 to engage in the creation, design, development and manufacture of specialty semiconductors products and to market and sell the same to customers worldwide. In 1999, the Parent Company became a holding Parent Company but reverted to a semiconductor operations Parent Company in 2003. In 2008, as approved by the SEC on December 15, 2008, the Parent Company changed its primary purpose to a holding Parent Company. At present, the Parent Company continues to operate as a holding Parent Company.

On June 22, 2011, the SEC approved the following amendments, among others, to the Parent Company's Articles of Incorporation:

- a. Change in the registered business name from MUSX Corporation to its current name;
- b. Change in the principal office and place of business of the Corporation from L14 Net Cube Centre, 3<sup>rd</sup> Avenue corner 30<sup>th</sup> Street, E- Square Crescent Park, West Bonifacio Global City, Taguig to 54 National Road, Dampol II-A, Pulilan, Bulacan;
- c. Decrease in par value from Ten Centavos (Php 0.10) per share to One Centavo (Php 0.01) per share; and
- d. Increase in authorized capital stock from Five Hundred Million Pesos (Php 500,000,000.00) divided into Five Billion (5,000,000,000) shares at par value of Ten Centavos (Php 0.10) per share to One Billion Pesos (PHP 1,000,000,000) divided into One Hundred Billion (100,000,000,000) shares with par value of One Centavo (Php 0.01) per share.

The Parent Company's shares of stocks are listed with the Philippine Stock Exchange, Inc. (PSE) with the ticker code GREEN.

**1.1 Status of operations**

In the latter part of 2010, the Parent Company began its initiative in venturing into other business opportunities apart from the semiconductor business from which the Parent Company was founded. As part of its preparation to venture into other fields of business, such as but not limited to the fields of renewable energy and waste management systems, the stockholders, during the annual stockholders meeting held on December 23, 2010, approved, among others, the proposal to change the name of the Parent Company to its present name. On the same meeting, the stockholders approved the growth strategy of the Parent Company to retain an interest in its semiconductor business, Music Semiconductors Philippines, Inc. (MSPI), and divest 61% interest therein, as well as divest all interests in the foreign subsidiaries, namely: MUSIC Semiconductors, Inc. (MSI), Musem Electronic N.V. (Musem) and Protelcon, Inc. (Protelcon).

In order to diversify risk and accomplish the goals of consistent revenue and operating profit growth, the Parent Company has identified, and closed, other (non-semiconductor) investment opportunities. These businesses will, within their own markets, have a recipe for success based around providing products and/or services of the highest quality, and at a price lower than its competition.

The principal subsidiaries of the Parent Company as of December 31, 2012, 2011 and 2010 are as follows:

Name of subsidiary	Country of incorporation	Principal activity	Percentage of ownership		
			2012	2011	2010
Music Semiconductors Philippines, Inc. (MSPI)*	Philippines	Logistics and manufacturing	39.00%	39.00%	100.00%
Music Semiconductors, Inc. (MSI)	United States	Trading	0.00%	0.00%	90.80%
Museum Electronic N.V (Museum)**	Netherlands	Trading	0.00%	0.00%	99.99%
Protelcon, Inc. (Protelcon)**	United States	Trading	0.00%	0.00%	52.60%
Total Waste Management Recovery System, Inc. (TWMRSI)	Philippines	Waste management	87.50%	0.00%	0.00%
Winsun Green Ventures, Inc. (WGVI)	Philippines	Renewable energy	100.00%	0.00%	0.00%
Biomass Holdings, Inc. (BHI)	Philippines	Holding	60.00%	0.00%	0.00%

\*Classified as an associate in July 2011

\*\*Dormant company

#### MSPI

MSPI was incorporated and registered with the SEC on November 17, 1999. MSPI, which was established to take over the original production-related business of the Parent Company, is primarily engaged in the testing of integrated circuits.

On March 2, 2009, MSPI's Board of Directors (BOD) approved the change in the primary purpose of MSPI from manufacturing of semiconductors products to development, sales, marketing and logistics of semiconductors products. Relative to this, MSPI fully outsourced to third party its manufacturing operation effective January 2009. On the same date, the BOD also approved the change in the principal address of MSPI from Canlubang, Laguna to Alabang, Muntinlupa City and for its logistics operation to Carmona, Cavite.

On August 1, 2011, the SEC approved the increase in the authorized capital stock of MSPI from P10,000,000 divided into 100,000 shares with par value of P100 per share to P16,857,200.00 divided into 16,857,200 shares with par value of P1 per share. The Parent Company, with the approval and ratification by stockholders on October 19, 2011, has waived its pre-emptive right to subscribe to the issuance of shares by MSPI in relation to the divestment of 61% therein as approved on December 23, 2010. Thus, the Parent Company has decreased its stake in MSPI to 39%.

On March 13, 2012, the Parent Company's BOD approved MSPI's plan to look for prospective investors to fund its expansion program, thereby waiving the Parent Company's rights to exercise preemptive right and retain the present 39% stake in MSPI, and eventually list MSPI's shares with the Philippine Stock Exchange in compliance with existing rules.

#### MSI

The Parent Company held a 90.8% indirect interest in Innovative Technology LLC, through its then subsidiary, MSI, which owns 100% of Innovative Technology LLC, an entity incorporated in the United States which has been dormant since December 31, 2001. MSI was established primarily as the sales and marketing arm of the Group, but in addition, undertook the role as the developer of the new products during the period of 1999 to 2001.

During 2001, MSI suffered significant business losses as a result of the implosion of the internet and telecom markets, the two main markets of its customers. On January 30, 2002, MSI filed a motion for voluntary bankruptcy under Chapter 11 of the Bankruptcy Code in the U.S.



Bankruptcy Court of the Northern District of California. On June 11, 2003, the court approved the plan of Reorganization filed by MSI.

On December 24, 2008, the court issued its final decree and ordered that all the properties of MSI dealt with under the Plan of Reorganization are free and clean of claims and interest of its creditors. Creditors were fully paid in the amount of \$9,453,799 during the bankruptcy process.

#### Musem

Musem is a Dutch Parent Company responsible for sales and marketing in Europe.

#### TWMRSI

On June 13, 2011, the BOD of the Parent Company approved to acquire fifty one percent (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. This was approved and ratified by the stockholders on October 19, 2011. In 2011, the Parent Company has made a total of P235,000,000 as advances for future stock subscription to TWMRSI. On March 27, 2012, the SEC approved the application for increase in authorized capital stock of TWMRSI from P1,000,000 to P2,000,000. On the same date, the Parent Company infused additional P260,204 to purchase 260,204 shares or a 51% interest in the capital stock of TWMRSI. On December 28, 2012, the Parent Company acquired additional 36.5% ownership or 1,489,796 shares of TWMRSI through the conversion of its P235,000,000 advances for future stock subscription.

#### WGVI

On June 22, 2012, the SEC approved the incorporation of WGVI, the Parent Company's wholly-owned subsidiary, with a primary purpose of engaging in renewable energy resources.

#### BHI

On October 31, 2012, the SEC approved the incorporation of BHI, a 60% owned subsidiary of the Parent Company, BHI is incorporated with the primary purpose of investing in any other entity engaged in the business and/or operation of renewable energy systems and/or harnessing renewable energy resources.

#### *Other investment matters*

#### TTIDC

The Parent Company also entered into an agreement with Tianjin Tianbao Investment and Development Corporation (TTIDC) for the establishment of a joint venture vehicle for the development, funding and operation of renewable energy projects. The agreement between the Parent Company and TTIDC was approved and ratified by the stockholders on October 19, 2011.

On March 13, 2012, the BOD approved the proposal for TTIDC to assign its rights and obligations under the Memorandum of Agreement to its affiliate, China Power (Tianjin) New Energy Development Co. Ltd. As at December 31, 2012, contracts for the assignment of the Memorandum of Agreement and establishment of the joint venture project has not been executed.

#### Cleantech

On August 15, 2012, the Parent Company entered into an Investment Agreement with Cleantech ProjektgesellschaftmbH (Cleantech), a fund managed by the ThomasLloyd Global Asset Management (Switzerland) AG of Zurich. Under the Investment Agreement, Cleantech shall subscribe to 20,776,856,000 primary shares of the Parent Company for an issue price of P0.02 per share, or a total subscription price of P415,537,300.00, and will be issued two (2) Warrant

Certificates under the American call option covering 10,489,500,000 shares of the Parent Company with a strike price of P0.02 per share and 10,489,500,000 shares of the Parent Company with a strike price of P0.03 per share, exercisable within 1 year and 3 years from issuance, respectively. The Parent Company, on its part, shall separately raise fresh capital through the issuance of new shares from its unissued authorized capital stock amounting to P252,000,000 on or before October 31, 2012. 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 Cleantech. The total proceeds of the investment shall be used by the Parent Company and Cleantech, through Biomass Holdings, Inc. (BHI), a new subsidiary to be established by the Parent Company under a 60-40 arrangement with Cleantech, to invest in the new biomass power plant of San Carlos BioPower, Inc. (SCBI) in Negros. The closing of the subscription transaction with Cleantech eventually took place on October 5, 2012 and the subscription by private placement investors amounting to P252,000,000 was executed on October 31, 2012. The SEC approved the incorporation of BHI on October 31, 2012.

#### Hydroring Capital BV

On September 14, 2012, the Parent Company entered into a preliminary agreement ("Term Sheet") with Hydroring Capital BV (HC) for the development, operation and management of multiple hydropower projects, infrastructures and/or facilities in the Philippines using the "Hydroring"- concept, with the aim of providing affordable access to environmentally friendly and sustainable sources of renewable energy. HC is a Dutch enterprise which has developed a hydropower concept based on a portfolio of proprietary turbine innovations with a variety of added value components. Under the Term Sheet, the Parent Company and HC, or their respective designees, shall establish a joint venture vehicle through the incorporation of a new Parent Company under the laws of the Philippines. The new Parent Company which will be under a 60-40 equity arrangement (60% for the Parent Company and 40% for HC) shall have an authorized capital stock of about €4,000,000, subject to conversion to Philippine Peso. As of December 31, 2012, the joint venture vehicle with HC has not yet been established.

#### **1.2 Approval of financial statements**

The consolidated financial statements of the Group as at and for the year ended December 31, 2012 were authorized for issue by the BOD on April 3, 2013 and that the President was authorized to sign and approve the financial statements on their behalf.

#### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **2.1 Basis of preparation**

The principal accounting policies applied in the preparation of the Group's financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

##### *Statement of compliance*

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

##### *Basis of measurement and presentation*

The Group's consolidated financial statements have been prepared on historical cost basis except for available-for-sale (AFS) financial assets that have been measured at fair value.

### *Functional and presentation currency*

The Group's consolidated financial statements are presented both in US Dollar (US\$) and Philippine Peso (P), which are the Parent Company's functional and presentation currencies, respectively. All values are rounded off to the nearest US Dollar and Philippine Peso, unless otherwise indicated.

For purposes of filing the Group's consolidated financial statements with the SEC and the Bureau of Internal Revenue (BIR), the Group opted to present the financial statements in the Philippine Peso.

On March 19, 2013, based on the considerations set forth in PAS 21, *The Effects of Changes in Foreign Currency Exchange Rates*, the Parent Company notified the SEC that the Group has determined that its functional currency is the Philippine Peso and that it will file its financial statements expressed in Philippine Peso starting in January 1, 2013.

### *Use of judgments and estimates*

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

### *Changes in accounting policies and disclosures*

#### *(a) New standards, interpretations and amendments effective from January 1, 2012*

The accounting policies adopted are consistent with those of the previous period except for the following new standards, interpretations and amendments effective for the first time from January 1, 2012 of which none have had a material effect on the financial statements:

- Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters, effective July 1, 2011
- Amendments to PFRS 7: Disclosures - Transfers of Financial Assets, effective July 1, 2011
- Amendments to PAS 12 - Deferred Tax: Recovery of Underlying Assets, effective January 1, 2012

The adoption of the standards or interpretations is described below:

- **Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters:** The amendments are effective July 1, 2011. Earlier application is permitted. The first amendment replaces references to a fixed date of January 1, 2004 with 'the date of transition to PFRSs', thus eliminating the need for companies adopting PFRSs for the first time to restate derecognition transactions that occurred before the date of transition to PFRSs.

The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with PFRSs after a period when the entity was unable to comply with PFRSs because its functional currency was subject to severe hyperinflation.

The adoption of the amendment did not have any impact on the financial position or performance of the Group.

- **Amendments to PFRS 7, Disclosures - Transfers of Financial Assets:** The amendment becomes effective for annual periods beginning on or after July 1, 2011. The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the company's financial statements to understand the

relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets.

The amendment affects disclosure only and has no impact on the Group's financial position or performance.

- **Amendments to PAS 12, Deferred Tax: Recovery of Underlying Assets:** The amendments are effective January 1, 2012. Earlier application is permitted. The amendments provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model in PAS 40, *Investment Property*. Under PAS 12, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. However, it is often difficult and subjective to determine the expected manner of recovery when the investment property is measured using the fair value model in PAS 40.

To provide a practical approach in such cases, the amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Philippine Interpretation SIC-21 (PIC-21), *Income Taxes - Recovery of Revalued Non-Depreciable Assets* addresses similar issues involving non-depreciable assets measured using the revaluation model in PAS 16, *Property, Plant and Equipment*. The amendments incorporate PIC-21 into PAS 12 after excluding investment property measured at fair value from the scope of the guidance previously contained in PIC-21.

The adoption of the amendment did not have any impact on the financial position or performance of the Group.

(b) *New standards, interpretations and amendments issued but not yet effective*

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. The Group intends to adopt the standards that will be applicable to them when they become effective.

- **Amendments to PFRS 1: Government Loans:** The amended standard shall be applied for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The amendments add an exception to the retrospective application of PFRSs. First-time adopters are required to apply the requirements in PFRS 9, *Financial Instruments* (if PFRS 9 is not yet adopted, references to PFRS 9 in the amendments shall be read as references to PAS 39, *Financial Instruments: Recognition and Measurement*) and PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance* prospectively to government loans existing at the date of transition to PFRSs. A first-time adopter may apply the requirements of PFRS 9 and PAS 20 to government loans retrospectively if it has obtained the necessary information to do so.

The Group expects no significant impact from the adoption of this new interpretation on its financial position and performance.

- **Amendments to PFRS 7, Disclosures - Offsetting Financial Assets and Financial Liabilities:** The amended standard shall be applied for annual periods beginning on or after January 1, 2013 and interim periods within those annual periods. The amendment involves the revision of the required disclosures to include information that will enable users to evaluate the effect or potential effect of netting arrangements on an entity's financial position. An entity shall provide the disclosures required by the amendments retrospectively.

The amendment affects only the disclosures and will have no impact on the Group's financial position and performance.

- **PFRS 9, Financial Instruments - Recognition and Measurement:** PFRS 9 as issued reflects the first phase of the FRSC work on the replacement of PAS 39 and applies to classification and measurement of financial assets as defined in PAS 39. The standard is effective for annual periods beginning on or after January 1, 2015. In subsequent phases, the FRSC will address classification and measurement of financial liabilities, hedge accounting and derecognition. As a new requirement in this standard, an entity choosing to measure a liability at fair value shall present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income rather than within profit or loss.

The Group did not conduct an evaluation on possible financial impact of an early adoption of the new standard as the Group will not early adopt the standard. However, initial indication show that adoption of amendments to PFRS 9 will have no significant impact on the Group's financial position or performance.

- **Amendments to PFRS 9 and PFRS 7, Mandatory Effective Date of PFRS 9 and Transition Disclosures:** The amended standards shall be applied for annual periods beginning on or after January 1, 2015. Earlier application is permitted. The amendments involve the following: (a) change of the original January 1, 2013 mandatory effective date of PFRS 9 to January 1, 2015; (b) modification of the relief from restating prior periods; and (c) additional required disclosures on transition from PAS 39, *Financial Instruments: Recognition and Measurement* to PFRS 9.

The amendments only affect the disclosures and will have no impact on the Group's financial position or performance.

- **PFRS 10, Consolidated Financial Statements:** The new standard is applicable to annual periods beginning on or after January 1, 2013. Earlier application is permitted. PFRS 10 replaces PAS 27, *Consolidated and Separate Financial Statements* and Philippine Interpretation SIC-12 (PIC-12), *Consolidation - Special Purpose Entities*.

PFRS 10 was developed to eliminate perceived conflict on concept of consolidation between PAS 27 (amended in 2008) and PIC-12. PAS 27 (amended in 2008) requires consolidation of entities based on the power to govern its financial and operating policies whereas PIC-12 mandates consolidation of entities based on risks and rewards.

PFRS 10 provides a single consolidation model that identifies control as the basis for consolidation for all types of entities. It provides a new definition of control based on three elements: power over the investee, exposure or rights to variable returns from involvement with the investee, and ability to use power over the investee to affect the amount of investor's return.

The Group has yet to assess PFRS 10's full impact and intends to adopt PFRS 10 no later than the accounting period beginning on or after January 1, 2013.

- **Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities:** The amended standards shall be applied for annual periods beginning on or after January 1, 2014. Earlier application is permitted. The amendments define an investment entity and require a parent that is an investment entity to measure its investments in particular subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. It also sets out disclosure requirements for investment entities into PFRS 12 and amends PAS 27.

The Group is currently assessing the impact that this standard will have on its financial position and performance

- **PFRS 11, Joint Arrangements:** The new standard is applicable to annual periods beginning on or after January 1, 2013. Earlier application is permitted. PFRS 11 supersedes PAS 31, *Interests in Joint Ventures* and Philippine Interpretation SIC-13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers*. PFRS 11 establishes principles for the financial reporting by parties to a joint arrangement. This standard requires an entity to account for joint arrangements based on its rights and obligations arising from the arrangement rather than based on the structure of the arrangement as required by PAS 31. PFRS 11 has removed the option to account jointly controlled entities (JCEs) using the proportionate consolidation method. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.

The Group is currently assessing the impact that this standard will have on its financial position and performance.

- **PFRS 12, Disclosure of Interests in Other Entities:** The new standard is applicable to annual periods beginning on or after January 1, 2013. Earlier application is permitted. PFRS 12 combines, enhances and replaces the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities.

The adoption of this new standard will result to a number of new disclosure requirements.

- **PFRS 13, Fair Value Measurement:** The new standard is applicable to annual periods beginning on or after January 1, 2013. Earlier application is permitted. PFRS 13 was developed to eliminate inconsistencies of fair value measurements dispersed in various existing PFRSs. It defines fair value, sets out in a single PFRS a framework for measuring fair value and requires disclosures about fair value measurements. PFRS 13 applies when other PFRSs require or permit fair value measurements. It does not introduce any new requirements to measure an asset or a liability at fair value, change what is measured at fair value in PFRSs or address how to present changes in fair value.

The Group is currently assessing the impact that this standard will have on its financial position and performance.

- **Amendments to PAS 1: Presentation of Items of Other Comprehensive Income:** The new requirements are effective for annual periods beginning on or after July 1, 2012. Earlier application is permitted. The amendments improved the consistency and clarity of the presentation of items of other comprehensive income. The amendments also highlighted the importance that the board places on presenting profit or loss and other comprehensive income together and with equal prominence.

The main change resulting from the amendments was a requirement for entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments did not address which items are presented in other comprehensive income. The amendments did not change the option to present items of other comprehensive income either before tax or net of tax. However, if the items are presented before tax, then the tax related to each of the two groups of other comprehensive income items (those that might be reclassified and those that will not be reclassified) must be shown separately.

The amendment will affect the presentation of items of other comprehensive income in the Group's statement of comprehensive loss.

- **PAS 19 (Amended), Employee Benefits:** The amended standard is applied retrospectively with limited exceptions. Entities shall apply the amended PAS 19 for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The amendments will improve the recognition and disclosure requirements for defined benefit plans. Significant changes to this standard include: elimination of the corridor approach and

recognition of all actuarial gains and losses in other comprehensive income as they occur; immediate recognition of all past service costs; and the replacement of interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset).

The amendment will not have any significant impact on the Group's financial position or performance.

- **PAS 27 (Amended), Separate Financial Statements:** The amended standard is applicable to annual periods beginning on or after January 1, 2013. Earlier application is permitted. PAS 27 (Amended) contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. It requires an entity preparing separate financial statements to account for those investments at cost or in accordance with PFRS 9, *Financial Instruments*.

The adoption of this new standard will result to a number of new disclosure requirements.

- **PAS 28 (Amended), Investments in Associates and Joint Ventures:** The amended standard is applicable to annual periods beginning on or after January 1, 2013. Earlier application is permitted. PAS 28 (Amended) prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

The amendment will affect the presentation of items of statements of financial position and will result to a number of new disclosure requirements.

- **Amendments to PAS 32, Offsetting Financial Assets and Financial Liabilities:** The amended standard shall be applied for annual periods beginning on or after January 1, 2014 and should be applied retrospectively. Earlier application is permitted. This amendment provides additional application guidance for offsetting in accordance with PAS 32. It clarifies the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

The Group expects no significant impact from the adoption of the amendments on its financial position or performance.

- **Philippine Interpretation IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine:** This interpretation shall be applied for annual periods beginning on or after January 1, 2013 prospectively. Earlier application is permitted. This interpretation applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ('production stripping costs') and provides guidance on the recognition of production stripping costs as an asset and measurement of the stripping activity asset.

The Group expects no significant impact from the adoption of this new interpretation on its financial position and performance.

#### *Annual Improvements to PFRSs (2009 - 2011 Cycle)*

The Annual Improvements to PFRSs (2009-2011 Cycle) contain non-urgent but necessary amendments to PFRSs. The amendments are effective for annual periods beginning on or after January 1, 2013 and are applied retrospectively. Earlier application is permitted.

- **PFRS 1, First-time Adoption of Philippine Financial Reporting Standards:** Clarify that the Company is required to apply PFRS 1 when the most recent previous annual financial statements did not contain an explicit and unreserved statement of compliance with PFRSs, even if the Company applied PFRS 1 in a reporting period before the period reported in the most recent previous annual financial statements.

- **PAS 1 - Presentation of Financial Statements - Clarification of the Requirements for Comparative Information:** Clarify the requirements for providing comparative information when the Company provides financial statements beyond the minimum comparative information requirements. Where the Company changes its accounting policy or makes retrospective restatements or reclassifications of items in the financial statements, the Company is required to present an opening statement of financial position at the beginning of the required comparative period. The related notes are not required to accompany the opening statement of financial position.
- **PAS 16 - Property, Plant and Equipment - Classification of Servicing Equipment:** Clarify that servicing equipment should be recognized as property, plant and equipment when it is used during more than one period and as inventory otherwise.
- **PAS 32 - Financial Instruments: Presentation - Tax Effect of Distribution to Holders of Equity Instruments:** Clarify that income tax relating to distribution to holders of an equity instrument and to transaction costs of an equity transaction are accounted for in accordance with PAS 12.
- **PAS 34 - Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities:** Clarify that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the previous annual financial statements for that reportable segment.

## 2.2 Basis of consolidation

### *Basis of consolidation from January 1, 2010*

The Group's consolidated financial statements comprise the financial statements of the Parent Company and its Subsidiaries as at December 31, 2012.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. 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.

Total comprehensive income is attributable to the owners of the Parent Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

A change in the ownership interest of a subsidiary, without a 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;
- Derecognizes the carrying amount of any non-controlling interest;
- Derecognizes the cumulative translation differences, recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.



### *Basis of consolidation prior to January 1, 2010*

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interests, prior to January 1, 2010, were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognized in goodwill.
- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributed to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to January 1, 2010 were not reallocated between non-controlling interest and the parent shareholders.
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying value of such investments at January 1, 2010 has not been restated.

### **2.3 Business combinations**

#### *Business combinations from January 1, 2010*

The consolidated financial statements incorporate the results of business combinations using the acquisition method. The consideration transferred in a business combination are measured at the acquisition-date fair values of the assets transferred by the Group, the liabilities incurred by the Group to former owners of the acquiree and the equity interests from a contingent consideration arrangement, which is recognized at their acquisition-date fair value.

#### *Non-controlling interests*

For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquire that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognized amounts of the acquiree's identifiable net assets.

#### *Acquisition related costs*

Acquisition-related costs incurred to effect a business combination are recognized as expenses in the periods in which the costs are incurred and the services are received.

#### *Classifying or designating identifiable assets acquired and liabilities assumed in a business combination*

At the acquisition date, the Group classifies or designates the identifiable assets acquired and liabilities assumed as necessary to apply other PFRSs subsequently on the basis of the contractual terms, economic conditions, its operating or accounting policies and other pertinent conditions as they exist at the acquisition date. This includes the separation embedded derivatives in host contracts by the acquiree.

#### *Business combination achieved in stages*

In a business combination achieved in stages, the Group re-measures its previously held equity interest in the acquire at its acquisition-date fair value and recognizes the resulting gain or loss, if any, in profit or loss or other comprehensive income as appropriate.

### *Acquisitions and disposals of non-controlling interests*

Changes in the Group's ownership interest that do not result in a change in control of the subsidiary are accounted for as equity transactions. On disposal of shares of a subsidiary, no gain or loss is recognized. Similarly, subsequent purchases of additional shares in a subsidiary will not require any additional acquisition adjustments. Instead, the carrying amount of the NCI is adjusted to reflect the change in the NCI's ownership interest in the subsidiary. The difference between the amount by which the NCI is adjusted and the fair value of the consideration paid is recognized in equity under "Other Reserves" account.

### *Contingent consideration*

Subsequent changes that are not measurement period adjustments in the fair value of contingent consideration classified as an asset or liability are recognized either in profit or loss or in other comprehensive income in accordance with PFRS 9 or PAS 39 as applicable. Contingent consideration classified as equity is not re-measured and its subsequent settlement is accounted for within equity. In instances when the contingent consideration does not fall within the scope of PFRS 9 or PAS 39, it is accounted for in accordance with PAS 37 or other PFRS as appropriate.

### *Goodwill*

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

### *Allocating goodwill to cash-generating units*

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in the business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units or groups of units.

Where goodwill has been allocated to a cash generating unit and the Group disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained, unless the Group can demonstrate that some other method better reflects the goodwill associated with the operation disposed of.

### *Business combinations prior to January 1, 2010*

In comparison to the above-mentioned requirements, the following differences applied:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognized goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognized if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognized as part of goodwill.

## 2.4 Segment reporting

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

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer (CEO) that makes strategic decisions.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

## 2.5 Financial instruments

### Financial assets

#### *Initial recognition and measurement*

Financial assets within the scope of PAS 39 are classified as financial assets at fair value through profit or loss (FVPL), loans and receivables, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus transaction costs, except in the case of financial assets recorded at FVPL.

#### *Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as described below:

#### *(a) Financial assets at FVPL*

Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition at FVPL. A financial asset is classified as held for trading if it was acquired or incurred principally for the purpose of selling or repurchasing it in the near term.

Financial assets at FVPL are carried in the consolidated statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the consolidated statement of loss.

Financial assets are designated upon initial recognition at FVPL only if the criteria under PAS 39 are satisfied. The Group has not designated any financial assets at FVPL.

#### *(b) Loans and receivables*

Loans and receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in the active market. After initial measurement, such financial assets are subsequently measured at amortized cost using effective interest method, less impairment.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the consolidated statement of loss. The losses arising from impairment are recognized in the consolidated statement of loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

Impairment provisions are recognized when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net; such provisions are recorded in a separate allowance account with the loss being recognized within other operating expenses in the consolidated statement of loss. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The Group's loans and receivables comprise cash on hand and in banks, receivables, loans receivable and advances to related parties in the consolidated statements of financial position (see Notes 7, 8, 13 and 24).

*(c) HTM investments*

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as HTM when the Group has the positive intention and ability to hold them to maturity. After initial measurement, HTM investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The EIR amortization is included as finance income in the consolidated statement of loss. The losses arising from impairment are recognized in the consolidated statement of loss in finance cost.

The Group did not hold any HTM investments during the year.

*(d) AFS investments*

AFS investments include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at FVPL. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS investments are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in the AFS reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the consolidated statement of loss in finance costs. Interest earned while holding AFS investments is reported as finance income using the effective interest method.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the HTM category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified from the AFS category the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on the asset that has been recognized in equity is amortized to profit or loss over the remaining life of

the investment using the EIR. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated statement of loss.

The Group holds AFS investments amounting to US\$1,831,352 (P75,436,653) and nil as of December 31, 2012 and 2011, respectively (see Note 9).

#### *Derecognition*

A financial asset is derecognized when: a) the rights to receive cash flows from the asset have expired; b) the Group retains the right to receive cash flows from the assets or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; or c) the Group 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.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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.

#### *Impairment of financial assets*

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

##### *(a) Financial assets carried at amortized cost*

For financial assets carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them 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 there is objective evidence that an impairment loss 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 expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as finance income in the consolidated statement of loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of loss.

*(b) Financial assets carried at cost*

If there is objective evidence of an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or of 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.

*(c) AFS investments*

For AFS investments, 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, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When 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 loss - is removed from other comprehensive income and recognized in the consolidated statement of loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as AFS, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of loss, the impairment loss is reversed through the statement of loss.

**Financial liabilities**

*Initial recognition and measurement*

Financial liabilities within the scope of PAS 39 are classified as financial liabilities at fair value through profit or loss (FVPL) and other financial liabilities. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of other financial liabilities, net of directly attributable transaction costs.

The Group's financial liabilities as of December 31, 2012 and 2011 comprise of other financial liabilities which include trade and other payables, interest-bearing loans and borrowings and advances from related parties.

#### *Subsequent measurement*

The measurement of financial liabilities depends on their classification as described below:

##### *(a) Financial liabilities at FVPL*

Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVPL. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the statement of loss. Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in PAS 39 are satisfied.

The Group does not have any liabilities held for trading nor has it designated any financial liabilities as being at FVPL.

##### *(b) Other financial liabilities*

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest method amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of loss.

Other financial liabilities include trade and other payables, interest-bearing loans and borrowings and advances from related parties (see Notes 17, 18, and 24).

#### *Derecognition*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of loss.

#### **Classification of financial instruments between debt and equity**

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability is reported as expense or income.

#### **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is 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 statement of financial position.

## Fair value of financial instruments

The fair value of financial instruments traded in active markets is based on their quoted market price or dealer price quotation (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions
- Reference to the current fair value of another instrument that is substantially the same
- A discounted cash flow analysis or other valuation models

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 4.

## Fair value measurement hierarchy

PFRS 7 requires certain disclosures which require the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement (Note 3). The fair value hierarchy has the following levels:

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

The level in the fair value hierarchy within which the financial asset or financial liability is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in their entirety into only one of the three levels.

## 2.6 Cash on hand and in banks

Cash includes cash on hand and cash in banks. Cash in banks earns interest at respective bank deposit rates.

## 2.7 Prepayments and other current assets

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

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

Other current assets are recognized when the Group expects to receive future economic benefit from it and the amount can be measured reliably.

## 2.8 Investment in associate

The Group's investment in its associate is accounted for using the equity method. An associate is an entity in which the Group has significant influence.



Under the equity method, the investment in the associate is carried on the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate.

The consolidated statement of loss reflects the Group's share of the results of operations of the associate. When there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The Group's share of profit of an associate is shown on the face of the consolidated statement loss. This is the profit attributable to equity holders of the associate and, therefore, is profit after tax and non-controlling interests in the subsidiaries of the associate.

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on its investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the share of profit or loss of an associate' in the consolidated statement of loss.

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 retained investment and proceeds from disposal is recognized in the consolidated statement of loss.

## 2.9 Advances for future stock subscriptions

Advances for future stock subscription refer to the amount of cash or property paid by the Group with the purpose of applying the same as payment for future investments.

## 2.10 Property and equipment

Property and equipment are initially measured at cost and subsequently measured at cost less any subsequent accumulated depreciation, amortization and any impairment in value. The initial cost of property and equipment consists of its purchase price, import duties, taxes and directly attributable costs of bringing the asset to its working condition for its intended use.

Subsequent expenditures relating to an item of property and equipment such as additions, major improvements and renewals are added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. Expenditures for repairs and maintenance are charged to administrative expenses in the consolidated statement of loss during the period in which these are incurred.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the following property and equipment:

Transportation equipment	5 years
Office equipment	5 years
Machinery and equipment	5 years

An asset's carrying amount is written-down to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

The useful lives, residual value and depreciation methods are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from items of property and equipment. An item of property and equipment is derecognized upon disposal or

when no future economic benefits are expected to arise from its continued use. The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the consolidated statement of loss.

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

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation and any impairment loss are removed from the accounts and any resulting gain or loss is credited or charged to other operating expenses in the consolidated statement of loss.

## **2.11 Discontinued operations**

In the consolidated statement of loss, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the consolidated statement of loss.

## **2.12 Provisions and contingencies**

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

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

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

## **2.13 Impairment of non-financial assets**

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

The recoverable amount is the higher of an asset or its cash generating units (CGU) fair value less costs to sell and its value in use. The fair value less costs to sell is the amount obtainable from the sale of the asset in an arm's length transaction. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash flows independent of those from other assets, the recoverable amount is determined for the CGU to which the asset belongs.

Whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount and an impairment loss is recognized in the consolidated statement of loss.

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

## 2.14 Equity

### *Share capital*

Financial instruments issued by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

Share capital is measured at par value for all shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown as a deduction from proceeds, net of tax. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as share premium.

The Group's ordinary shares are classified as equity instruments.

### *Share premium*

Share premium includes any premium received on the initial issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from share premium, net of any related income tax benefits.

### *Deficit*

Deficit includes all current and prior period results as disclosed in the statement income.

### *Fair value reserve*

Fair value reserve comprises the cumulative net change in the fair value of available for sale investments until such investments are derecognized or impaired.

### *Treasury shares*

Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the statement of income on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in share premium.

## 2.15 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.

### *Finance income*

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

### *Gain on sale*

Gain on sale of property and equipment and sale of scrap material is recognized when the risk and reward of ownership of the asset has been transferred to the buyer.

### **2.16 Cost and expense recognition**

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

Expenses in the consolidated statement of loss are presented using the function of expense method. Administrative expenses are costs attributable to administrative activities of the Group.

### **2.17 Borrowing costs**

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

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

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

### **2.18 Foreign currency translation**

The accounting records are maintained in both the US Dollar and the Philippine Peso.

#### *Reporting foreign currency transactions in the functional currency*

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

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

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

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

### *Translation to the presentation currency*

In translating the financial statements from functional currency to presentation currency, assets and liabilities are translated using the Bangko Sentral ng Pilipinas (BSP) closing rate at each reporting date while income and expenses presented in profit or loss are translated using the BSP average exchange rate for the year. All resulting exchange differences are recognized under the foreign currency translation difference account in other comprehensive loss and in equity as part of translation reserves.

The Parent Company used the BSP closing rate of P41.192 and P43.928 for 2012 and 2011 on monetary items, respectively and BSP average exchange rate of P42.229, P43.3131 and P45.1097 for 2012, 2011 and 2010, respectively for profit and loss accounts.

### **2.19 Related parties**

Parties are considered related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Individuals, associates or companies that directly or indirectly control or are controlled or under common control are considered related parties.

### **2.20 Income taxes**

Income tax expense represents the sum of the current income tax and deferred income tax.

#### *Current income tax*

Current income tax assets and liabilities for the current and the prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated statement of loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using the applicable tax rate for the years presented.

#### *Deferred income tax*

Deferred income tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit and are accounted for using the liability method, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination at the time of the transaction affects neither accounting nor taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax liabilities are generally recognized for all taxable temporary differences, while deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences 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 profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off current tax assets against current tax liabilities and they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognized as an expense or income in the consolidated statement of loss except when they relate to items that are recognized outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax are also recognized outside profit or loss.

#### **2.21 Basic and diluted earnings (loss) per share (EPS)**

Basic EPS is computed by dividing profit or loss attributable to the ordinary equity holders of the Group by the weighted average number of common shares outstanding during the year, with retroactive adjustments for any stock dividends declared.

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

#### **2.22 Events after the financial reporting date**

Post year-end events up to the date of the auditor's report that provide additional information about the Group's position at financial reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements, when material.

### **NOTE 3 - SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS**

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

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

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

#### **Judgments**

##### *Determination of functional currency*

Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency is determined to be the US Dollar, which is the currency of the primary economic environment in which the Group operates.

##### *Classification of financial instruments*

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

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

The classification of financial assets and liabilities is presented in Note 4.

#### *Determination of fair value of financial instruments*

The Group carries certain financial assets and liabilities at fair value, which requires 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 carrying values and fair values of financial assets and liabilities as of December 31, 2012 and 2011 are disclosed in Note 4.

#### *Discontinued operations*

On November 10, 2010, the Group confirmed its decision to dispose the subsidiaries in semiconductor business consisting of MSPI, MSI, Musem and Protelcon and was ratified by the stockholders on December 23, 2010.

The BOD considered the above mentioned subsidiaries met the criteria to be classified as discontinued operations at that date for the following reasons:

- MSPI, MSI, Musem and Protelcon are available for immediate sale and can be sold to a potential buyer in its current condition.
- The Board had a plan to sell MSPI, MSI, Musem and Protelcon and had entered into preliminary negotiations with a potential buyer.
- The BOD expects negotiation to be finalized and the sale to be completed in 2011.

Moreover, on July 27, 2011, the Parent Company sold its ownership interest from its subsidiaries including all the rights, interest and obligations. For the consideration, the shares were paid at a nominal amount equivalent to one dollar (US\$1) or Forty Three Pesos and 68/100 (P43.68) for each divested entity.

Details of the discontinued operation are set out in Note 12.

#### **Estimates and assumptions**

##### *Impairment loss of financial assets*

The Group maintains allowance for impairment loss accounts based on the result of the individual and collective assessment under PAS 39. Under the individual assessment, the Group is required to obtain the present value of estimated cash flows using the receivable's original EIR. Impairment loss is determined as the difference between the receivables' carrying balance and the computed present value. Factors considered in individual assessment are payment history, past due status and term. The collective assessment would require the Group to classify its receivables based on the credit risk characteristics (customer type, payment history, past due status and term) of customers. Impairment loss is then determined based on historical loss experience of the receivables grouped per credit risk profile. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period in which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for individual and collective assessments are based on management's judgment and estimate. Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year.

As of December 31, 2012 and 2011, the Group determined that receivables amounting to US\$247,495 (P10,194,828) and US\$232,080 (P10,194,828), respectively were impaired based on individual assessment (Note 8).

Loans receivable amounting to US\$182,827 (P8,023,363) were fully impaired as of December 31, 2012 and 2011 (Note 13).

As of December 31, 2012 and 2011, allowance for impairment pertaining to advances to related parties amounted to US\$963,243 (P39,677,922) and US\$467,829 (P20,550,775), respectively (Note 24).

#### *Impairment of AFS investments*

The Group classifies certain financial assets as AFS equity securities and recognizes movements in fair value in other comprehensive income and equity.

When a decline in the fair value of an AFS has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized. The amount of the cumulative loss that is reclassified from equity to profit or loss shall be the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss. Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available for sale shall not be reversed through profit or loss.

Impairment may be appropriate when there is evidence of deterioration in the financial wealth of investee, industry and sector performance and operational and financing cash flows.

Based on management's assessment, AFS investments are fairly stated, thus, allowance for impairment was not recognized as of December 31, 2012.

#### *Impairment of non-financial assets*

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

Based on the management's assessment, property and equipment are fairly stated thus, no impairment loss was recognized as of December 31, 2012 and 2011 (Note 16).

As of December 31, 2012 and 2011, allowance for impairment pertaining to prepayments and other current assets amounted to US\$22,902 (P943,338) and US\$21,475 (P943,338), respectively (Note 11).

#### *Stock purchase plan*

The Group determines whether its stock purchase plan is considered share based payment transaction under PFRS 2, *Share-based Payment*. In making this judgment, the Group evaluates the substance of the transaction under the plan which considers among others, presence of award element from the employees and vesting requirements, the basis of valuation of the shares and the timing of the issuance of the shares.

Based on the Group's judgment, the stock purchase plan is not covered by PFRS 2, since the transaction constitute only the granting of interest-bearing loans to Group's employees for the purchase of shares of stock of the Group at share price prevailing in the market. Relative to this,



the Group's employees are paying the full fair value of the shares at the date of purchase, which demonstrates that the stock purchase plan does not have an award element for the employees.

*Estimation of useful lives and residual value of property and equipment*

The Group reviews annually the estimated useful lives of property and equipment based on the period over which the assets are expected to be available for use. It is possible that future results of operations could be materially affected by changes in these estimates. A reduction in the estimated useful lives of property and equipment would increase recorded depreciation expense and decrease the related asset accounts. The estimated useful lives of property and equipment are discussed in Note 2.10 to the financial statements, which showed no changes in 2012 and 2011.

Depreciation expense of the Group's property and equipment amounted to US\$12,148 (P512,978) and US\$8,501 (P368,185) and nil in 2012, 2011 and 2010, respectively (Notes 16 and 22).

The carrying value of property and equipment amounted to US\$5,742,288 (P236,513,475) and US\$47,910 (P2,104,621) as of December 31, 2012 and 2011, respectively (Note 16).

*Estimating recoverability of deferred tax assets*

Management reviews the carrying amount of deferred tax assets at each reporting date. The carrying amount of deferred tax assets is reduced to the extent that it is no longer probable that sufficient taxable profit will be available against which the related tax assets can be utilized. During 2011, the Group de-recognized the deferred tax assets previously recognized amounting to US\$1,452,405 (P63,738,793). No further deferred tax assets has been recognized in 2012 and 2011.

*Determining provisions and contingencies*

The Group, in the ordinary course of business, sets up appropriate provisions for its present legal or constructive obligations, if any, in accordance with its policies on provisions and contingencies. In recognizing and measuring provisions, management takes risk and uncertainties into account.

**NOTE 4 - FINANCIAL INSTRUMENTS**

The following table shows the classification, carrying values and fair values of the Group's financial assets and financial liabilities as of December 31:

	2012			
	In US Dollar (Functional Currency)		In Philippine Peso (Presentation Currency)	
	Carrying values	Fair values	Carrying values	Fair values
<b>Financial assets</b>				
<i>Loans and receivables</i>				
Cash in banks (Note 7)	US\$11,472,459	US\$11,472,459	P472,573,537	P472,573,537
Receivables, net (Note 8)	26,253	26,253	1,081,429	1,081,429
Advances to related parties (Note 24)	6,530,169	6,530,169	268,990,733	268,990,733
Loans and receivable (Note 13)	-	-	-	-
<i>AFS investments (Note 9)</i>	1,831,352	1,831,352	75,436,653	75,436,653
	<u>US\$19,860,233</u>	<u>US\$19,860,233</u>	<u>P818,132,352</u>	<u>P818,132,352</u>

## Financial liabilities

### Other financial liabilities

Trade and other payables (Note 17)	US\$77,044	US\$77,044	P3,173,631	P3,173,631
Advances from related parties (Note 24)	187,053	187,053	7,705,104	7,705,104
Interest-bearing loans and borrowings (Note 18)	23,124	23,124	952,533	952,533
	<u>US\$284,261</u>	<u>US\$284,261</u>	<u>P11,831,268</u>	<u>P11,831,268</u>

2011

	In US Dollar (Functional Currency)		In Philippine Peso (Presentation Currency)	
	Carrying values	Fair values	Carrying values	Fair values

## Financial assets

### Loans and receivables

Cash in banks (Note 7)	US\$12,561	US\$12,561	P551,786	P551,786
Receivables, net (Note 8)	4,263	4,263	187,264	187,264
Loans receivable (Note 13)	-	-	-	-
Advances to related parties (Note 24)	435,420	435,420	19,127,147	19,127,147
	<u>US\$452,244</u>	<u>US\$452,244</u>	<u>P19,866,197</u>	<u>P19,866,197</u>

## Financial liabilities

### Other financial liabilities

Trade and other payables (Note 17)	US\$27,859	US\$27,859	P1,223,777	P1,223,777
Interest-bearing loans and borrowings (Note 18)	32,575	32,575	1,430,933	1,430,933
	<u>US\$60,434</u>	<u>US\$60,434</u>	<u>P2,654,710</u>	<u>P2,654,710</u>

The carrying amounts of cash in banks, receivables, advances to related parties, trade and other payables and advances from related parties approximate their fair values due to the relatively short-term maturities of the financial instruments.

The carrying value of AFS investments approximates their fair value based on the quoted price from PSE at the reporting date.

The carrying value of interest-bearing loans and borrowings approximate their fair value because this is interest-bearing loans at market rate.

The items of income, expenses, gain (losses) of the financial statements follows:

	In US Dollar (Functional Currency)			In Philippine Peso (Presentation Currency)		
	2012	2011	2010	2012	2011	2010
Income and gains:						
Foreign exchange gain (Note 21)	US\$72,814	US\$-	US\$64,872	P3,074,850	P-	P2,926,356
Finance income (Notes 7)	55,337	198	1,006	2,336,826	8,580	45,380
	<u>US\$128,151</u>	<u>US\$198</u>	<u>US\$65,888</u>	<u>P5,411,676</u>	<u>P8,580</u>	<u>P2,973,736</u>
Expenses and losses:						
Provision for impairment loss on advances to related party (Notes 23 and 24)	US\$464,341	US\$-	US\$468,287	P19,608,630	P-	P21,124,286
Loss on disposal of AFS investments (Note 23)	-	269,792	-	-	11,685,544	-
Provision for impairment loss on loans receivable (Note 13 and 23)	-	185,241	-	-	8,023,363	-
Provision for impairment loss on receivables (Notes 8 and 23)	-	223,678	10,931	-	9,688,175	493,094
Foreign exchange loss (Note 23)	-	-	11,290	-	-	509,289
Finance costs (Notes 18)	-	1,605	7,941	-	69,511	358,216
	<u>US\$464,341</u>	<u>US\$680,316</u>	<u>US\$498,449</u>	<u>P19,608,630</u>	<u>P29,466,593</u>	<u>P22,484,885</u>

## NOTE 5 - FINANCIAL AND CAPITAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's business activities are exposed to a variety of financial risks, which include credit risk, liquidity risk and market risk. Management ensures that it has sound policies and strategies in place to minimize potential adverse effects of these risks on the Group's consolidated financial performance.

### *Risk management structure*

The Group's BOD is mainly responsible for the overall risk management approach and for the approval of risk strategies and principles of the Group. It has also the overall responsibility for the development of risk strategies, principles, frameworks, policies and limits. It establishes a forum of discussion of the Group's approach to risk issues in order to make relevant decisions.

### *Financial risk management objectives and policies*

The Group is exposed to variety of financial risks, which result from both its operating and investing activities. The Group's principal financial instruments comprise of cash on hand and in banks, receivables, advances to related parties and trade and other payables and interest bearing loans and borrowings loans. The main purpose of these financial instruments is to raise finance for the Group's operations.

Group policies and guidelines cover credit risk, liquidity risk and market risk. The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Group's results and consolidated financial position. The Group actively measures, monitors and manages its financial risk exposures by various functions pursuant to the segregation of duties principles.

### *Credit risk*

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises from deposits with banks, as well as credit exposure to receivables from third and related parties.

The Group trades only with recognized, creditworthy third parties. Also, it is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to doubtful accounts is not significant.

For banks, the Group has maintained its business relationships with accredited banks, which are considered in the industry as universal banks. The receivables from related parties are accordingly collected in accordance with the Group's credit policy.

The Group's exposure to credit risk arises from default of other counterparties, with a maximum exposure equal to the carrying amounts as follows:

	In US Dollar (Functional currency)		In Philippine Peso (Presentation currency)	
	2012	2011	2012	2011
<i>Loans and receivables</i>				
Cash in banks (Note 7)	US\$11,472,459	US\$12,561	P472,573,537	P551,786
Receivables, net (Note 8)	26,253	4,263	1,081,429	187,264
Advances to related parties (Note 24)	6,530,169	435,420	268,990,733	19,127,147
Loans receivable (Note 13)	-	-	-	-
<i>AFS investment (Note 9)</i>	1,831,352	-	75,436,653	-
	<u>US\$19,860,233</u>	<u>US\$452,244</u>	<u>P818,082,352</u>	<u>19,866,197</u>

The following table provides an analysis of the age of the financial assets that are past due but not impaired and these financial assets that are individually determined to be impaired as at the end of the reporting period:

**In US Dollar (Functional Currency)**

	2012					
	Total	Neither impaired nor past due on the reporting date	Past due but not impaired			Impaired
			1 to 60 days	61 to 90 days	More than 90 days	
<i>Loans and receivables</i>						
Cash in banks (Note 7)	US\$11,472,459	11,472,459	US\$-	US\$-	US\$-	US\$-
Receivables (Note 8)	273,748	26,253	-	-	-	247,495
Advances to related parties (Note 24)	7,493,412	6,435,722	94,447	-	-	963,243
Loans receivables (Note 13)	182,827	-	-	-	-	182,827
<i>AFS investments (Note 9)</i>	1,831,352	1,831,352	-	-	-	-
	<b>US\$21,253,798</b>	<b>US\$19,765,786</b>	<b>US\$94,447</b>	<b>US\$-</b>	<b>US\$-</b>	<b>US\$1,393,565</b>

	2011					
	Total	Neither past due nor impaired on the reporting date	Past due but not impaired			Impaired
			1 to 60 days	61 to 90 days	More than 90 days	
<i>Loans and receivables</i>						
Cash in banks (Note 7)	US\$12,561	US\$12,561	US\$-	US\$-	US\$-	US\$-
Receivables (Note 8)	236,343	3,702	-	-	561	232,080
Advances to related party (Note 24)	903,249	-	-	-	435,420	467,829
Loans receivables (Note 13)	182,827	-	-	-	-	182,827
	<b>US\$1,334,980</b>	<b>US\$16,263</b>	<b>US\$-</b>	<b>US\$-</b>	<b>US\$435,981</b>	<b>US\$882,736</b>

**In Philippine Peso (Presentation currency)**

	2012					
	Total	Neither impaired nor past due on the reporting date	Past due but not impaired			Impaired
			1 to 60 days	61 to 90 days	More than 90 days	
<i>Loans and receivables</i>						
Cash in banks (Note 7)	P472,573,537	P472,573,537	P-	P-	P-	P-
Receivables (Note 8)	11,276,257	1,081,429	-	-	-	10,194,828
Advances to related parties (Note 24)	308,668,655	267,014,740	1,975,993	-	-	39,677,922
Loans receivables (Note 13)	8,023,363	-	-	-	-	8,023,363
<i>AFS investments (Note 9)</i>	75,436,653	75,436,653	-	-	-	-
	<b>P875,978,465</b>	<b>P816,106,359</b>	<b>P1,975,993</b>	<b>P-</b>	<b>P-</b>	<b>P57,896,113</b>

	2011					
	Total	Neither impaired nor past due on the reporting date	Past due but not impaired			Impaired
			1 to 60 days	61 to 90 days	More than 90 days	
<i>Loans and receivables</i>						
Cash in banks (Note 7)	P551,786	P551,786	P-	P-	P-	P-
Receivables (Note 8)	10,382,092	162,636	-	-	24,628	10,194,828
Advances to related parties (Note 24)	39,677,922	-	-	-	19,127,147	20,550,775
Loans receivable (Note 13)	8,023,363	-	-	-	-	8,023,363
	<b>P58,635,163</b>	<b>P714,422</b>	<b>P-</b>	<b>P-</b>	<b>P19,151,775</b>	<b>P38,768,966</b>

The credit quality of the Group's financial assets is evaluated using internal credit rating. Financial assets are considered as high grade if the counterparties are not expected to default in settling their obligations, thus credit risk exposure is minimal. These counterparties include banks, customers and related parties who pay on or before due date.

### Credit quality per class of financial assets

The Group's bases in grading its financial assets are as follows:

High grade - These are receivables which have a high probability of collection (the counterparty has the apparent ability to satisfy its obligation and the security on the receivables are readily enforceable).

Standard - These are receivables where collections are probable due to the reputation and the financial ability of the counterparty to pay but have been outstanding for a certain period of time.

Substandard - These are receivables that can be collected provided the Group makes persistent effort to collect them.

The table below shows the credit quality by class of financial assets (gross of allowance for credit losses) of the Group based on their historical experience with the corresponding third parties as of December 31, 2012 and 2011.

#### In US Dollar (Functional Currency)

	2012					
	Neither past due nor impaired			Past due but		Total
	High grade	Standard grade	Unrated	not impaired	Impaired	
<i>Loans and receivables</i>						
Cash in banks (Note 7)	US\$11,472,459	US\$-	US\$-	US\$-	US\$-	US\$11,472,459
Receivables (Note 8)	26,253	-	-	-	247,495	273,748
Advances to related parties (Note 24)	6,576,646	-	-	-	963,243	7,539,889
Loans receivable (Note 13)	-	-	-	-	182,827	182,827
<i>AFS investments (Note 9)</i>	1,831,352	-	-	-	-	1,831,352
	<b>US\$19,906,710</b>	<b>US\$-</b>	<b>US\$-</b>	<b>US\$-</b>	<b>US\$1,393,565</b>	<b>US\$21,300,275</b>

	2011						
	Neither past due nor impaired				Past due but not		Total
	High grade	Standard grade	Substandard grade	Unrated	impaired	Impaired	
<i>Loans and receivables</i>							
Cash in banks (Note 7)	US\$12,561	US\$-	US\$-	US\$-	US\$-	US\$-	US\$12,561
Receivables (Note 8)	-	3,702	-	-	561	232,080	236,343
Advances to related parties (Note 24)	-	-	-	-	435,420	467,829	903,249
Loans receivable (Note 13)	-	-	-	-	-	182,827	182,827
	<b>US\$12,561</b>	<b>US\$3,702</b>	<b>US\$-</b>	<b>US\$-</b>	<b>US\$435,981</b>	<b>US\$882,736</b>	<b>US\$1,334,980</b>

#### In Philippine Peso (Presentation Currency)

	2012					
	Neither past due nor impaired			Past due but		Total
	High grade	Standard grade	Unrated	not impaired	Impaired	
<i>Loans and receivables</i>						
Cash in banks (Note 7)	P472,573,537	P-	P-	P-	P-	P472,573,537
Receivables (Note 8)	1,531,428	-	-	-	10,194,828	11,726,256
Advances to related parties (Note 24)	268,990,733	-	-	-	39,677,922	308,668,655
Loans receivable (Note 13)	-	-	-	-	8,023,363	8,023,363
<i>AFS investments (Note 9)</i>	75,436,653	-	-	-	-	75,436,653
	<b>P818,532,351</b>	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>P57,896,113</b>	<b>P876,428,464</b>

	2011						
	Neither past due nor impaired				Past due but not impaired	Impaired	Total
	High grade	Standard grade	Substandard grade	Unrated			
<i>Loans and receivables</i>							
Cash in banks (Note 7)	P551,786	P-	P-	P-	P-	P-	P551,786
Receivables (Note 8)	-	162,636	-	-	24,628	10,194,828	10,382,092
Advances to related parties (Note 24)	-	-	-	-	19,127,147	20,550,775	39,677,922
Loans receivable (Note 13)	-	-	-	-	-	8,023,363	8,023,363
	P551,786	P162,636	P-	P-	P19,151,775	P38,768,966	P58,635,163

### *Impairment assessment*

Impairment losses are recognized based on the results of specific (individual) and collective assessment of credit exposures. Impairment has taken place when there is a presence of known difficulties in the payments of obligation by counterparties. This and other factors, either singly or in tandem with other factors, constitute observable events or data that meet the definition of objective evidence of impairment.

### *Specific (individual) assessment*

The Group determines the allowances appropriate for each individually significant loan on an individual basis. Items considered when determining amounts of allowances include payment and collection history, timing of expected cash flows and realizable value of collateral, if any.

The Group sets criteria for specific loan impairment testing and uses the discounted cash flow method to compute for impairment loss. Accounts subjected to specific impairment and are found to be impaired shall be excluded from the collective impairment computation.

### *Liquidity risk*

This represents the risk or difficulty in raising funds to meet the Group's commitment associated with financial obligation and daily cash flow requirement. The Group is exposed to the possibility that adverse exchanges in the business environment and/or its operations would result to substantially higher working capital requirements and the subsequent difficulty in financing additional working capital.

The Group's approach to manage its liquidity profile are: (a) to ensure that adequate funding is available at all times; (b) to meet commitments as they arise without incurring unnecessary costs; and (c) to be able to access funding when needed. Also, the Group addresses liquidity concerns primarily through cash flows from operations and short-term borrowings, if necessary. The Group likewise regularly evaluates other financing instruments to broaden the Group's range of financing sources.

The following table summarizes the maturity profile of the Group's financial liabilities as of December 31, 2012 and 2011, respectively based on the contractual undiscounted payments:

In US Dollar (Functional Currency)

	2012			
	On demand	Within 1 year	More than 1 year	Total
Trade and other payables (Note 17)	US\$77,044	US\$-	US\$-	US\$77,044
Interest-bearing loans and borrowings (Note 18)	-	23,124	-	23,124
	US\$77,044	US\$23,124	US\$-	US\$100,168

	2011			
	On demand	Within 1 year	More than 1 year	Total
Trade and other payables (Note 17)	US\$27,859	US\$-	US\$-	US\$27,859
Interest-bearing loans and borrowings (Note 18)	-	16,336	16,239	32,575
	US\$27,859	US\$16,336	US\$16,239	US\$60,434

**In Philippine Peso (Presentation Currency)**

	2012			
	On demand	Within 1 year	More than 1 year	Total
Trade and other payables (Note 17)	P3,173,631	P-	P-	P3,173,631
Interest-bearing loans and borrowings (Note 18)	-	952,533	-	952,533
	P3,173,631	P952,533	P-	P4,126,164

	2011			
	On demand	Within 1 year	More than 1 year	Total
Trade and other payables (Note 17)	P1,223,777	P-	P-	P1,223,777
Interest-bearing loans and borrowings (Note 18)	-	717,600	713,333	1,430,933
	P1,223,777	P717,600	P713,333	P2,654,710

*Market risk*

Market risk refers to the risk that changes in market prices, such as interest rates, foreign exchange rates and other market prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group is subject to various market risks, including risks from changes in interest rates and foreign currency exchange rates. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

*Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rate relates primarily to the Group's interest-bearing loans and borrowings.

*Interest rate sensitivity*

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of interest-bearing loans and borrowings with all other variables held constant, the Group's profit before tax is affected as follows:

	Increase/decrease interest rate	Effect on profit before tax	
		In US Dollar (Functional Currency)	In Philippine Peso (Presentation Currency)
2012	+1%	US\$-	P-
	-1%	-	-

2011	+1%	US\$16	P695
	-1%	(16)	(695)
2010	+1%	-	-
	-1%	-	-
2009	+1%	-	-
	-1%	-	-

#### *Foreign currency exchange risk*

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise with respect to transactions denominated in Philippine Peso. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Group's functional currency. Significant fluctuation in the exchange rates could significantly affect the Group's financial position. The Group regularly monitors outstanding financial assets and liabilities in foreign currencies and maintains them at a level responsive to the current rates so as to minimize the risks related to these foreign currency denominated assets and liabilities.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	In US Dollar (Functional Currency)		In Philippine Peso (Presentation Currency)	
	2012	2011	2012	2011
Cash in banks	US\$11,472,459	US\$12,561	P472,573,537	P551,786
Receivables, net	26,253	4,263	1,081,429	187,264
Advances to related parties	6,530,169	435,420	268,990,733	19,127,147
Advances for future stock subscription	4,855,312	5,349,663	200,000,000	235,000,000
AFS investments	1,831,352	-	75,436,653	-
Trade and other payables	(77,044)	(27,859)	(3,173,631)	(1,223,777)
Advances from related parties	(187,053)	-	(7,705,104)	-
Income tax payable	(414)	-	(17,468)	-
Interest bearing loans and borrowings	(23,124)	(32,575)	(952,533)	(1,430,933)
	<u>US\$24,427,910</u>	<u>US\$5,741,473</u>	<u>P1,006,233,616</u>	<u>P252,211,487</u>

The following table details the Group's sensitivity to a 10% increase and decrease in Peso against the relevant foreign currencies. The sensitivity rate used in reporting foreign currency risk internally to key management personnel is 10% and it represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% in foreign currency rates. The sensitivity analysis includes all of the Group's foreign currency denominated monetary assets and liabilities. A positive number below indicates an increase in profit and other equity when the Peso strengthens 10% against the relevant currency. For a 10% weakening of the Peso against the relevant currency, there would be an equal and opposite impact on the profit and other equity and the balances below would be negative.

	Change in foreign currency rates	Effect on profit before tax	
		2011	
Cash in banks	+10%	P5,573	P1,256
	-10%	(5,73)	(1,256)
Trade and other receivables, net	+10%	354	426
	-10%	(354)	(426)
Advances to related parties	+10%	653,094	43,542
	-10%	(653,094)	(43,542)



Loans receivables	+10%	-	-
	-10%	-	-
Advances for future stock subscription	+10%	-	534,966
	-10%	-	(534,966)
Trade and other payables	+10%	3,381	(2,786)
	-10%	(3,381)	2,786
Interest bearing loans and borrowings	+10%	-	(3,257)
	-10%	-	3,257

*\*Amounts were translated using foreign exchange rates from the Bangko Sentral ng Pilipinas as at financial reporting date.*

#### *Capital risk management*

The primary objective of the Group's capital management is to ensure its ability to continue as a going concern and that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The BOD has overall responsibility for monitoring of capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Group's external environment and the risks underlying the Group's business operations and industry.

The Group manages its capital structure (total equity) and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust or delay the dividend payment to shareholders, and appropriate a percentage of retained earnings towards expansion and capital expenditures.

There were no changes in the Group's approach to capital management during the period. The Group is not subject to externally imposed capital requirements.

The Group monitors capital on the basis of the debt-to-equity ratio, which is calculated as total debt divided by total equity. Total debt is equivalent to total liabilities as shown in the consolidated statement of financial position. Total equity comprises all components of equity including share capital, additional paid-in capital and retained earnings.

	In US Dollar (Functional Currency)		In Philippine Peso (Presentation Currency)	
	2011	2011	2012	2011
Debt	US\$287,635	US\$61,766	P11,848,736	P2,713,237
Equity	32,535,786	7,609,502	1,340,195,624	334,270,257
Debt to equity ratio	<u>US\$0.0088:1</u>	<u>US\$0.0081:1</u>	<u>P0.0081:1</u>	<u>P0.0088:1</u>

#### **NOTE 6 - SEGMENT REPORTING**

The CEO is the Company's chief operating decision-maker. Management has determined the operating segments based on the reports reviewed by the CEO that are used to make strategic decisions.

The Group has two significant operating subsidiaries which constitute the main segments of the Group: logistics in the Philippines of semiconductors and electronic products which is undertaken by MSPI, and worldwide sales and marketing of products produced by MSPI which is undertaken by MSI. Information relating to these two segments is shown below.

The CEO assesses the performance of the operating segments based on a measure of Earnings Before Interests, Taxes and Depreciation and Amortization (EBITDA). This measurement basis excludes the effects of non-recurring expenditure from the operating segments and common operating expenses.

Transfer prices between segments are on an arm's length basis in a manner similar to transactions with third parties.

#### *Segment assets and liabilities*

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables and inventories. Segment liabilities include all operating liabilities and consist principally of trade and other payables.

#### *Segment transactions*

Segment sales, expenses and performance include sales and purchases with third parties. Intercompany loans between segments, if any, are eliminated during the preparation of the Group's consolidated financial statements.

The segment information provided for the years ended December 31, 2012, 2011 and 2010 is as follows:

	Holding					
	In US Dollar (Functional Currency)			In Philippine Peso (Presentation Currency)		
	2012	2011	2010	2012	2011	2010
Sales	US\$-	US\$-	US\$-	P-	P-	P-
Cost of sales	-	-	-	-	-	-
Share in income of an associate	(130,039)	6,147	-	5,488,876	266,228	-
Other operating income	93,496	-	96,486	3,948,251	-	4,352,469
Administrative expenses	(449,910)	(90,843)	(195,225)	(18,999,280)	(3,934,699)	(8,806,555)
Other operating expense	(464,341)	(3,888,691)	(512,125)	(19,608,630)	(168,431,264)	(23,101,805)
Finance income	55,310	198	1,006	2,335,709	8,580	45,380
Finance costs	-	(1,605)	-	-	(69,511)	-
Provision for income tax	(414)	-	(55)	(17,468)	-	(2,481)
Profit (loss) for the year	(635,820)	(3,974,794)	(609,913)	(26,852,542)	(172,160,666)	(27,512,992)
Finance costs	-	1,605	-	-	69,511	-
Provision for income tax	414	-	55	17,468	-	2,481
Depreciation	12,148	8,501	-	512,978	368,185	-
EBITDA	<u>(US\$623,258)</u>	<u>(US\$3,964,688)</u>	<u>(US\$609,858)</u>	<u>(26,322,096)</u>	<u>(P171,722,970)</u>	<u>(P27,510,511)</u>
	Renewable energy system					
	In US Dollar (Functional Currency)			In Philippine Peso (Presentation Currency)		
	2012	2011	2010	2012	2011	2010
Sales	US\$-	US\$-	US\$-	P-	P-	P-
Cost of sales	-	-	-	-	-	-
Share in income of an associate	-	-	-	-	-	-
Other operating income	-	-	-	-	-	-
Administrative expenses	(28,456)	-	-	(1,201,649)	-	-
Other operating expense	-	-	-	-	-	-
Finance income	7	-	-	279	-	-
Finance costs	-	-	-	-	-	-
Provision for income tax	-	-	-	-	-	-
Profit (loss) for the year	(28,449)	-	-	(1,201,370)	-	-
Finance costs	-	-	-	-	-	-
Provision for income tax	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
EBITDA	<u>(US\$28,449)</u>	<u>US\$-</u>	<u>US\$-</u>	<u>(P1,201,370)</u>	<u>P-</u>	<u>P-</u>

	Waste Management					
	In US Dollar (Functional Currency)			In Philippine Peso (Presentation Currency)		
	2012	2011	2010	2012	2011	2010
Sales	US\$-	US\$-	US\$-	P-	P-	P-
Cost of sales	-	-	-	-	-	-
Share in income of an associate	-	-	-	-	-	-
Other operating income	-	-	-	-	-	-
Administrative expenses	(2,191)	-	-	(56,381)	-	-
Other operating expense	-	-	-	-	-	-
Finance income	20	-	-	838	-	-
Finance costs	-	-	-	-	-	-
Provision for income tax	604	-	-	25,501	-	-
Profit (loss) for the year	(1,567)	-	-	(30,042)	-	-
Finance costs	-	-	-	-	-	-
Provision for income tax	(604)	-	-	(25,501)	-	-
Depreciation	-	-	-	-	-	-
EBITDA	(US\$2,171)	US\$-	US\$-	(P55,543)	P-	P-

	Logistics					
	In US Dollar (Functional Currency)			In Philippine Peso (Presentation Currency)		
	2012	2011	2010	2012	2011	2010
Sales	US\$-	US\$117,466	US\$169,225	P-	P5,112,234	P7,633,689
Cost of sales	-	(167,887)	(183,765)	-	(7,311,160)	(8,289,584)
Other operating income	-	-	107,668	-	-	4,856,871
Administrative expenses	-	(128,670)	(283,975)	-	(6,532,263)	(12,810,026)
Other operating expense	-	(789,065)	(63,525)	-	(34,176,851)	(2,865,594)
Finance income	-	-	48	-	-	2,166
Finance costs	-	-	(7,941)	-	-	(358,216)
Provision for income tax	-	-	-	-	-	-
Profit (loss) for the year	-	(968,156)	(262,265)	-	(42,908,040)	(11,830,694)
Finance costs	-	-	7,941	-	-	358,216
Provision for income tax	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
EBITDA	US\$-	(US\$968,156)	(US\$254,324)	P-	(P42,908,040)	(P11,472,478)

	Trading					
	In US Dollar (Functional Currency)			In Philippine Peso (Presentation Currency)		
	2012	2011	2010	2012	2011	2010
Sales	US\$-	US\$550,354	US\$676,769	P-	P23,847,130	P30,528,847
Cost of sales	-	(130,077)	(46,946)	-	(5,609,758)	(2,523,707)
Other operating income	-	-	410,842	-	-	18,958,570
Administrative expenses	-	(261,273)	(369,533)	-	(10,371,964)	(16,689,148)
Other operating expense	-	(934,291)	63,525	-	(53,760,300)	2,865,594
Finance income	-	-	-	-	-	-
Finance costs	-	-	-	-	-	-
Provision for income tax	-	(83,463)	(125,340)	-	(3,619,305)	(5,654,050)
Profit (loss) for the year	-	(858,750)	609,317	-	(49,514,197)	27,486,106
Finance costs	-	-	-	-	-	-
Provision for income tax	-	83,463	125,340	-	3,619,305	5,654,050
Depreciation	-	-	-	-	-	-
EBITDA	US\$-	(US\$775,287)	US\$734,657	P-	(P45,894,892)	P33,140,156

	Total					
	In US Dollar (Functional Currency)			In Philippine Peso (Presentation Currency)		
	2012	2011	2010	2012	2011	2009
Sales	US\$-	US\$667,820	US\$845,994	P-	P28,959,364	P39,563,910
Cost of sales	-	(297,964)	(230,711)	-	(12,920,918)	(13,767,712)
Share in income of an associate	130,039	6,147	-	5,488,876	266,228	-
Other operating income	93,496	-	614,996	3,948,251	-	44,988,717
Administrative expenses	(480,557)	(480,786)	(848,733)	(20,293,430)	(20,838,926)	(54,950,709)
Other operating expense	(464,341)	(5,612,047)	(512,125)	(19,608,630)	(256,368,415)	(165,777)
Finance income	55,337	198	1,054	2,336,825	8,580	183,736
Finance costs	-	(1,605)	(7,941)	-	(69,511)	(460,364)
Provision for income tax	190	(83,463)	(125,395)	25,501	(3,619,305)	(9,761,631)
Profit (loss) for the year	(665,836)	(5,801,700)	(262,861)	(28,102,607)	(264,582,903)	5,630,170
Finance costs	-	1,605	7,941	-	69,511	460,364
Provision for income tax	(190)	83,463	125,395	(25,501)	3,619,305	9,761,631
Depreciation	12,148	8,501	-	512,978	368,185	-
EBITDA	(US\$653,878)	(US\$5,708,131)	(US\$129,525)	(P27,579,008)	(P260,525,902)	P15,852,165

The income (loss) for the year of the two segments (logistics and trading) was included in the consolidated statements of loss as a loss from discontinued operation.

The segment assets and liabilities as of the years ended December 31, 2012 and 2011 are as follows:

	Holding				Renewable energy system			
	In US Dollar (Functional Currency)		In Philippine Peso (Presentation Currency)		In US Dollar (Functional Currency)		In Philippine Peso (Presentation Currency)	
	2012	2011	2012	2011	2012	2011	2012	2011
Segment assets	US\$42,193,061	US\$7,671,268	P1,737,072,919	P336,983,494	US\$2,062	US\$-	P84,929	P-
Segment liabilities	US\$326,690	US\$61,766	P12,521,652	P2,713,237	US\$881	US\$-	P36,299	P-
	Waste management				Logistics			
	In US Dollar (Functional Currency)		In Philippine Peso (Presentation Currency)		In US Dollar (Functional Currency)		In Philippine Peso (Presentation Currency)	
	2012	2011	2012	2011	2012	2011	2012	2011
Segment assets	US\$5,715,441	US\$-	P235,430,450	P-	US\$-	US\$-	P-	P-
Segment liabilities	US\$7,314	US\$-	P301,280	P-	US\$-	US\$-	P-	P-
	Trading				Total			
	In US Dollar (Functional Currency)		In Philippine Peso (Presentation Currency)		In US Dollar (Functional Currency)		In Philippine Peso (Presentation Currency)	
	2012	2011	2012	2011	2012	2011	2012	2011
Segment assets	US\$-	US\$-	P-	P-	US\$47,910,564	US\$7,671,268	P1,972,588,298	P336,983,494
Segment liabilities	US\$-	US\$-	P-	P-	US\$334,885	US\$61,766	P12,859,231	P2,713,237

The assets and liabilities of the logistics and trading segments were no longer consolidated since as of December 31, 2012 they are no longer part of the Group.

The Group does not have revenues from transactions with a single external customer amounting to ten percent (10%) or more of the Group's total revenues.

## NOTE 7 - CASH ON HAND AND IN BANKS

The account consists of:

	In US Dollar (Functional Currency)		In Philippine Peso (Presentation Currency)	
	2012	2011	2012	2011
Cash on hand	US\$1,214	US\$1,138	P50,000	P50,000
Cash in banks	11,472,459	12,561	472,573,537	551,786
	<u>US\$11,473,673</u>	<u>US\$13,699</u>	<u>P472,623,537</u>	<u>P601,786</u>

Cash in banks earn interest based on the banks' daily average deposit rates. Finance income from bank deposits amounted to US\$55,337 (P2,336,826), US\$198 (P8,580) and US\$1,006 (P45,380) in 2012, 2011 and 2010, respectively.

## NOTE 8 - RECEIVABLES, NET

The account consists of:

	In US Dollar (Functional Currency)		In Philippine Peso (Presentation Currency)	
	2012	2011	2012	2011
Advances to officers and employees	US\$8,383	US\$3,702	P345,323	P162,636
Others	265,365	232,641	10,930,934	10,219,456
	<u>273,748</u>	<u>236,343</u>	<u>11,276,257</u>	<u>10,382,092</u>
Allowance for impairment loss	(247,495)	(232,080)	(10,194,828)	(10,194,828)
	<u>US\$26,253</u>	<u>US\$4,263</u>	<u>P1,081,429</u>	<u>P187,264</u>

In 2011, the Parent Company sold its ownership interest from its foreign subsidiaries including all its rights, interest and obligations (Note 15). In connection with the sale, MSPI issued a three (3) year convertible bond in favor of the Parent Company in the amount equivalent to P118,580,000,000 and shall also cause payments equivalent to two percent (2%) of net sales on all its existing products payable at the end of each month. The unpaid portion of the said consideration amounted to US\$16,475 (P678,618) and US\$16,475 (P723,714) as of December 31, 2012 and 2011, respectively which is included under other receivables account. The said receivable is fully impaired.

Other receivables also include receivable from Lodestar Investment Holding Corporation (Lodestar) amounting to US\$247,738 (P10,204,826) and US\$4,598,790 (P202,015,638) as of December 31, 2012 and 2011, respectively.

All of the Parent Company's receivables have been reviewed for indicators of impairment. Certain receivables were found to be impaired and losses have been recognized accordingly.

The reconciliation of the allowance for impairment of receivables at the beginning and end of 2012 and 2011 is shown below:

	In US Dollar (Functional currency)		In Philippine Peso (Presentation currency)	
	2012	2011	2012	2011
At January 1	US\$232,080	US\$11,611	P10,194,828	P509,548
Provision for impairment loss (Note 23)	-	223,678	-	9,688,175
Effects of exchange rates	15,415	(3,209)	-	(2,895)
At December 31	US\$247,495	US\$232,080	P10,194,828	P10,194,828

#### NOTE 9 - AVAILABLE-FOR-SALE (AFS) INVESTMENTS, NET

The account consists of the following:

	In US Dollar (Functional currency)		In Philippine Peso (Presentation currency)	
	2012	2011	2012	2011
At January 1	US\$-	US\$908,019	P-	P39,848,414
Additions	2,043,654	-	84,142,533	-
Disposals	-	(908,019)	-	(39,848,414)
Fair value reserve	(212,302)	-	(8,705,880)	-
At December 31	US\$1,831,352	US\$-	P75,436,653	P-

Disposal of AFS during 2011 pertains to 5,091,700 shares of stock of ATN Holdings, Inc. which were purchased during 2010.

AFS investment as of December 31, 2012 includes 9,302,896 shares of stock of Agrinurture Inc., a related party company listed in the Philippine Stock Exchange (PSE). The designation as AFS was chosen as these investments are expected to be held at a long-term for strategic purposes. The fair value of the AFS investments has been determined based on the quoted amount per PSE at of December 31, 2012.

Movement in fair value reserves are as follows:

	In US Dollar (Functional currency)		In Philippine Peso (Presentation currency)	
	2012	2011	2012	2011
At January 1	US\$-	US\$204,828	P-	P11,685,544
Net change in fair value of AFS investment	(212,302)	-	(8,705,880)	-
Net change in fair value of AFS investment transferred to profit or loss	-	204,828	-	(11,685,544)
	(US\$212,302)	US\$-	(P8,705,880)	P-

#### NOTE 10 - ADVANCES FOR FUTURE STOCK SUBSCRIPTION

On December 4, 2012, the Company entered into an investment agreement with San Carlos BioPower, Inc. (SCB) under which the Company shall acquire a 64% equity interest in SCB for a total consideration of P667,527,300. In December, the Company advanced to SCB an amount of P200,000,000 as part of the agreed investment in SCB to support the construction of the 18 megawatt bagasse-fired power generation project in San Carlos City, Negros Occidental. As of December 31, 2012, the application for the increase in authorized capital stock has not yet been approved by the SEC, hence the advance was recorded as advances for future stock subscription.

#### NOTE 11 - PREPAYMENTS AND OTHER CURRENT ASSETS, NET

The account consists of:

	In US Dollar (Functional Currency)		In Philippine Peso (Presentation Currency)	
	2012	2011	2012	2011
Input value added tax (VAT)	US\$31,646	US\$23,382	P1,303,566	P1,027,132
Prepaid tax	3,817	4,911	157,230	215,717
Others	75,931	157	3,127,758	6,866
	111,394	28,450	4,588,554	1,249,715
Allowance for impairment loss	(22,902)	(21,475)	(943,338)	(943,338)
	US\$88,492	US\$6,975	P3,645,216	P306,377

Allowance for impairment losses pertains to allowance on input VAT amounted to US\$21,475 (P943,338) and US\$30,279 (P1,328,794) as of December 31, 2012 and 2011, respectively.

Movement in allowance for impairment losses are as follows:

	In US Dollar (Functional currency)		In Philippine Peso (Presentation currency)	
	2012	2011	2012	2011
At January 1	US\$21,475	US\$21,617	P943,338	P948,662
Provision for impairment loss (Note 23)	-	-	-	-
Effect of exchange rate	1,427	(142)	-	(5,324)
	US\$22,902	US\$21,475	P943,338	P943,338

#### NOTE 12 - DISCONTINUED OPERATIONS

On December 23, 2010, the stockholders approved the divestment of 61% interest or from 100% to 39% interest, in MSPI and all of its interests in MSI, Musem and Protelcon, companies engaged in semiconductor business, since it is not aligned with the direction of the Group which is to explore areas in the field of renewable energy. The divestment was finalized on July 27, 2011.

The operations of these subsidiaries were presented as discontinued operation in the consolidated statements of loss. The details are as follows:

	In US Dollar (Functional Currency)	
	June 30, 2011	December 31, 2010
Sales	US\$667,820	US\$845,994
Cost of sales	(297,964)	(230,711)
Gross profit	369,856	615,283
Operating expenses	(389,943)	(653,508)
Other income (expenses)	-	518,510
Operating profit (loss)	(20,087)	480,285
Finance income	-	48
Finance cost	-	(7,941)
Impairment loss recognized on the disposal of subsidiaries constituting the discontinued operation	(1,723,356)	-
Income (loss) before tax from a discontinued operation	(1,743,443)	472,392
Provision for income tax	(83,463)	(125,340)
Income (loss) for the year from a discontinued operation	<u>(US\$1,826,906)</u>	<u>US\$347,052</u>
	In Philippine Peso (Presentation Currency)	
	June 30, 2011	December 31, 2010
Sales	P28,959,364	P38,162,536
Cost of sales	(12,920,918)	(10,813,291)
Gross profit	16,038,446	27,349,245
Operating expenses	(16,904,227)	(29,499,174)
Other income (expenses)	-	23,815,441
Operating profit (loss)	(865,781)	21,665,512
Finance income	-	2,166
Finance cost	-	(358,216)
Impairment loss recognized on the disposal of subsidiaries constituting the discontinued operation	(87,937,151)	-
Income (loss) before tax from a discontinued operation	(88,802,932)	21,309,462
Provision for income tax	(3,619,305)	(5,654,050)
Income (loss) for the year from a discontinued operation	<u>(P92,422,237)</u>	<u>P15,655,412</u>



The net cash flows incurred by disposed subsidiaries are as follows:

	In US Dollar (Functional Currency)		In Philippine Peso (Presentation Currency)	
	2011	2010	2011	2010
Operating	US\$3,437,955	US\$15,125	P158,169,729	(P9,993,671)
Investing	91,920	(509,503)	3,958,075	(12,578,075)
Financing	(1,708,979)	796	(73,588,621)	265,150
Net cash inflow (outflow)	<u>US\$1,820,896</u>	<u>(US\$493,582)</u>	<u>P88,539,183</u>	<u>(P22,306,596)</u>

Income (loss) per share:

	In US Dollar (Functional Currency)		In Philippine Peso (Presentation Currency)	
	2011	2010	2011	2010
Income (loss) from discontinued operations	(US\$1,826,906)	US\$347,052	(P92,422,237)	P15,655,412
Weighted average number of shares outstanding (Note 28)	<u>58,771,333,583</u>	<u>35,791,666,667</u>	<u>58,771,333,583</u>	<u>35,791,666,667</u>
	<u>(US\$0.000031)</u>	<u>US\$0.000010</u>	<u>(P0.001573)</u>	<u>P0.000437</u>

There are no dilutive potential ordinary shares for the years ended December 31, 2011 and 2010. Therefore, the Group's basic and diluted loss per share from discontinued operation for the years ended December 31, 2012 and 2011 are equal.

#### NOTE 13 - LOANS RECEIVABLE

On December 6, 2007, the Group's stockholders ratified the October 26, 2007 BOD Resolution approving the 2007 Purchase Plan. The Purchase Plan was established to promote the interests of the Group by providing a mechanism whereby the Group's and its subsidiaries' employees and BOD (the Eligible Members) may borrow money from the Group for the purpose of acquiring up to 10% of the total issued shares of the Group or about 123.2 million shares at prevailing market price. Under the stock purchase plan, the Group will grant interest bearing loans to the Eligible Members payable over five years. The shares to be acquired by the Eligible Members will be held as collateral for the loan and will only be released to them after the loan is repaid. A portion of the collateralized shares can be released to the extent of the paid amount of the loan at an agreed date. The Group filed the Purchase Plan with the SEC on April 14, 2008 and was approved on June 24, 2008. The application for the listing of shares with PSE will take place once all the requirements are in place.

Loans receivable amounted to US\$182,827 (P8,023,363) in 2012 and 2011. The Group's management provided a full allowance for impairment as they believe that the receivables are not recoverable.

The details of the allowance for impairment loss are as follows:

	2012 and 2011	
	In US Dollar (Functional currency)	In Philippine Peso (Presentation currency)
At January 1	US\$-	P-
Provision for impairment loss (Note 23)	185,241	8,023,363
Effect of exchange rate	(2,414)	-
Allowance for impairment loss	<u>US\$182,827</u>	<u>P8,023,363</u>

#### NOTE 14 - ADVANCES TO PROJECTS

On August 31, 2011, the BOD proposed the project with Tianjin Tianbao Investment and Development (TTIDC), to developed a wind energy projects in the Philippines (Note 1). The Parent Company made advances amounting to US\$188,616 (P7,769,466) and US\$471,879 (P20,728,692) as of December 31, 2012 and 2011, respectively.

As at December 31, 2012, the contract for joint venture agreement is not yet executed.

#### NOTE 15 - INVESTMENT IN ASSOCIATE

The details of the account are as follows:

	In US Dollar (Functional currency)		In Philippine Peso (Presentation currency)	
	2012	2011	2012	2011
Investment in MSPI	US\$1,473,548	US\$1,341,459	P64,505,614	P58,927,607
Investment in Isabela Alcogas Corporation (IAC)	607,602	-	24,653,791	-
Effect of foreign rates	-	-	(3,434,765)	-
	<u>US\$2,081,150</u>	<u>US\$1,341,459</u>	<u>P85,724,640</u>	<u>P58,927,607</u>

During the annual stockholders' meeting held on December 23, 2010, approved the growth strategy of the Group to retain an interest in its semiconductor business, MSPI, and divest 61% interest therein, as well as divest all interests in the foreign subsidiaries, namely MSI, Musem and Protelcon.

The cost of investment in MSPI was determined using the carrying values of net assets at June 30, 2011 as follows:

	In US Dollar (Functional currency)	In Philippine Peso (Presentation currency)
Carrying value		
Assets	4,941,745	217,080,991
Liabilities	(1,517,866)	(66,667,199)
Net asset	3,423,879	150,413,792
Percentage of ownership	39%	39%
	<u>US\$1,335,312</u>	<u>P58,661,379</u>

On July 27, 2011, the Parent Company waived the pre-emptive right to subscribe to the issuance of shares of MSPI in relation to divestment of sixty one percent (61%) interest therein as approved by the stockholders on December 23, 2010, leaving the Parent Company a thirty-nine percent (39%) interest as of December 31, 2011.

The Company's equity share in profit or loss is base on the period when the investment in MSPI was established. Stated below are the details of the account:

#### In US Dollar (Functional Currency)

	2012	2011
Beginning balance	US\$1,341,459	US\$1,335,312
Equity share in profit or loss for the year	132,089	6,147
	<u>US\$1,473,548</u>	<u>US\$1,341,459</u>

**In Philippine Peso (Presentation Currency)**

	2012	2011
Beginning balance	P58,927,607	P58,661,379
Equity share in profit or loss for the year	5,578,007 (3,321,980)	266,228 -
	<u>P61,183,634</u>	<u>P58,927,607</u>

On June 30, 2012, the Board of Directors of the Parent Company has approved the subscription to P25,000,000 worth of common shares of IAC which is equivalent to 50% interest therein. The Subscription Agreement representing the subscription of the Parent Company to the common shares of IAC was executed on October 1, 2012.

The Company's equity share in profit or loss is base on the period when the investment in IAC was established. Stated below are the details of the account:

**In US Dollar (Functional Currency)**

	2012	2011
Beginning balance	US\$609,652	US\$-
Equity share in profit or loss for the year	(2,050)	-
	<u>US\$607,602</u>	<u>US\$-</u>

**In Philippine Peso (Presentation Currency)**

	2012	2011
Beginning balance	P25,000,000	P-
Equity share in profit or loss for the year	(89,131)	-
Effect of foreign rates	(369,863)	-
	<u>P24,541,006</u>	<u>P-</u>

The aggregate amounts of current assets, noncurrent assets, current liabilities, noncurrent liabilities, income and expenses related to the Group's interests in its associate in 2012 are as follows:

	2012			
	In US Dollar (Functional Currency)		In Philippine Peso (Presentation Currency)	
	MSPI	IAC	MSPI	IAC
Current assets	US\$471,914	US\$668,349	P19,516,664	P27,530,650
Noncurrent assets	4,731,220	23,368	195,067,923	962,578
Current liabilities	1,023,369	(60)	42,154,617	(2,484)
Net assets	<u>US\$4,179,765</u>	<u>US\$691,657</u>	<u>P172,429,970</u>	<u>P28,490,744</u>
Income	US\$1,105,614	US\$-	P46,688,974	P-
Expenses	(766,923)	(16,397)	32,386,391	(692,417)
Profit after tax	<u>US\$338,691</u>	<u>(US\$16,397)</u>	<u>P14,302,582</u>	<u>(P692,417)</u>

2011

	In US Dollar (Functional Currency)		In Philippine Peso (Presentation Currency)	
	MSPI	IAC	MSPI	IAC
	Current assets	US\$225,346	US\$-	P9,898,999
Noncurrent assets	4,866,314	-	213,767,442	-
Current liabilities	(1,250,586)	-	(54,935,742)	-
Net assets	<u>US\$3,841,074</u>	<u>US\$-</u>	<u>P168,730,699</u>	<u>P-</u>
Income	1,347,957	-	58,384,197	-
Expenses	(1,316,436)	-	(57,018,925)	-
Profit after tax	<u>US\$31,521</u>	<u>US\$-</u>	<u>P1,365,272</u>	<u>P-</u>

The Group has not provided any allowance for impairment on investment as management believes that amount corresponds to fair value.

#### NOTE 16 - PROPERTY AND EQUIPMENT, NET

The detail of this account is as follows:

Cost	In US Dollar (Functional currency)				
	Transportation equipment	Machinery and equipment	Tools	Construction-in- progress	Total
At January 1, 2011	US\$-	US\$-	US\$-	US\$-	US\$-
Additions	55,670	622	-	-	56,292
At December 31, 2011	55,670	622	-	-	56,292
Additions	-	1,339	196	5,704,991	5,705,186
Effect of foreign rates	-	-	-	-	-
Effect of foreign rates	-	-	-	-	-
At December 31, 2012	<u>55,670</u>	<u>1,961</u>	<u>196</u>	<u>5,704,991</u>	<u>5,762,818</u>
<b>Accumulated depreciation</b>					
At January 1, 2011	-	-	-	-	-
Depreciation	8,469	32	-	-	8,501
Effect of foreign rates	(118)	(1)	-	-	(119)
At December 31, 2011	8,351	31	-	-	8,382
Depreciation	11,873	275	-	-	12,148
Effect of foreign rates	-	-	-	-	-
At December 31, 2012	<u>20,224</u>	<u>306</u>	<u>-</u>	<u>-</u>	<u>20,530</u>
<b>Net book value</b>					
At December 31, 2012	<u>US\$35,446</u>	<u>US\$1,655</u>	<u>US\$196</u>	<u>US\$5,704,991</u>	<u>US\$5,742,288</u>
At December 31, 2011	<u>US\$47,319</u>	<u>US\$591</u>	<u>US\$-</u>	<u>US-</u>	<u>US\$47,910</u>

	In Philippine Peso (Presentation currency)				
	Transportation equipment	Machinery and equipment	Tools	Construction-in- progress	Total
<b>Cost</b>					
At January 1, 2011	P-	P-	P-	P-	P-
Additions	2,445,490	27,316	-	-	2,472,806
At December 31, 2011	2,445,490	27,316	-	-	2,472,806
Additions	-	86,204	8,037	235,000,000	235,094,241
Effect of foreign rates	(152,314)	(32,775)	-	-	(185,089)
At December 31, 2012	2,293,176	80,745	8,037	235,000,000	237,381,958
<b>Accumulated depreciation</b>					
At January 1, 2011	-	-	-	-	-
Depreciation	366,824	1,361	-	-	368,185
At December 31, 2011	366,824	1,361	-	-	368,185
Depreciation	489,098	11,199	-	-	512,978
At December 31, 2012	855,922	12,560	-	-	881,163
<b>Net book value</b>					
At December 31, 2012	P1,437,254	P68,185	P8,037	P235,000,000	P236,513,475
At December 31, 2011	P2,078,666	P25,955	P-	P-	P2,104,621

The Group's transportation equipment serves as collateral for the interest-bearing loan. Interest rate of the loan is 5.51% per annum (Note 18).

Depreciation expense of US\$12,148 (P512,978) and US\$8,501 (P368,185) had been charged in administrative expenses (Note 22) for the year ended December 31, 2012 and 2011 (nil in 2010).

There are no fully depreciated property and equipment as of December 31, 2012 and 2011 that are still being used in operations.

Management has reviewed the carrying values of the Group's property and equipment as of December 31, 2012 and 2011 for impairment. Based on the results of its evaluation, there were no indications that the property and equipment were impaired.

The Group's construction-in-progress represents machineries under construction of "Waste Recycling Project" and are stated at cost. As at December 31, 2012, the percentage of completion of the project is 66%, as certified by A.V.M. Bernardo Engineering, an independent contractor.

## NOTE 17 - TRADE AND OTHER PAYABLES

The account consists of:

	In US Dollar		In Philippine Peso	
	2012	2011	2012	2011
Trade payables	US\$277	US\$-	P11,391	P-
Accruals for:				
Government liabilities	20,963	649	863,528	28,512
Professional fees	5,843	18,956	240,673	832,711
Salaries and employee benefits	7,283	8,022	300,000	352,395
Other payables	42,678	232	1,758,039	10,159
	<u>US\$77,044</u>	<u>US\$27,859</u>	<u>P3,173,631</u>	<u>P1,223,777</u>

Professional fees pertain to accrual for audit and legal fees.

Salaries and employees benefits pertain to accrual for salaries and employee benefits of employees.

Government dues and remittances represent contributions of employees that will be remitted to various government agencies such as SSS, Philhealth and Pag-ibig. It also includes taxes withheld from salaries of employees and income payment to suppliers, which will be remitted in the subsequent month.

Other payables include accrual of travel expenses, communication expenses and other operating expenses payable upon demand.

## NOTE 18 - INTEREST-BEARING LOANS AND BORROWINGS

The details of the account are as follows:

	Collateral	Term (years)	Denomination	Maturity	Annual interest rate	In US Dollar (Functional Currency)		In Philippine Peso (Presentation Currency)	
						2012	2011	2012	2011
Philippine Business Bank (PBB)	Chattel mortgage	3	Philippine Peso	6/6/14	5.51%	US\$23,124	US\$32,575	P952,533	P1,430,933

The loan from PBB is secured with the Group's transportation equipment with net book value of US\$35,446 (P1,437,254) and US\$47,319 (P2,078,666) as of December 31, 2012 and 2011, respectively. (Note 16).

Payments made pertaining to the principal amounted to US\$9,451 (P478,400) and US\$9,312 (P409,067) in 2012 and 2011, respectively.

Finance costs charged to operations amounted to nil and US\$1,605 (P69,511) in 2012 and 2011, respectively.

## NOTE 19 - SHARE CAPITAL

The account consists of:

	In US Dollar (Functional Currency)			
	Shares		Amount	
	2012	2011	2012	2011
<i>Authorized</i>				
At January 1	100,000,000,000	5,000,000,000		
Share split up from P0.10 par value to P0.01 par value	-	50,000,000,000		
Cancellation of original P0.10 par value shares authorized	-	(5,000,000,000)		
Increase in authorized capital during the year at P0.01 per share	100,000,000,000	50,000,000,000		
<b>At December 31</b>	<b>200,000,000,000</b>	<b>100,000,000,000</b>		
<i>Issued and outstanding:</i>				
At January 1	69,376,000,500	5,000,000,000	12,518,989	10,205,405
Share split up during the year		50,000,000,000	-	10,205,405
Cancellation of original P80 par value shares authorized		(5,000,000,000)	-	(10,205,405)
Additional shares issued during the year	73,476,856,000	19,376,000,500	17,515,206	4,520,689
	142,852,856,500	69,376,000,500	30,034,195	14,726,094
Subscription receivable	-	-	(3,615,449)	(2,207,105)
<b>At December 31</b>	<b>142,852,856,500</b>	<b>69,376,000,500</b>	<b>26,418,746</b>	<b>12,518,989</b>
<b>In Philippine Peso (Presentational Currency)</b>				
	Shares		Amount	
	2012	2011	2012	2011
<i>Authorized</i>				
At January 1	100,000,000,000	5,000,000,000	1,000,000,000	500,000,000
Share split up from P0.10 par value to P0.01 par value	-	50,000,000,000	-	500,000,000
Cancellation of original P0.10 par value shares authorized	-	(5,000,000,000)	-	(500,000,000)
Increase in authorized capital during the year at P0.01 per share	100,000,000,000	50,000,000,000	1,000,000,000	500,000,000
<b>At December 31</b>	<b>200,000,000,000</b>	<b>100,000,000,000</b>	<b>2,000,000,000</b>	<b>1,000,000,000</b>
<i>Issued and outstanding:</i>				
At January 1	69,376,000,500	5,000,000,000	693,760,005	500,000,000
Share split up during the year		50,000,000,000		500,000,000
Cancellation of original P80 par value shares authorized		(5,000,000,000)	-	(500,000,000)
Additional shares issued during the year	73,476,856,000	19,376,000,500	734,768,560	193,760,005
	142,852,856,500	69,376,000,500	1,428,528,565	693,760,005
Subscription receivable	-	-	(328,250,000)	(171,750,000)
<b>At December 31</b>	<b>142,852,856,500</b>	<b>69,376,000,500</b>	<b>1,100,278,565</b>	<b>522,010,005</b>

On March 8, 2012, the SEC approved the increase in authorized capital stock from P1,000,000,000.00 divided into 100,000,000,000 shares with the par value of P0.01 each to P2,000,000,000.00 divided into 200,000,000,000 shares with a par value of P0.01 each.

On March 30, 2011, the BOD approved the application of 10-for-1 stock split-up and increase in capital stocks from P500,000,000 divided into 5,000,000,000 shares with par value of P0.10 each, to P1,000,000,000 divided into 100,000,000,000 shares with par value of P0.01 each. The said application was approved by SEC on June 22, 2011.

After the SEC approval, the 5,000,000,000 issued shares at par value of P0.10 were cancelled and were replaced by the issuance of 50,000,000,000 shares at P0.01 par value. In addition, the 19,376,000,500 shares at P0.01 par value were issued.

The Parent Company has received subscriptions in 2012 from various private placement investors with total subscription price amounting to US\$22,517,940 (P942,537,120), wherein portion amounting to US\$5,002,734 (P207,768,560) were treated as share premium during the year.

#### NOTE 20 - SHARE PREMIUM

This account includes any excess amount received in the initial issuances of shares capital which amounted to US\$6,126,637 (P268,090,531) and US\$1,123,903 (P60,321,971) as of 2012 and 2011, respectively.

#### NOTE 21 - OTHER OPERATING INCOME

The account consists of:

	In US Dollar (Functional currency)			In Philippine Peso (Presentation currency)		
	2012	2011	2010	2012	2011	2010
Foreign exchange gain	US\$72,814	US\$-	US\$64,872	P3,074,850	P-	P2,926,356
Effect of exchange rate	-	-	28,855	-	-	1,301,655
Other income	20,682	-	2,759	873,401	-	124,458
	<u>US\$93,496</u>	<u>US\$-</u>	<u>US\$96,486</u>	<u>P3,948,251</u>	<u>P-</u>	<u>P4,352,469</u>

#### NOTE 22 - GENERAL AND ADMINISTRATIVE EXPENSES

The account consists of:

	In US Dollar (Functional Currency)			In Philippine Peso (Presentation Currency)		
	2012	2011	2010	2012	2011	2010
Taxes and licenses	US\$175,773	US\$3,138	US\$7,216	P7,424,112	P135,900	P325,512
Stock transfer and listing cost	169,201	28,773	-	7,170,169	1,246,235	-
Transportation and travel	33,783	2,409	611	1,416,638	104,343	27,562
Salaries and employee benefits	26,180	23,728	62,012	1,105,554	1,027,718	2,797,343
Depreciation (Note 16)	12,148	8,501	-	512,978	368,185	-
Representation and entertainment	10,152	3,845	-	418,718	166,534	-
Professional fee	9,384	9,944	5,075	396,263	430,724	228,932
Research and development	7,578	-	-	320,000	-	-
Repairs and maintenance	7,576	525	-	319,922	22,725	-
Separation pay	7,193	-	109,954	303,766	-	4,960,005
Communication, light and water	4,936	2,210	-	208,459	95,724	-
Office supplies	2,480	2,511	-	107,167	108,748	-
SSS, Philhealth, HDMF and other contribution	1,372	319	-	57,927	13,823	-
Fuel and oil	1,328	2,524	-	46,083	109,306	-
Insurance	720	90	-	30,393	3,884	-
Advertising	-	117	-	-	5,047	-
Rental	-	-	1,750	-	-	78,942
Director's fee	-	-	4,500	-	-	202,994
Other outside services	-	-	-	-	-	-
Others	10,753	2,209	4,107	419,160	95,803	185,265
	<u>US\$480,557</u>	<u>US\$90,843</u>	<u>US\$195,225</u>	<u>P20,257,309</u>	<u>P3,934,699</u>	<u>P8,806,555</u>



## NOTE 23 - OTHER OPERATING EXPENSES

The account consists of:

	In US Dollar (Functional Currency)			In Philippine Peso (Presentation Currency)		
	2012	2011	2010	2012	2011	2010
Provision for impairment loss on advances to related party (Note 24)	US\$464,341	US\$-	US\$468,287	P19,608,630	P-	P21,124,286
Provision for impairment loss on investment in associate (Note 15)	-	3,209,980	-	-	139,034,182	-
Loss on disposal of AFS investments	-	269,792	-	-	11,685,544	-
Provision for impairment loss on receivables (Note 8)	-	223,678	10,931	-	9,688,175	493,094
Provision for impairment loss on loans receivable (Note 13)	-	185,241	-	-	8,023,363	-
Foreign exchange loss	-	-	11,290	-	-	509,289
Provision for impairment loss on prepayment and other current assets (Note 11)	-	-	21,617	-	-	975,136
	<u>US\$464,341</u>	<u>US\$3,888,691</u>	<u>US\$512,125</u>	<u>P19,608,630</u>	<u>P168,431,264</u>	<u>P23,101,805</u>

## NOTE 24 - RELATED PARTY TRANSACTIONS

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprises and their key management personnel, directors or its stockholders.

### (a) Name and relationship of related parties

Name of related party	Related party relationship	Nature of relationship	Country of incorporation
MSPI	Associate	Logistics and manufacturing	Philippines
Isabela Alcogas	Associate		
Earthright Holdings Inc. (EHI)	Shareholder	Holding	Philippines
Cleantech	Shareholder	Shareholder	
Springlover	Under common control	Shareholder	Philippines
Sunchamp Real Estate and	Under common control	Real estate	Philippines

### (b) The Group grants to and obtains unsecured and noninterest-bearing cash advances to and from certain related parties for working capital purposes which are currently due and demandable.

The outstanding balances and significant transactions with related parties as of December 31, 2012 and 2011 are as follows:

	In US Dollar (Functional currency)	
	2012	2011
<b>Advances to related parties</b>		
Associate		
MSPI	US\$963,243	US\$903,249
Other related party		
Cleantech	6,482,199	-
SpringLover	1,204	-
Sunchamp	149	-
EHI	98	-
Others	46,519	-
	<u>7,493,412</u>	<u>903,249</u>
Allowance for Impairment	<u>(963,243)</u>	<u>(467,829)</u>
	<u>US\$6,530,169</u>	<u>US\$435,420</u>

	In Philippine Peso (Presentation currency)	
	2012	2011
<b>Advances to related parties</b>		
Associate		
MSPI	P39,677,922	P39,677,922
Other related party		
Cleantech	267,014,740	-
SpringLover	49,610	-
Sunchamp	6,150	-
EHI	4,055	-
Others	1,916,178	-
	<u>308,668,655</u>	<u>39,677,922</u>
Allowance for Impairment	<u>(39,677,922)</u>	<u>(20,550,775)</u>
	<u>P268,990,733</u>	<u>P19,127,147</u>

	in US Dollar (Functional currency)	
	2012	2011
<b>Advances from related parties</b>		
Cleantech	US\$105,331	US\$-
Officers and employees	81,722	-
	<u>US\$187,053</u>	<u>US\$-</u>

	in Philippine Peso (Presentaion currency)	
	2012	2011
<b>Advances from related parties</b>		
Cleantech	P4,338,797	P-
Officers and employees	3,366,307	-
	<u>P7,705,104</u>	<u>P-</u>

The Group has provided an allowance for impairment loss on receivables relating to the amounts owed by the related parties amounting to US\$464,341 (P19,608,630) and US\$468,287 (P20,550,775) as of December 31, 2012 and 2011, respectively.

	In US Dollar (Functional currency)		In Philippine Peso (Presentation currency)	
	2012	2011	2012	2011
	At January 1	US\$467,829	US\$468,287	P20,550,775
Provision for impairment loss (Note 22)	464,341		19,608,630	-
Effect of exchange rate	31,073	458	(481,483)	573,511
	<u>US\$963,243</u>	<u>US\$467,829</u>	<u>P39,677,922</u>	<u>P20,550,775</u>

(c) Key management compensation

There has been no short-term or long-term compensation of key management personnel for the year ended December 31, 2012 and 2011.

**NOTE 25 - INCOME TAXES**

The reconciliation of the provision for income tax computed at the statutory income tax rate to provision for income tax shown in the consolidated statements of comprehensive income (loss) as follow:

	In US Dollar (Functional Currency)			In Philippine Peso (Presentation Currency)		
	2012	2011	2010	2012	2011	2010
Income tax computed at normal rate of 30%	(US\$199,751)	(US\$1,192,438)	(US\$182,957)	(P8,425,186)	(P51,648,200)	(P8,253,153)
Non-taxable income subjected to different tax rate	(16,601)	(60)	(302)	(701,047)	(2,574)	(13,605)
Share in profit of an associate	(39,012)	(1,843)	-	(1,646,663)	(79,868)	-
Non-deductible expenses	3,046	922	2	128,615	39,948	86
Prior year unrecognized deferred taxes on temporary differences realized this year	-	16,075	31,828		725,120	1,435,747
Unrecognized deferred taxes on temporary differences	117,458	1,085,669	134,176	4,960,134	47,023,715	6,052,638
Unrecognized deferred tax asset on NOLCO	134,256	91,675	17,253	5,658,646	3,941,859	778,287
Unrecognized MCIT	414	-	55	17,468	-	2,481
	<u>(US\$190)</u>	<u>US\$-</u>	<u>US\$55</u>	<u>(P8,033)</u>	<u>P-</u>	<u>P2,481</u>

The Group has recognized deferred tax assets related on NOLCO amounted to US\$1,947 (P80,205) and nil as of December 31, 2012 and 2011, respectively.

The details of NOLCO and MCIT are as follows:

**A. Unrecognized NOLCO**

**In US Dollar (Functional Currency)**

Year incurred	Beginning balance	Incurred this year	Expired	Ending balance	Expiry year
2012	US\$-	US\$449,722	US\$-	US\$449,722	2015
2011	305,583	-	-	305,583	2014
2010	57,510	-	-	57,510	2013
2009	509,681	-	(509,681)	-	2012
2008	229,815	-	(229,815)	-	2011
	<b>US\$1,102,589</b>	<b>US\$449,722</b>	<b>(US\$739,496)</b>	<b>US\$812,815</b>	

**In Philippine Peso (Presentation Currency)**

Year incurred	Beginning balance	Incurred this year	Expired	Ending balance	Expiry year
2012	P-	P 18,983,279	P-	P18,983,279	2015
2011	13,139,529	-	-	13,139,529	2014
2010	2,594,290	-	-	2,594,290	2013
2009	23,626,774	-	(23,626,774)	-	2012
2008	10,912,748	-	(10,912,748)	-	2011
	<b>P50,273,341</b>	<b>P18,983,279</b>	<b>(P34,539,522)</b>	<b>P34,717,098</b>	

**B. Recognized NOLCO**

**In US Dollar (Functional Currency)**

Year Incurred	Beginning	Addition	Application/ Expired	Balance	Expiry Year
2012	US\$-	US\$2,013	US\$-	US\$2,013	2015
2011	4,477	-	-	4,477	2014
	<b>US\$4,477</b>	<b>US\$2,013</b>	<b>P-</b>	<b>US\$6,490</b>	

**In Philippine Peso (Presentation Currency)**

Year Incurred	Beginning	Addition	Application/ Expired	Balance	Expiry Year
2012	P-	P85,003	P-	P85,003	2015
2011	182,347	-	-	182,347	2014
	<b>P182,347</b>	<b>P85,003</b>	<b>P-</b>	<b>P267,350</b>	

**B. MCIT**

**In US Dollar (Functional Currency)**

Year incurred	Beginning balance	Incurred this year	Written-off	Ending balance	Expiry year
2012	US\$-	US\$414	US\$-	US\$414	2015
2011	1,297	-	-	1,297	2014
	<b>US\$1,297</b>	<b>US\$414</b>	<b>US\$-</b>	<b>US\$1,711</b>	

### In Philippine Peso (Presentation Currency)

Year incurred	Beginning balance	Incurred this year	Written-off	Ending balance	Expiry year
2012	P-	P17,468	P-	P17,468	2015
2011	58,527	-	-	58,527	2014
	<u>P58,527</u>	<u>P17,468</u>	<u>P-</u>	<u>P75,995</u>	

### NOTE 26 - LOSS PER SHARE

Basic loss per share amounts was calculated by dividing the loss for the year by the weighted average number of ordinary shares outstanding during the year.

The financial information pertinent to the derivation of the basic loss per share for the years ended December 31, 2012, 2011 and 2010, are as follows:

	In US Dollar (Functional Currency)			In Philippine Peso (Presentation Currency)		
	2012	2011	2010	2012	2011	2010
Loss for the year	(US\$665,836)	(US\$5,801,700)	(US\$262,861)	(P28,083,953)	(P264,582,903)	(P11,857,580)
Weighted average number of shares outstanding	<u>95,099,071,834</u>	<u>58,771,333,583</u>	<u>35,791,666,667</u>	<u>95,099,071,834</u>	<u>58,771,333,583</u>	<u>35,791,666,667</u>
	<u>(US\$0.000007)</u>	<u>(US\$0.000099)</u>	<u>(US\$0.000007)</u>	<u>(P0.000295)</u>	<u>(P0.004502)</u>	<u>(P0.000331)</u>

There are no dilutive potential ordinary shares for the years ended December 31, 2012, 2011 and 2010. Therefore, the Group's basic and diluted loss per share for the years ended December 31, 2012, 2011 and 2010 is equal.

The reconciliation of the average number of shares outstanding as of December 31, 2012, 2011 and 2010 is as follows:

2012			
Date	Number of shares issued	Number of shares outstanding	Weighted average number of shares
January 1, 2012	69,376,000,500	69,376,000,500	69,376,000,500
March 8, 2012	25,000,000,000	25,000,000,000	18,750,000,000
July 18, 2012	2,500,000,000	2,500,000,000	1,041,666,667
October 5, 2012	25,200,000,000	25,200,000,000	4,200,000,000
November 16, 2012	20,776,856,000	20,776,856,000	1,731,404,667
	<u>142,852,856,500</u>		<u>95,099,071,834</u>
2011			
Date	Number of shares issued	Number of shares outstanding	Weighted average number of shares
January 1, 2011	50,000,000,000	50,000,000,000	50,000,000,000
June 22, 2011	13,876,000,500	13,876,000,500	6,938,000,250
September 9, 2011	5,500,000,000	5,500,000,000	1,833,333,333
	<u>69,376,000,500</u>		<u>58,771,333,583</u>

2010			
Date	Number of shares issued	Number of shares outstanding	Weighted average number of shares
January 1, 2010	34,500,000,000	34,500,000,000	34,500,000,000
November 25, 2010	15,500,000,000	50,000,000,000	1,291,666,667
	<u>50,000,000,000</u>		<u>35,791,666,667</u>

For the purpose of computing the loss per share, stock split up in 2011 is taken up as if it occurred at the beginning of the earliest period presented.

#### NOTE 27 - NON-CONTROLLING INTERESTS

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

##### In US Dollar (Functional Currency)

2012				
	Share in net assets on acquisition/ incorporation date	Loss for the year	Other comprehensive income	Total
TWMRSI	US\$540,081	(US\$768)	US\$174,203	US\$713,516
BHI	<u>6,475,260</u>	<u>(47,799)</u>	<u>5,740</u>	<u>6,433,201</u>
	<u>US\$7,015,341</u>	<u>(US\$48,567)</u>	<u>US\$179,943</u>	<u>US\$7,146,717</u>

##### In Philippine Peso (Presentation Currency)

2012				
	Share in net assets on acquisition/ incorporation date	Loss for the year	Other comprehensive income	Total
TWMRSI	P29,405,866	(P14,720)	-	P29,391,146
BHI	<u>267,014,920</u>	<u>(2,018,500)</u>	<u>-</u>	<u>264,996,420</u>
	<u>P296,420,786</u>	<u>(P2,033,220)</u>	<u>-</u>	<u>P294,387,566</u>

Other comprehensive income pertains to net exchange difference from translation to presentation currency for the year attributable to non-controlling interests.

#### NOTE 28 - BUSINESS ACQUISITIONS

On June 13, 2011, the BOD of the Parent Company approved to acquire fifty one percent (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. This was approved and ratified by the stockholders on October 19, 2011. In 2011, the Parent Company has made a total of US\$5,704,991 (P235,000,000) as advances for future stock subscription to TWMRSI. On March 27, 2012, the SEC approved the application for increase in authorized capital stock of TWMRSI from P1,000,000 to P2,000,000. On the same date, the Parent Company infused additional US\$6,061 (P260,204) to purchase 260,204 shares for a 51% interest in its capital stock.

The following table summarizes the consideration paid for 51% of TWMRSI, the fair values of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

	<u>In US Dollar</u> (Functional Currency)	<u>In Philippine Peso</u> (Presentation Currency)
Initial consideration paid for the 51% interest in TWMRSI	US\$6,061	P260,204

Recognized amounts of identifiable assets acquired and liabilities assumed:

	<u>In US Dollar</u> (Functional Currency)	<u>In Philippine Peso</u> (Presentation Currency)
Cash in bank	US\$7,523	P322,975
Prepayments	24	997
Property and equipment	187	8,036
Other non-current assets	1,274	54,704
Accrued expenses	(3,884)	(166,750)
Advances from related parties	(1,415)	(60,750)
Net identifiable assets at acquisition date	3,709	159,212
Non-controlling interest	(1,817)	(78,014)
Goodwill	4,169	179,006
Total consideration transferred	<u>US\$6,061</u>	<u>P260,204</u>

The purchase of TWMRSI has resulted in a goodwill which is shown in the consolidated statement of financial position as intangible asset, which was attributable entirely to the Parent Company.

On December 28, 2012, the Parent Company acquired additional 36.5% ownership or 1,489,796 shares of TWMRSI's unissued capital stock through the conversion of its US\$5,704,991 (P235,000,000) advances for future stock subscription. The carrying amount of TWMRSI's net assets on the date of acquisition was US\$5,708,127 (P235,129,170).

There were no contingent consideration arrangement and indemnification assets relating to the acquisition.

Non-controlling interests was measured at the acquisition date based on the present ownership instruments' proportionate share in the recognized amounts of TWMRSI's identifiable net assets.

**GREENERGY HOLDINGS INCORPORATED AND ITS SUBSIDIARIES**  
*(formerly MUSX Corporation and its Subsidiaries)*

**INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY  
SCHEDULES**

**Audited Consolidated Financial Statements  
December 31, 2012**

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**Financial Statements**

Statement of Management's Responsibility for Financial Statements  
for the years ended December 31, 2012 and 2011  
Independent Auditors' Report dated April 3, 2013  
Consolidated Statements of Financial Position as at December 31,  
2012 and 2011  
Consolidated Statements of Loss for each of the three years in the  
period ended December 31, 2012  
Consolidated Statements of Comprehensive Loss for each of the three years  
in the period ended December 31, 2012  
Consolidated Statements of Changes in Equity for each of the three years  
in the period ended December 31, 2012  
Consolidated Statements of Cash Flows for each of the three years in the  
period ended December 31, 2012  
Notes to the Consolidated Financial Statements as at and for the  
years ended December 31, 2012, 2011 and 2010

**Supplementary Schedules**

Independent Auditors' Report on Supplementary Schedules dated April 3, 2013

A. Financial Assets	Applicable
B. Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)	Not applicable
C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements	Applicable
D. Intangible Assets - Other Assets	Applicable
E. Long-Term Debt	Not applicable
F. Indebtedness to Related Parties	Not applicable
G. Guarantees of Securities of Other Issuers	Not applicable
H. Capital Stock	Applicable
I. Map of the Group of Companies	Applicable
J. Reconciliation of Retained Earnings Available for Dividend Declaration	Not applicable
K. Effective Standards and Interpretations under PFRS as of year-end	Applicable





**ALBA ROMEO & CO.**

Tel: +(632) 844 2016

Fax: +(632) 844 2045

www.bdo.net.ph

7/F Multinational Bancorporation Centre

6805 Ayala Avenue, Makati City 1226 Philippines

Branches: Bacolod / Cagayan de Oro / Cebu

**INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors  
Greenery Holdings Incorporated and its Subsidiaries  
*(formerly MUSX Corporation and its Subsidiaries)*  
54 National Road, Dampol II-A,  
Pulilan, Bulacan

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Greenery Holdings Incorporated and its Subsidiaries as at and for the years ended December 31, 2012 and 2011 and for each of the three years in the period ended December 31, 2012 included in this Audited Financial Statements (AFS) and have issued our report thereon dated April 3, 2013. Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to Financial Statements and Supplementary Schedules in this AFS are presented for purposes of complying with the Securities Regulation Code (SRC) Rule 68, As Amended, and the Securities and Exchange Commission (SEC) Memorandum Circular No. 11, Series of 2008 and are not part of the basic consolidated financial statements. Such schedules are the responsibility of management. The schedules have been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

**ALBA ROMEO & CO.**



Antonio V. Cruz  
Partner

CPA Certificate No. 0017482

Tax Identification No. 141-791-333-000

PTR No. 3682024, issued on January 12, 2013, Makati City

BOA/PRC Registration No. 0005, issued on November 12, 2012,  
effective until December 31, 2015

SEC Accreditation No. A-597-A (Individual), Group A,

issued on February 11, 2013, effective until June 11, 2013

SEC Accreditation No. 0007-FR-3 (Firm), Group A, issued on March 22, 2012,  
effective until March 21, 2015

BIR Accreditation No. 08-001682-3-2012, issued on January 4, 2012,  
effective until January 4, 2015

April 3, 2013  
Makati City, Philippines

**GREENERGY HOLDINGS INCORPORATED AND ITS SUBSIDIARIES**  
*(formerly MUSX Corporation and its Subsidiaries)*

**Schedule A. FINANCIAL ASSETS**  
**As of DECEMBER 31, 2012**

**In US Dollar (Functional currency)**

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Value based on market quotation at end of reporting period	Income received and accrued
<b>Loans and receivables</b>				
Cash and cash equivalents				
Cash on hand				
Petty cash fund, at face value		US\$1,214		
Cash in banks				
Security Bank Corporation, at face value		11,406,808		US\$55,221
Banco De Oro, at face value		55,565		42
Philippine Business Bank, foreign currency account, at facevalue		3,516		-
Philippine National Bank, at face value		2,429		1
Philippine Business Bank, savingsaccount, at face value		2,062		5
Agricultural Bank, at face value		1,220		6
Philippine Business Bank, current account, at face value		859		62
		<u>11,472,459</u>		
Total cash and cash equivalent		11,473,673		
Receivables, at amortized cost		26,253		
Advances to related parties, at amortized cost		<u>6,530,169</u>		
<b>Total loans and receivables</b>		<u><u>US\$18,030,095</u></u>		
<b>Available-for-sale financial assets</b>				
Equity securities issued by others, at fair value	9,302,896 shares	<u>US\$1,831,352</u>	<u>US\$1,831,352</u>	

## In Philippine Peso (Presentation currency)

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Value based on market quotation at end of reporting period	Income received and accrued
<b>Loans and receivables</b>				
Cash and cash equivalents				
Cash on hand				
Petty cash fund, at face value		P50,000		
Cash in banks				
Security Bank Corporation, at face value		469,869,246		P2,331,946
Banco De Oro, at face value		2,288,845		1,751
Philippine Business Bank, foreign currency account, at face value		144,819		-
Philippine National Bank, at face value		100,050		50
Philippine Business Bank, savings account, at face value		84,929		204
Agricultural Bank, at face value		50,256		256
Philippine Business Bank, current account, at face value		35,392		2,619
		<u>472,573,537</u>		
Total cash and cash equivalent		472,623,537		
Receivables, at amortized cost		1,081,429		
Advances to related parties, at amortized cost		<u>268,990,733</u>		
<b>Total loans and receivables</b>		<u><u>P742,695,699</u></u>		
<b>Available-for-sale financial assets</b>				
Equity securities issued by others, at fair value	9,302,896 shares	<u>P75,436,653</u>	<u>P75,436,653</u>	

GREENERGY HOLDINGS INCORPORATED AND ITS SUBSIDIARIES  
*(formerly MUSX Corporation and its Subsidiaries)*

Schedule B. AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES,  
RELATED PARTIES, AND PRINCIPAL STOCKHOLDERS (OTHER  
THAN RELATED PARTIES)  
As of DECEMBER 31, 2012

NOT APPLICABLE

**GREENERGY HOLDINGS INCORPORATED AND ITS SUBSIDIARIES**  
(formerly *MUSX Corporation and its Subsidiaries*)

**Schedule C. AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED  
DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS  
As of DECEMBER 31, 2012**

**In Us Dollar (Functional currency)**

Name and designation of debtor	Balance at beginning of period	Additions	Deductions		Current	Not current	Balance at end of period
			Amounts collected	Amounts written off			
Winsun Green Ventures, Inc. (a wholly owned subsidiary) Advances to related parties	US\$-	US\$881	US\$-	US\$-	US\$881	US\$-	US\$881
Biomass Holdings, Inc. (a 60%-owned subsidiary) Advances to related parties	-	39,236	-	-	39,236	-	39,236
Total Waste Management Recovery System, Inc. (a 51%-owned subsidiary) Advances to related parties	-	7,132	-	-	7,132	-	7,132
	US\$-	US\$47,249	US\$-	US\$-	US\$47,249	US\$-	US\$47,249

**In Philippine Peso (Presentation currency)**

Name and designation of debtor	Balance at beginning of period	Additions	Deductions		Current	Not current	Balance at end of period
			Amounts collected	Amounts written off			
Winsun Green Ventures, Inc. (a wholly owned subsidiary) Advances to related parties	P-	P36,299	P-	P-	P36,299	P-	P36,299
Biomass Holdings, Inc. (a 60%-owned subsidiary) Advances to related parties	-	1,616,204	-	-	1,616,204	-	1,616,204
Total Waste Management Recovery System, Inc. (a 51%-owned subsidiary) Advances to related parties	-	293,780	-	-	293,780	-	293,780
	P-	P1,946,283	P-	P-	P1,946,283	P-	P1,946,283

**GREENERGY HOLDINGS INCORPORATED AND ITS SUBSIDIARIES**  
*(formerly MUSX Corporation and its Subsidiaries)*

**Schedule D. INTANGIBLE ASSETS - OTHER ASSETS**  
**As of DECEMBER 31, 2012**

**In Us Dollar (Functional currency)**

Description	Beginning balance	Additions at cost	Charge to cost and expenses	Charged to other accounts	Other changes, additions, deductions (iii)	Ending balance
Intangibles shown under the caption Intangible assets						
Goodwill (Note a)	US\$-	US\$4,169	US\$-	US\$-	US\$-	US\$4,169

**In Philippine Peso (Presentation currency)**

Description	Beginning balance	Additions at cost	Charge to cost and expenses	Charged to other accounts	Other changes, additions, deductions (iii)	Ending balance
Intangibles shown under the caption Intangible assets						
Goodwill (Note a)	P-	P179,006	P-	P-	P-	P179,006

**a. Goodwill**

Additions to goodwill arise from the purchase of fifty one percent (51%) of Total Waste Management Recovery System Inc., a domestic corporation engaged in the business of building, operating and managing waste recovery facilities and waste management systems within the Philippines. The fair value of the net assets acquired amounted to US\$3,709 (P159,212) for a total cash consideration of US\$6,061 (P260,204).

GREENERGY HOLDINGS INCORPORATED AND ITS SUBSIDIARIES  
*(formerly MUSX Corporation and its Subsidiaries)*

Schedule E. LONG-TERM DEBT  
As of DECEMBER 31, 2012

NOT APPLICABLE

**GREENERGY HOLDINGS INCORPORATED AND ITS SUBSIDIARIES**  
*(formerly MUSX Corporation and its Subsidiaries)*

**Schedule F. INDEBTEDNESS TO RELATED PARTIES**  
As of DECEMBER 31, 2012

**NOT APPLICABLE**



**GREENERGY HOLDINGS INCORPORATED AND ITS SUBSIDIARIES**  
*(formerly MUSX Corporation and its Subsidiaries)*

**Schedule G. GUARANTEES OF SECURITIES OF OTHER ISSUERS**  
As of DECEMBER 31, 2012

**NOT APPLICABLE**

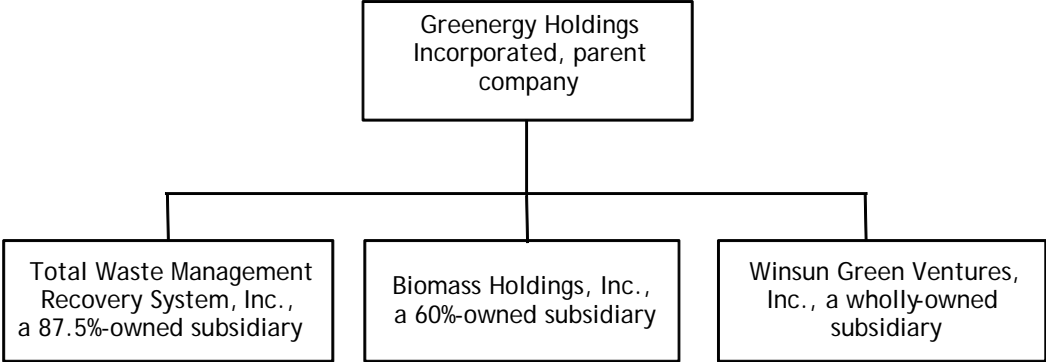
**GREENERGY HOLDINGS INCORPORATED AND ITS SUBSIDIARIES**  
*(formerly MUSX Corporation and its Subsidiaries)*

**Schedule H. CAPITAL STOCK**  
**As of DECEMBER 31, 2012**

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Common shares at P0.01 par value	200,000,000,000	110,027,856,500	-	27,026,856,000	7,600,000,000	75,401,000,500

**GREENERGY HOLDINGS INCORPORATED AND ITS SUBSIDIARIES**  
*(formerly MUSX Corporation and its Subsidiaries)*

**Schedule I. MAP OF THE GROUP OF THE COMPANIES**  
**As of DECEMBER 31, 2012**



GREENERGY HOLDINGS INCORPORATED AND ITS SUBSIDIARIES  
*(formerly MUSX Corporation and its Subsidiaries)*

Schedule J. RECONCILIATION OF RETAINED EARNINGS AVAILABLE  
FOR DIVIDEND DECLARATION  
As of DECEMBER 31, 2012

NOT APPLICABLE

**GREENERGY HOLDINGS INCORPORATED AND ITS SUBSIDIARIES**  
*(formerly MUSX Corporation and its Subsidiaries)*

**Schedule K. EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER PFRS**  
**As of DECEMBER 31, 2012**

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		"Adopted", "Not Adopted" or "Not Applicable"
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		
PFRSs Practice Statement Management Commentary		
Philippine Financial Reporting Standards		
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	Adopted
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	Adopted
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	Not Applicable
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	Not Applicable
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	Not Applicable
	Amendments to PFRS 1: Government Loans	Not Applicable
PFRS 2	Share-based Payment	Not Applicable
	Amendments to PFRS 2: Vesting Conditions and Cancellations	Not Applicable
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	Not Applicable
PFRS 3 (Revised)	Business Combinations	Adopted
PFRS 4	Insurance Contracts	Not Applicable
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	Not Applicable
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	Not Applicable
PFRS 6	Exploration for and Evaluation of Mineral Resources	Not Applicable
PFRS 7	Financial Instruments: Disclosures	Adopted
	Amendments to PFRS 7: Transition	Not Applicable
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	Not Applicable
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	Not Applicable
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	Not Applicable

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		“Adopted”, “Not Adopted” or “Not Applicable”
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	Not Applicable
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	Not Applicable
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Not Applicable
PFRS 8	Operating Segments	Adopted
PFRS 9	Financial Instruments	Adopted
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Not Applicable
PFRS 10	Consolidated Financial Statements	Adopted
PFRS 11	Joint Arrangements	Not Applicable
PFRS 12	Disclosure of Interests in Other Entities	Not Applicable
PFRS 13	Fair Value Measurement	Not Applicable
<b>Philippine Accounting Standards</b>		
PAS 1 (Revised)	Presentation of Financial Statements	Adopted
	Amendment to PAS 1: Capital Disclosures	Adopted
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	Not Applicable
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	Not Applicable
PAS 2	Inventories	Not Applicable
PAS 7	Statement of Cash Flows	Adopted
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	Adopted
PAS 10	Events after the Balance Sheet Date	Adopted
PAS 11	Construction Contracts	Adopted
PAS 12	Income Taxes	Adopted
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	Adopted
PAS 16	Property, Plant and Equipment	Adopted
PAS 17	Leases	Not Applicable
PAS 18	Revenue	Adopted
PAS 19	Employee Benefits	Adopted
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	Adopted
PAS 19 (Amended)	Employee Benefits	Adopted
PAS 20	Accounting for Government Grants and Disclosure of	Not applicable

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		"Adopted", "Not Adopted" or "Not Applicable"
	Government Assistance	
PAS 21	The Effects of Changes in Foreign Exchange Rates	Adopted
	Amendment: Net Investment in a Foreign Operation	Not applicable
PAS 23 (Revised)	Borrowing Costs	Not applicable
PAS 24 (Revised)	Related Party Disclosures	Adopted
PAS 26	Accounting and Reporting by Retirement Benefit Plans	Not applicable
PAS 27 (Amended)	Separate Financial Statements	Not applicable
PAS 28 (Amended)	Investments in Associates and Joint Ventures	Adopted
PAS 29	Financial Reporting in Hyperinflationary Economies	Not applicable
PAS 31	Interests in Joint Ventures	Not applicable
PAS 32	Financial Instruments: Disclosure and Presentation	Adopted
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	Not applicable
	Amendment to PAS 32: Classification of Rights Issues	Not applicable
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	Not applicable
PAS 33	Earnings per Share	Adopted
PAS 34	Interim Financial Reporting	Not applicable
PAS 36	Impairment of Assets	Adopted
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	Not applicable
PAS 38	Intangible Assets	Not applicable
PAS 39	Financial Instruments: Recognition and Measurement	Adopted
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	Not applicable
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	Not applicable
	Amendments to PAS 39: The Fair Value Option	Not applicable
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	Not applicable
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	Not applicable
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	Not applicable
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39:	Not applicable
	Embedded Derivatives	Not applicable
	Amendment to PAS 39: Eligible Hedged Items	Not applicable

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		"Adopted", "Not Adopted" or "Not Applicable"
PAS 40	Investment Property	Not applicable
PAS 41	Agriculture	Not applicable
<b>Philippine Interpretations</b>		
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	Not applicable
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments	Not applicable
IFRIC 4	Determining Whether an Arrangement Contains a Lease	Not applicable
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	Not applicable
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	Not applicable
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies	Not applicable
IFRIC 8	Scope of PFRS 2	Not applicable
IFRIC 9	Reassessment of Embedded Derivatives	Not applicable
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	Not applicable
IFRIC 10	Interim Financial Reporting and Impairment	Not applicable
IFRIC 11	PFRS 2- Group and Treasury Share Transactions	Not applicable
IFRIC 12	Service Concession Arrangements	Not applicable
IFRIC 13	Customer Loyalty Programmes	Not applicable
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Not applicable
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement	Not applicable
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	Not applicable
IFRIC 17	Distributions of Non-cash Assets to Owners	Not applicable
IFRIC 18	Transfers of Assets from Customers	Not applicable
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	Not applicable
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	Not applicable
SIC-7	Introduction of the Euro	Not applicable
SIC-10	Government Assistance - No Specific Relation to Operating Activities	Not applicable
SIC-12	Consolidation - Special Purpose Entities	Not applicable
	Amendment to SIC - 12: Scope of SIC 12	Not applicable
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers	Not applicable
SIC-15	Operating Leases - Incentives	Not applicable
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets	Not applicable



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		"Adopted", "Not Adopted" or "Not Applicable"
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	Not applicable
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	Not applicable
SIC-29	Service Concession Arrangements: Disclosures.	Not applicable
SIC-31	Revenue - Barter Transactions Involving Advertising Services	Not applicable
SIC-32	Intangible Assets - Web Site Costs	Not applicable

GREENERGY HOLDINGS INCORPORATED AND ITS SUBSIDIARIES  
(formerly MUSX Corporation and its Subsidiaries)

FINANCIAL SOUNDNESS INDICATORS  
DECEMBER 31, 2012

	2012
<b>i. Current/liquidity ratios</b>	
Current ratio	7987.85%
$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$	$\frac{946,340,915}{11,848,736}$
Quick ratio	6268.14%
$\text{Quick ratio} = \frac{\text{Current assets} - \text{Prepayments} - \text{Advances for future stock subscription}}{\text{Current liabilities}}$	$\frac{742,695,699}{11,848,736}$
<b>ii. Solvency ratios/debt-to-equity ratios</b>	
Solvency ratio	-
$\text{Solvency ratio} = \frac{\text{After tax net profit} + \text{Depreciation (Non-cash expenses)}}{\text{Total liabilities}}$	$\frac{(27,570,975)}{11,848,736}$
Debt-to-equity ratio	0.88%
$\text{Debt-to-equity ratio} = \frac{\text{Total liabilities}}{\text{Total equity}}$	$\frac{11,848,736}{1,340,195,624}$
<b>iii. Asset-to-equity ratio</b>	
Asset-to-equity ratio	109.48%
$\text{Asset-to-equity ratio} = \frac{\text{Total assets}}{\text{Total equity}}$	$\frac{1,467,194,360}{1,340,195,624}$
<b>iv. Interest rate coverage ratio</b>	
Interest rate coverage ratio	-
$\text{Interest rate coverage ratio} = \frac{\text{Loss Before Interest and Tax (EBIT)}}{\text{Interest expense}}$	$\frac{(28,091,986)}{-}$

2012

v. Profitability ratios

Return On Equity (ROE)

(2.10%)

$$\text{Return On Equity} = \frac{\text{Net loss}}{\text{Total equity}}$$

(28,083,953)  
1,340,195,624

Gross margin

0%

$$\text{Gross margin} = \frac{\text{Gross profit(loss)}}{\text{Revenues}}$$

-  
-

Net margin

0%

$$\text{Net margin} = \frac{\text{Net loss}}{\text{Revenues}}$$

(28,083,953)  
-

REPUBLIC OF THE PHILIPPINES)  
MAKATI CITY ) S.S.

**UNDERTAKING**

I, **KENNETH S. TAN**, of legal age, Filipino, Treasurer of Greenergy Holdings Incorporated (the "Corporation"), and with principal office at 54 National Road, Dampol II-A, Pulilan, Bulacan, being duly sworn in accordance with law, hereby undertake on behalf of the Corporation to make the Interim Financial Statements of the Corporation for the quarter ended 30 June 2013 (SEC Form 17-Q) available to the stockholders during the Annual Stockholders' Meeting to be held on 16 August 2013 in compliance with the directive of the Corporation Finance Department of the Securities and Exchange Commission ("SEC") in its letter to the Corporation dated 4 July 2013.


This Undertaking is being issued in connection with the filing of the Corporation's Definitive Information Statement with the SEC.

IN WITNESS WHEREOF, I have hereunto affixed my signature this 19 July 2013 in Makati City.

  
**KENNETH S. TAN**  
Treasurer

SUBSCRIBED AND SWORN to before me this 19 July 2013 in Makati City, affiant having exhibited to me his Passport No. XX2786525 issued on 15 January 2009 in Manila and expiring on 14 January 2014.

Doc. No. 301 ;  
Page No. 62 ;  
Book No. III ;  
Series of 2013.

  
**JOHN GABRIEL**  
Notary Public  
Until December 31, 2013  
Roll of Attorneys No. 60663  
IBP Lifetime Member No. 010647  
PTR No. 3680876/01-11-13/Makati City  
Notarial Commission No. M-523  
TIN 276-796-846  
MCLE Compliance No. IV-0011446/01-15-13

**CERTIFICATION OF INDEPENDENT DIRECTORS**

I, **BENJAMIN P. LIM**, Filipino, of legal age, and with address at No. 30 Sta. Rosa cor. Biak na Bato St., Quezon City, after having been duly sworn in accordance with law do hereby declare that:

1. I am an independent director of Greenergy Holdings Incorporated.
2. I am affiliated with the following companies or organizations:

**RETIRED**

Company/Organization	Position/Relationship	Period of Service
<i>[Handwritten Signature]</i>		

3. I possess all the qualifications and none of the disqualifications to serve as an independent director of Greenergy Holdings Incorporated as provided for in Section 38 of the Securities and Regulations Code and its Implementing Rules and Regulations.

4. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulations Code.

5. I shall inform the corporate secretary of Greenergy Holdings Incorporated of any changes in the abovementioned information within five (5) days from its occurrence.

Done this 19th day of July 2013 at Makati City.

*[Handwritten Signature]*  
**BENJAMIN P. LIM**  
 Affiant

SUBSCRIBED AND SWORN to before me this 19th day of July 2013 at Makati City, affiant exhibiting to me her competent evidence of identity SENIOR CITIZEN'S CARD (14867) issued at QUEZON CITY on AUG. 31, 2005.

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*[Handwritten Signature]*  
**ATTY. JOSELINA PAULA A. GABRIEL**  
 Notary Public  
 Until December 31, 2013  
 Roll of Attorneys No. 60663  
 IBP Lifetime Member No. 010647  
 PTR No. 3680876/01-11-13/Makati City  
 Notarial Commission No. M-523  
 TIN 276-796-846  
 MCLE Compliance No. IV-0011446/01-13-13

**CERTIFICATION OF INDEPENDENT DIRECTORS**

I, LEONOR M. BRIONES, Filipino, of legal age, and with address at 10 Wagner St., Ideal Subdivision, Fairview, Quezon City, after having been duly sworn in accordance with law do hereby declare that:

1. I am an independent director of Greenergy Holdings Incorporated.
2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Please see attached sheet.		

3. I possess all the qualifications and none of the disqualifications to serve as an independent director of Greenergy Holdings Incorporated as provided for in Section 38 of the Securities and Regulations Code and its Implementing Rules and Regulations.

4. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulations Code.


5. I shall inform the corporate secretary of Greenergy Holdings, Incorporated of any changes in the abovementioned information within five (5) days from its occurrence.

Done this 19th day of July 2013 at Makati City.

  
LEONOR M. BRIONES  
Affiant

SUBSCRIBED AND SWORN to before me this 19th day of July 2013 at Makati City, affiant exhibiting to me her competent evidence of identity Senior Citizen's ID No. 17935 issued at Office for Senior Citizens Affairs-Quezon City on \_\_\_\_\_.

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Series of 2013.

  
ATTY. JOSEFA PAULA A. GABRIEL

Notary Public

Until December 31, 2013

Roll of Attorneys No. 60663

IBP Lifetime Member No. 010647

PTR No. 3680876/01-11-13/Makati City

Notarial Commission No. M-523

TIN 276-796-846

MCLE Compliance No. IV-0011446/01-15-13

Company/Organization	Position/Relationship	Period of Service
Megawide Construction Corp.	Independent Director	