C O V E R S H E E T

for

17-Q

SEC Registration Number

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C O M P A N Y N A M E

GREENERGY HOLDINGS
INCORPORATED AND SUBSIDIARIES

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

NO. 54 NATIONAL ROAD, DAMPOL
II-A, PULILAN, BULACAN

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-Q2	CRMD	NA

C O M P A N Y I N F O R M A T I O N

Company's Email Address	Company's Telephone Number	Mobile Number
greenergy@ghi.com.ph	(02) 997-5184	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
1,038	Second Friday of June	DECEMBER 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Kenneth S. Tan	kenneth.tan@ani.com.ph	(02) 997-5184	N/A

CONTACT PERSON'S ADDRESS

No. 7 St. Jose Maria Escriva Drive, Unit 112, Cedar Mansion 2, Ortigas Center, Pasig City

NOTE 1 : *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2 : *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1.	For the quarterly period ended	:	**30 June 2018**
2.	SEC Identification Number	:	**AS092-000589**
3.	BIR Tax Identification Number	:	**001-817-292**
4.	Exact name of Registrant as specified in its charter	:	**Greenergy Holdings Incorporated**
5.	Province, Country or other Jurisdiction on incorporation or organization	:	**Philippines**
6.	Industrial Classification Code	:	**(SEC Use Only)**
7.	Address of Principal Office	:	**54 National Road, Dampol II-A Pulilan, Bulacan**
8.	Issuer's Telephone No. including area code	:	**(02) 997-5184**
9.	Former name of the Company	:	**Not applicable**

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Stock Outstanding and Amount of Debt Outstanding[1]
Common	1,800,778,572
Preferred	1,000,000,000
Amount of Debt Outstanding:	₱245,299,149

11. Are any or all of these securities listed on the Philippine Stock Exchange

Yes [**x**]   No [ ]

[1] As of 30 June 2018

The Issuer has 452,434,782 shares listed in the Philippine Stock Exchange.

12. Indicate by check mark whether the registrant:

a. Has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the Revised Securities Act (RSA) and RSA Rule 11(a)-1 thereunder and Sections 26 and 41 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such report).

Yes [**x**] No []

b. Has been subject to such filing requirement for the past 90 days.

Yes [**x**] No [ ]

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

The unaudited consolidated financial statements of Greenergy Holdings Incorporated and subsidiaries as of and for the period ended 30 June 2018 (with comparative figures as of 31 December 2017 and for the period ended 30 June 2017) are filed as part of this SEC Form 17-Q as Annex "A".

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

The following Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the attached unaudited consolidated financial statements of Greenergy Holdings Incorporated and subsidiaries as of and for the period ended 30 June 2018.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Interim 2nd quarter

Balance Sheet

Cash has a movement of P16.01 million as at June 30, 2018 from P2.7 million consolidated at December 31, 2017. The movement in cash is due additional advances received and collections from sales during the period including interest earned from bank accounts.

Receivables increased to P251.51 million in June 30, 2018 from P251.44 million as of December 31, 2017 mainly due to additional recognition of rental income during the quarter.

Due from related parties decreased to P819.90 million in June 30, 2018 from P821.84 million consolidated at December 31, 2017 as a result of liquidation and payment.

Other current assets increased to P0.64 million in June 30, 2018 from P0.57 million consolidated at December 31, 2017 due to increase in Input VAT.

Investment in associate increased to P319.32 million in June 30, 2018 from P319.15 million at December 31, 2017 as a result of the share of net income in the operations of its associates.

Property and equipment, net decreased to P1.18 million in June 30, 2018 from P1.25 million as at December 31, 2017 mainly due to depreciation and amortization.

Trade and Other Payables increased to P20.13 million in June 30, 2018 compared to the December 31, 2017 amounting to P19.63 million due to increase in payables and accruals during the period.

Non controlling interest decreased to P136.82 million in June 30, 2018 from P139.23 million as at December 31, 2017 due to the results of the operations of subsidiaries under common control.

<u>Income Statement</u>

Income recorded for the first six (6) months of 2018 is ₱25.05 million, which includes gain on sale of an investment of associate, agri-tourism revenues and rental income. Gain on sale amounting to ₱21.13 million due to disposal of shares of an associate while share in net income of an associate decreased from an income of ₱3.03 million in 2017 to ₱2.26 million in 2018 due to decrease in results of operations from its associate during the period.

Expenses such as contractual services, salaries and wages, repairs and maintenance and legal and professional fees increased during the 2nd quarter of 2018 as compared to last quarter of 2017.

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

General and administrative expenses in 2018 totaled ₱10.69 million, an increase of 22% compared to that in 2017 which amounted to P8.75 million due to the increased agri-tourism activities. Other than the Group's investment in Rosario, Batangas, new business opportunities are being explored by the Company including those in the field of Information Technology and renewable energy.

As a result of the above, the Company had a Consolidated Operating Income of ₱14.32 million during the second quarter of 2018.

PART II--OTHER INFORMATION

None.

SIGNATURES

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

Issuer: **GREENERGY HOLDINGS, INC.**

Signature and Title: **ANTONIO L. TIU**

Chairman of the Board and President

Date: 10 August 2018

Signature and Title: **KENNETH S. TAN**

Chief Financial Officer

Date: 10 August 2018

GREENERGY HOLDINGS INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND DECEMBER 31, 2017
(Amounts in Philippine Pesos)

	Note		**2018**		2017
ASSETS					
Current Assets					
Cash	6	₱	**18,709,739**	₱	2,700,296
Receivables - net	7		**251,514,857**		251,436,182
Due from related parties	17		**819,896,038**		821,835,699
Other current assets-net	9		**635,487**		569,945
Total Current Assets			**1,090,756,121**		1,076,542,122
Noncurrent Assets					
Deposit for land acquisition	8		**11,000,000**		11,000,000
Available-for-sale (AFS) investment	10		**370,000**		370,000
Investment in an associate	11		**319,323,229**		319,154,639
Investment property - net	15		**6,320,465**		6,320,465
Property and equipment - net	13		**1,181,449**		1,246,730
Biological assets	14		**3,232,807**		3,232,807
Total Noncurrent Assets			**341,427,950**		341,324,641
		₱	**1,432,184,071**	₱	1,417,866,763

	Note		**2018**		2017
LIABILITIES AND EQUITY					
Current Liabilities					
Trade and other payables	16	₱	**20,128,367**	₱	19,626,005
Due to related parties	17		**38,989,631**		46,752,073
Deposit for future stock subscription	18		**177,000,000**		177,000,000
Income tax payable			**278,356**		231,423
Total Current Liabilities			**236,396,354**		243,609,501

(Forward)

(Carryforward)

	Note	2018	2017
Equity	18		
Equity attributable to equity holders of Parent Company			
Capital stock			
Common – P1.00 par value			
Authorized – 1,900,000,000 shares			
Subscribed – 1,703,278,572 shares in 2017 and 2016		**1,703,278,572**	1,703,278,572
Preferred – P0.10 par value			
Authorized and Subscribed – 1,000,000,000		**100,000,000**	100,000,000
Additional paid-in capital		**268,090,531**	268,090,531
Unrealized loss on fair value of AFS investments		**(390,600)**	(390,600)
Share in other comprehensive income (loss) of an associate	12	**8,900,265**	1,687,040
Accumulated losses		**(1,020,914,692)**	(1,037,637,525)
		1,058,964,076	1,035,028,018
Non-controlling interests	22	**136,823,641**	139,229,244
Total Equity		**1,195,787,717**	1,174,257,262
		₱ 1,432,184,071	₱ 1,417,866,763

See accompanying Notes to Financial Statements

GREENERGY HOLDINGS INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017
(Amounts in Philippine Pesos)

		For the Quarter Ended June 30		For the Six Months Ended June 30	
	Note	**2018**	2017	**2018**	2017
INCOME					
Gain on sale of investment in investment in associate	11	₱ **21,134,773**	₱ –	₱ **21,134,773**	₱ –
Equity in net income of an associate		**1,951,965**	1,013,774	**2,260,034**	3,034,891
Other income		**311,841**	–	**1,492,151**	–
Rental Income		**81,675**	67,500	**163,350**	135,000
Interest income	6	**189**	2,610	**736**	3,872
		23,480,443	1,083,884	**25,051,044**	3,173,763
EXPENSES					
General and administrative expenses	19	**(5,298,156)**	(4,165,489)	**(10,686,879)**	(8,751,234)
Interest expense		**–**	–	**–**	–
		(5,298,156)	(4,165,489)	**(10,686,879)**	(8,751,234)
INCOME (LOSS) BEFORE INCOME TAX		**18,182,287**	(3,081,605)	**14,364,165**	(5,577,471)
INCOME TAX EXPENSE		**21,695**	1,350	**46,935**	2,700
NET INCOME (LOSS)		₱ **18,160,592**	₱ (3,082,955)	₱ **14,317,230**	₱ (5,580,171)
NET INCOME (LOSS) ATTRIBUTABLE TO:					
Equity holders of the Parent Company		**19,499,384**	(1,722,285)	**16,722,833**	(2,723,967)
Non-controlling interests	22	**(1,338,792)**	(1,360,670)	**(2,405,603)**	(2,856,204)
		18,160,592	(3,082,955)	**14,317,230**	(5,580,171)
INCOME (LOSS) PER SHARE	21	**0.01**	(0.00)	**0.01**	(0.00)

See accompanying Notes to Financial Statements

GREENERGY HOLDINGS INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017
(Amounts in Philippine Pesos)

	Note	**2018**	2017
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT COMPANY			
CAPITAL STOCK	18		
Common Stock			
Authorized – 1,900,000,000 common shares at P1.00 par value			
Balance at beginning of year		₱ **1,598,289,455**	₱ 1,598,289,455
Issuance during the period		**–**	–
Balance at end of period		**1,598,289,455**	1,598,289,455
Subscribed			
Balance at beginning and end of period		**202,489,117**	202,489,117
Subscription receivable			
Balance at beginning and end of period		**97,500,000**	97,500,000
		1,703,278,572	1,703,278,572
Preferred shares			
Authorized – 1,000,000,000 preferred shares at ₱0.10 par value			
Balance at beginning and end of period		**100,000,000**	100,000,000
ADDITIONAL PAID-IN CAPITAL		**268,090,531**	268,090,531
UNREALIZED LOSS ON FAIR VALUE OF INVESTMENTS	11		
Balance at beginning of year		**(390,600)**	(390,600)
Unrealized gain (loss) during the period		**–**	–
Balance at end of period		**(390,600)**	(390,600)
SHARE IN OTHER COMPREHENSIVE INCOME OF AN ASSOCIATE			
Balance at beginning of year		**1,687,040**	11,809,295
Share in other comprehensive income of an associate			
Exchange differences on translation of foreign operations		**7,213,225**	2,639,432
Remeasurement on pension liability net of tax		**–**	–
Balance at end of period		**8,900,265**	14,448,727

(Forward)

(Carryforward)

	Note		2018		2017
ACCUMULATED LOSSES					
Balance at beginning of year					
As restated			**(1,037,637,525)**		(1,061,478,111)
Net income (loss) for the period			**16,722,833**		(2,723,967)
Balance at end of period			**(1,020,914,692)**		(1,064,202,078)
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT COMPANY			**1,058,964,076**	₱	1,021,225,152
NON-CONTROLLING INTERESTS	22				
Balance at beginning of year					
As restated			**139,229,244**		141,794,403
Net loss during the period			**(2,405,603)**		(2,856,204)
Balance at end of the period			**136,823,641**		138,938,199
		₱	**1,195,787,717**		1,160,163,351

GREENERGY HOLDINGS INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017
(Amounts in Philippine Pesos)

	Notes		2018		2017
CASH FLOWS FROM OPERATING ACTIVITIES					
Income (loss) before income tax		₱	**14,364,165**	₱	(5,577,471)
Adjustments for:					
Gain on sale of an investment in associate			**(21,134,773)**		–
Share in net income of associate	12		**(2,260,034)**		(3,034,891)
Depreciation	14		**65,281**		666,771
Interest income	6		**(736)**		(3,872)
Operating loss before working capital changes			**(8,966,097)**		(7,949,463)
Increase in:					
Receivables	7		**(78,675)**		(135,000)
Other current assets	10		**(65,542)**		(7,200)
Decrease in:					
Trade and other payables	16		**502,360**		162,015
Net cash used in operations			**(8,607,954)**		(7,929,648)
Interest received	6		**736**		3,872
Net cash used in operating activities			**(8,607,218)**		(7,925,776)
CASH FLOWS FROM AN INVESTING ACTIVITIES					
Advances made to related parties	17		**1,939,661**		–
Collections received from related parties	17		**–**		7,918,948
Sale of an investment in associate	11		**30,439,442**		–
Net cash provided by investing activities			**32,379,103**		7,918,948
CASH FLOWS FROM A FINANCING ACTIVITY					
Advances received from related parties	17		**(7,762,442)**		9,000
Net cash provided by (used in) financing activities			**(7,762,442)**		9,000
NET INCREASE IN CASH			**16,009,443**		2,172
CASH AT BEGINNING OF YEAR			**2,700,296**		1,655,902
CASH AT END OF YEAR	6	₱	**18,709,739**	₱	1,658,074
CASH AT END OF YEAR CONSISTS OF:					
Cash on hand		₱	**690,314**	₱	378,473
Cash in banks			**18,019,425**		1,279,601
CASH AT END OF YEAR		₱	**18,709,739**	₱	1,658,074

See accompanying Notes to Financial Statements.

1. Corporate Information

Greenergy Holdings Incorporated ("GHI" or the Parent Company) was registered and incorporated with the Philippine Securities and Exchange Commission (SEC) on January 29, 1992 as MUSX Corporation to primarily engage in the manufacture and sale of semiconductor products. In 2011, the SEC approved the amendment of its Articles of Incorporation to change the registered name to Greenergy Holdings Incorporated. The Parent Company's shares are publicly-listed in the Philippine Stock Exchange (PSE).

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

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

The Group's registered address and principal place of business is at 54 National Road, Dampol II-A, Pulilan Bulacan. The Group's business address is at Unit 112 Cedar Mansion II, #7 Street Jose Maria Escriva Drive, Ortigas Center Pasig City.

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

Investee	Nature of Business	Principal Place of Business	Percentage of Ownership 2018	2017
Subsidiaries				
Winsun Green Ventures, Inc. (WGVI)	Renewable energy system	Pulilan, Bulacan	**100%**	100%
Agrinurture Development Holdings Inc. (ADHI)	Investment holding	Pasig City	**100%**	100%
Sunchamp Real Estate Development Corp. (SREDC)	Agri-tourism and real estate	Rosario, Batangas	**62.39%**	62.39%
Lite Speed Technologies, Inc. (LSTI)	Information technology	Makati City	**51%**	51%
Total Waste Management Recovery System, Inc. (TWMRSI)	Waste management	Pulilan, Bulacan	**51%**	51%

(Forward)

(Carryforward)

Investee	Nature of Business	Principal Place of Business	Percentage of Ownership **2018**	2017
Associate				
Agrinurture, Inc. (ANI)	Trading	Pulilan, Bulacan	**24.21%**	30.26%

Going Concern

The Group's consolidated financial statement have been prepared on a going concern basis, which assumes that the Group will be able to continue to increase its revenues and improve operations despite heavy losses from operations. Although the Group has accumulated losses of ₱1.02 billion as at June 30, 2018 and December 31, 2017, respectively, the fair value of the Group's investment in ANI increased from ₱2.3 billion as at December 31, 2017 to ₱2.95 billion as at June 30, 2018 (see Note 11).

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

Trading Suspension

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

On said date, the PSE suspended the trading of the Parent Company's securities until further notice. As at reporting period, the trading of the Parent Company's securities is still suspended (see Note 27).

The principal activities of the subsidiaries are as follows:

WGVI

WGVI was incorporated in 2012 with the primary purpose of engaging in renewable energy projects. In 2014, WGVI's AFS investment amounting to ₱22.5 million was fully provided with an allowance for impairment loss. In addition, WGVI has a capital deficiency amounting to ₱66.4 million as at June 30, 2018 and December 31, 2017. Accordingly, a full allowance for impairment loss was provided by the Parent Company in 2014 since management believed that its investment in WGVI was impaired.

WGVI has not yet started its commercial operations as at reporting date.

ADHI

On June 17, 2014, the SEC approved the incorporation of ADHI. ADHI was incorporated to serve as the Group's holding company for its agricultural portfolio.

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

SREDC
On January 17, 2013, SREDC entered into an agreement with a third party for the transfer of all the rights, titles and interest over a 150-hectare land in Rosario, Batangas, where a planned project for a self-sustaining agri-tourism park (the Park) will be located (see Note 8). The Park, which will be called "Sunchamp Agri-Tourism Park," is intended to re-shape people's perception of agriculture and will showcase the farm-to-plate business model that promotes agriculture as a commercially viable and growing business activity. The Park will also use the latest techniques for organic and natural farming.

To encourage Filipinos to become "agri-entrepreneurs" or professionals in the agriculture industry, the Park will offer agri-tourism and lifestyle center activities where families will have a hands-on agriculture and culinary experience. The commercial operations of the tourism aspect of the Park, which will showcase the Filipino farmer's creativity and hospitality as well as educate children about the future of and in agriculture, began in the last quarter of 2017.

LSTI
LSTI was registered with the SEC on August 14, 2014 to engage in the business of information and communications technology.

LSTI has not yet started commercial operations as at reporting date.

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

In 2013, the Parent Company advanced ₱235.0 million to TWMRSI, which was used to acquire machineries and equipment and steel structure for the latter's waste recycling project located at Santiago Street, Barangay Lingunon, Valenzuela City and which was initially expected to be in full operation in 2014. However, TWMRSI has not started the assembly and installation of the parts as it is still finalizing the arrangement for the site where the project will be located.

In addition, TWMRSI has a capital deficiency amounting to ₱233.6 million as at June 30, 2018 and December 31, 2017. Due to these circumstances, the Parent Company's investment and advances to TWMRSI were provided with full allowance for impairment loss because management believed that these were already impaired.

TWMRSI has not yet started its commercial operations as at reporting date.

Approval of Financial Statements
The consolidated financial statements as at and for the period ended June 30, 2018 and December 31, 2017 were authorized for issue on August 10, 2018.

2. **Basis of Preparation**

Presentation of Financial Statements
The consolidated financial statements of the Group have been prepared on a historical cost basis except for available-for-sale investment which is measured at fair value and biological assets which are measured at fair value less cost to sell. The Group presents all items of income and expenses in a single statement of comprehensive income. These consolidated financial statements and these notes are presented in Philippine pesos, which is the Group's functional and presentation currency under the Philippine Financial Reporting Standards (PFRS). All values are rounded to the nearest peso, unless otherwise indicated.

Statement of Compliance
The consolidated financial statements of the Group have been prepared in compliance with PFRS. PFRS includes the statements named PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by SEC.

Principles of Consolidation
The consolidated financial statements of the Group comprise the accounts of the Parent Company and its subsidiaries where the Parent Company has control.

Specifically, the Group controls an investee if the Group has:
- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

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

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

The Group re-assesses whether controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Intercompany balances and transactions, including intercompany profits and unrealized profits and losses are eliminated.

When the Group loses control over a subsidiary, at the date when control is lost, it: (a) derecognizes the assets (including any goodwill) and liabilities of the subsidiary at their carrying amount; (b) derecognizes the carrying amount of any noncontrolling interests including any components of other comprehensive income attributable to them; (c) recognizes the fair value of the consideration received; (d) recognizes the fair value of any investment retained in the former subsidiary at its fair value; (e) account for all amounts recognized in other comprehensive income in relation to the subsidiary on the same basis as would be required if the parent had directly disposed of the related assets and liabilities, and (f) recognizes any resulting difference as gain or loss in profit or loss attributable to the parent.

The financial statements of the subsidiaries are prepared for the same reporting year as the Group using consistent accounting policies. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

Noncontrolling interests represent interests in certain subsidiaries not held by the Parent Company and are presented separately in the consolidated statements of comprehensive income and consolidated statements of changes in equity and within equity in the consolidated statements of financial position, separately from equity attributable to the equity holders of Parent Company.

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

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction

3. Changes in Accounting and Financial Reporting Policies

Changes in Accounting Policies

The accounting policies adopted by the Company are consistent with those of the previous financial years except for the following amended and improved PFRS and PAS which became effective in 2017:

- PAS 7, *Cash Flow Statements: Disclosure Initiative*

  The amendments require the entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The specific disclosure that may be necessary in order to satisfy the above requirement includes:

  - changes in liabilities arising from financing activities caused by changes in financing cash flows, foreign exchange rates or fair values, or obtaining or losing control of subsidiaries or other businesses; and

  - a reconciliation of the opening and closing balances of liabilities arising from financing activities in the Statements of financial position including those changes identified immediately above.

  The amendments affect disclosures only and have no significant impact on the Group's financial statements.

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

  The amendments in recognition of deferred tax assets for unrealized losses clarify the requirements on recognition of deferred tax assets for unrealized losses related to debt instruments measured at fair value.

These amendments are effective for annual periods beginning on or after January 1, 2017, with earlier application permitted. As transition relief, an entity may recognize the change in the opening equity of the earliest comparative period in opening retained earnings on initial application without allocating the change between opening retained earnings and other components of equity.

The amendments have no significant impact on the Group's financial statements.

Annual Improvements to PFRS (2014-2016 Cycle)
The Annual Improvements to PFRSs (2014-2016 cycle) contain non-urgent but necessary amendments to the following standards:

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

  This improvement has no significant impact on the Group's financial statements as this affects disclosures only.

- Amendments to PFRS 1, *Deletion of Short-term Exemptions for First-time Adopters* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)

  These amendments are not applicable to the Group as it is not a first-time adopter.

New Accounting Standards, Amendments to Existing Standards Annual Improvements and Interpretations Effective Subsequent to December 31, 2017
The standards, amendments, annual improvements and interpretations which have issued but are not yet effective are discussed below and in the subsequent pages. The Group will adopt these standards, amendments and annual improvements and interpretations when these become effective and applicable to the Group. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards, annual improvements and interpretations to have a significant impact on its financial statements.

Effective in 2018

- Amendments to PFRS 2, *Share-based Payment*, *Classification and Measurement of Share-based Payment Transactions*
  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

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

  These amendments are currently not applicable to the Group as it has no share-based payment transactions.

- Amendments to PFRS 4, *Insurance Contracts*, *Applying PFRS 9, Financial Instruments, with PFRS 4*
  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

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

  The amendments are currently not applicable to the Group since it has no activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 9, *Financial Instruments: Classification and Measurement*
  PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at FVPL. For liabilities designated as at FVPL using the FVO, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI.

  The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change relating to the entity's own credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward to PFRS 9, including the embedded derivative bifurcation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets but will potentially have no impact on the classification and measurement of financial liabilities.

  On hedge accounting, PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items, but also for nonfinancial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting. The Company is currently assessing the impact of this new standard to its financial statements.

  This is not expected to have a significant impact on the Group's financial statements.

- PFRS 15, *Revenue from Contracts with Customers*
  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

  The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018.

  The Group is currently assessing the impact of PFRS 15 and plans to adopt the new standard on the required effective date.

- PFRS 15, *Clarifications to PFRS 15, Revenue from Contracts with Customers*
  These amendments, which are effective from January 1, 2018, clarify how companies:

  - identify a performance obligation, the promise to transfer a good or a service to a customer, in a contract;

  - determine whether a company is a principal (the provider of a good or service) or an agent responsible for arranging for the good or service to be provided;
  - determine whether the revenue from granting a license should be recognized at a point in time of over time.

  The Group is currently assessing the impact of PFRS 15 and plans to adopt the new standard on the required effective date.

- Amendments to PAS 40, *Investment Property*, *Transfers of Investment Property*
  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

  These amendments are currently not applicable to the Group as it has no investment property.

- Philippine Interpretation IFRIC 22, *Foreign Currency Transactions and Advance Considerations*
  The interpretation addresses foreign currency transactions or parts of transactions where:
  - there is consideration that is denominated or priced in a foreign currency;
  - the entity recognizes a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
  - the prepayment asset or deferred income liability is non-monetary.

  IFRIC 22 is effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted.

  This is not expected to have significant impact on the Group's financial statements.

Annual Improvements to PFRS and PAS (2014 - 2016 Cycles)
Amendment to PAS 28, *Measuring an Associate of Joint Venture at Fair Value*
The amendment clarified that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

This amendment is not expected to have significant impact on the Group's financial statements.

Effective in 2019

- PFRS 16, *Leases*
  On January 13, 2016, the IASB issued its new standard, PFRS 16, Leases, which replaces
  PAS 17, the current leases standard, and the related Interpretations. Under the new standard (renamed as PFRS 16), lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their Statements of financial position, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements. The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is not permitted until the FRSC has adopted the new revenue recognition standard. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

  Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

  The Group is currently assessing the impact of the new standard.

Deferred

- Philippine Interpretation IFRIC 15, *"Agreements for the Construction of Real Estate"*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The Philippine SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Management will continuously assess the impact of this interpretation. Currently, management believes that the adoption of the interpretation will have no a significant impact on the Group's financial statements.

- Amendments to PFRS 10, *"Consolidated Financial Statements" and PAS 28, "Investments in Associates and Joint Ventures": Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
  These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that full gain or loss is recognized when a transaction involves a business (whether it is a housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments are currently not expected to have significant impact on the Group's financial statements.

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

<u>New and Amended Standards adopted by the Philippine Financial Reporting Standards Council (FRSC) but not yet been approved by the Board of Accountancy (BOA)</u>
New and amended standards not yet effective in 2017 issued by the FRSC but are still subject to approval by the Board of Accountancy are listed below:

<u>Effective beginning on or after January 1, 2019</u>
- Amendments to PFRs 9, *Prepayments Features with Negative Compensation*
- Amendments to PAS 19, *Plan Amendment, Curtailment or Settlement*
- Amendments to PAS 28, *Long – term Interests in Associates and Joint Ventures*
- *Annual improvements to PFRSs 2015-2017 cycle*
  - Amendments to PFRS 3 and PFRS 11, *Previously Held Interest in a Joint Operation*
  - *Amendments to PAS 12, Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
- Philippine Interpretation IFRIC 23, *Uncertainty over Income Tax Treatments*

<u>Effective beginning on or after January 1, 2019</u>
- PFRS 17, *Insurance Contracts*

The Group will continue to assess the relevance and impact of the above standards, amendments to standards and interpretations. The revised disclosures on the financial statements required by the above standards and interpretations will be included in the Group's financial statements when these are adopted.

4. Summary of Significant Accounting and Financial Reporting Policies

The principal accounting policies adopted in preparing the consolidated financial statements of the Group are summarized below and in the succeeding pages. The policies have been consistently applied to all years presented unless otherwise stated:

<u>Current versus Noncurrent Classification</u>
The Group presents assets and liabilities in the consolidated statements of financial position based on current or noncurrent classification.

An asset is current when it is:

- expected to be realized or intended to be sold or consumed in normal operating cycle,
- held primarily for the purpose of trading,
- expected to be realized within twelve months after the reporting period, or

- cash and cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

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

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

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

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

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

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

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

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

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

<u>Cash</u>
Cash includes cash on hand and in banks are stated at its face value.

<u>Financial Assets and Liabilities</u>
Date of recognition
The Group recognizes a financial asset or liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. All the regular way purchases and sales of financial assets are recognized on the trade date, i.e., the date the Group commits to purchase or sell the assets. Regular way purchases or sales are purchases or sales of financial assets that require delivery within the period generally established by regulation or convention in the market place.

Initial recognition and measurement
Financial assets and financial liabilities are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The fair value of the consideration given or received is determined by preference to the transaction price or other market prices. If such market prices are not reliably determinable, the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rate of interest for similar instruments with similar maturities. The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction costs.

Determination of fair value
Fair value is determined by preference to the transaction price or other market prices. If such market prices are not reliably determinable, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value model where the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rates of interest for similar instruments with similar maturities. Other valuation techniques include comparing to similar instruments for which market observable prices exist; recent arm's length market transaction; option pricing model and other relevant valuation models.

Subsequent measurement and classification
<u>Financial Assets</u>
The Group determines the classification at initial recognition and, where allowance is appropriate, re-evaluates this designation every reporting date. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Subsequent to initial recognition, the Group classifies its financial assets in the following categories:

- *Financial asset at fair value through profit or loss (FVPL)*
  A financial asset is classified in this category if acquired principally for the purpose of selling or repurchasing in the near term or upon initial recognition, it is designated by the management at FVPL. Derivatives are also categorized as held at fair value through profit or loss, except those derivatives designated as effective hedging instruments. Assets classified in this category are carried at fair value in the statements of financial position. Changes in the fair value of such assets are accounted for in statements of comprehensive income. Financial instruments held at fair value though profit or loss are classified as current if they are expected to be realized within 12 months from the end of financial reporting period.

  As at June 30, 2018 and December 31, 2017, the Group has no financial asset at FVPL.

- *Loans and receivables*
  Loans and receivables are non-derivative financial assets with fixed or determinable payments and are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables.

  Such assets are carried initially at cost and at amortized cost subsequent to initial recognition in the statements of financial position. Amortization is determined using the effective interest method. Loans and receivables are included in current assets if maturity is within 12 months from the end of financial reporting period. Otherwise, these are classified as non-current assets.

  The Group's cash, receivables (excluding advances to officers and employees, deposit to suppliers, and other advances) and due from related parties are under this category (see Notes 6, 7 and 17).

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

  The Group has no HTM investment as at June 30, 2018 and December 31, 2017.

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

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

  The Group has AFS investment as at June 30, 2018 and December 31, 2017 (Note 10).

<u>*Financial Liabilities*</u>

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

  As at June 30, 2018 and December 31, 2017, the Group has no financial liabilities classified at FVPL.

- *Other financial liabilities*

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

The financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest rate method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

Other financial liabilities include trade and other payables, loans payable and due to related parties (see Notes 16 and 17).

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

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

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

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

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

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

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

Derecognition of Financial Assets and Financial Liabilities

Financial Assets

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

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

Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Where the existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statements of comprehensive income.

Classification of Financial Instrument between Debt and Equity

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

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

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

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

Investment in Associate
Investment in associate (Investee Company) is accounted for under the equity method of accounting. An associate is an entity in which the Group holds 20% or more ownership or, has the ability to significantly influence the Investee Company's operating activities.

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

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

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

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

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

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

Advances for Waste Recycling Project
Advances for waste recycling project are stated at cost less accumulated impairment. This includes cost of construction, equipment and other direct costs. Advances for waste recycling project are not depreciated until such time as the relevant assets are completed and put into operational use. It represents mainly machineries and equipment and steel structures for the construction of a waste recycling machinery and equipment.

Deposit to Suppliers
Deposit to suppliers represents amounts paid in advance for goods or services that are yet to be delivered and from which future economic benefits are expected to flow to the Group within the normal operating cycle or within 12 months from the financial reporting date. These are initially recorded at actual cash advanced and are subsequently applied against subsequent asset purchases, cost or expenses incurred. Advances to suppliers are stated at realizable value.

Advances to Officers and Employees
Advances to officers and employees represent unsecured and non-interest bearing advances made for various business related expenses which are subject to liquidation on demand. These are initially recorded at actual cash advanced to officers and employees and are subsequently applied against expenses incurred.

Prepayments and other Current Assets

- Prepayments are apportioned over the period covered by the payment and charged to the appropriate account in the consolidated statements of comprehensive income when incurred.
- Input VAT represents VAT imposed on the Group by its suppliers for the acquisition of goods and services as required by the Philippine taxation laws and regulations. Input VAT is presented as current asset and will be used to offset against the Group’s current output VAT liabilities, if any. Input VAT is initially recognized at actual amount paid for and subsequently stated at its recoverable amount (cost less impairment).
- Other current assets include unused tax credits which will be offset when there is a legally enforceable right to offset amounts against income tax due.

Other current assets that are expected to be realized for no more than 12 months after the reporting period are classified as current assets. Otherwise, these are classified as other noncurrent assets.

Property and Equipment
Property and equipment are initially recorded at cost. Subsequent to initial recognition, property and equipment are stated at cost less accumulated depreciation and any impairment in value.

The initial cost of property and equipment comprises its purchase price, including legal and brokerage fees, import duties and non-refundable purchases taxes, after deducting trade discounts and rebates, and any directly attributable costs of bringing the asset to its location and condition necessary for it to be capable of operating in the manner intended by management. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance including the cost of day-to-day servicing of an item of property and equipment, are normally charged to operations in the period in which the costs are incurred. In situation where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

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

	Years
Land improvements	15
Building and improvements	10
Transportation and equipment and others	5
Furniture, fixtures and equipment	5

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

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is charged or credited to operations.

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

Investment Properties

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

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

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

Impairment of Non-financial Assets
The carrying values of nonfinancial assets such as nonfinancial assets included in receivables, other current assets, investment in associates, deposit for land acquisition, investment properties, and property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists, and if the carrying value exceeds the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of net selling price or value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's-length transaction less cost to sell. 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 largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is charged to operations in the period in which it arises unless the asset is carried at a revalued amount in which case the impairment is charged to the revaluation increment of the said asset.

An assessment is made at each end of financial reporting period to determine whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however, not to an amount higher than the carrying amount that would have been determined (net of any depreciation), had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Related Party Transactions and Relationships
Related party transactions are transfers of resources, services or obligations between the Group and its related parties, regardless whether a price is charged. Parties are considered to be 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. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual; and (d) other related parties such as directors, officers and stockholders.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

Equity

Capital stock is determined using the nominal value of shares that have been issued.

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

Net unrealized loss on fair value of available-for-sale investment accounts for the excess of the carrying amounts over the fair market value of these investments. When fluctuation is deemed permanent, the gain or loss resulting from such fluctuation will be reversed and charged to Group consolidated statements of income in the year that the permanent fluctuation is determined.

Retained earnings (accumulated losses) include all current and prior period results of operations as disclosed in the Group consolidated statements of comprehensive income.

Deposit for Future Stocks Subscription

Deposit for future stocks subscription represents funds received by the Group from existing and potential stockholders to be applied as payment for subscriptions of unissued shares or shares from an increase in authorized capital stock.

Proceeds are recognized as equity when all of the requirements set forth by the SEC have been met, otherwise, it is recognized as a liability.

An entity shall classify deposit for future stock subscription as part of equity if and only if, all of the following elements are present as at the end of the period:

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

Earnings (Loss) per share

Earnings (loss) per share (EPS) is determined by dividing net income (loss) by the weighted average number of common shares outstanding during the year, with retroactive adjustments for any stock dividends declared.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transactions will flow to the Group and the amount of revenue, related cost incurred or to be incurred/cost to complete the transactions can be measured reliably. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. Revenue is measured at the fair value of the consideration received or receivable taking into account any trade discounts, prompt settlement of discounts and volume rebates allowed by the Group, if any. Revenue recognized excludes any value added taxes. The following specific recognition criteria must also be met before revenue is recognized:

- *Agri-tourism revenue* is recognized when the related service is rendered.
- *Rental income* is recognized on a straight-line basis over the term of the lease.
- *Gain on sale of investment property* is recognized when the sale transactions occurs.
- *Interest income* is recognized as the interest accrues, taking into account the effective yield on the asset. Interest income from bank deposits is recognized on a time proportion basis on the principal outstanding and at the rate applicable.

- *Realized gains and losses* are recognized when the sale transaction occurs.
- *Other income* is recognized when earned or realized.

Cost and Expense Recognition
Expenses are recognized in the Group's consolidated statements of comprehensive income upon utilization of the service or at the date they are incurred.

Expenses are recognized in the Group consolidated statements of comprehensive income upon utilization of the assets or services or at the date they are incurred.

VAT
Revenues, expenses and assets are recognized, net of the amount of VAT, except when VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

The net amount of VAT recoverable from or payable to the taxation authority is presented separately as asset in the consolidated statements of financial position.

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

Foreign Currency Transactions and Translation
The Group consolidated financial statements are presented in Philippine Pesos, which is the Group's functional and presentation currency. Items included in the Group consolidated financial statements are measured using the functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated at the functional currency rate of exchange as at the financial reporting date.

Gains or losses arising from these transactions and translations are recognized in the Group statements of comprehensive income. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Income Taxes
Income taxes represent the sum of the tax currently due and deferred tax.

Current tax
The tax currently due is based on taxable income for the year. Taxable income differs from income as reported in the statements of comprehensive income because it excludes items of income or expenses 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 income tax is calculated using tax rate that have been enacted or substantively enacted at the end of each financial reporting period.

Deferred tax
Deferred tax is provided, using the liability method, on all temporary differences at the end of each financial reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes and carryforward benefits of minimum corporate income tax (MCIT).

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets and liabilities are measured using the tax rate that is expected to apply to the period when the asset is realized or the liability is settled.

The carrying amount of deferred tax asset is reviewed at the end of each financial reporting period and reduced to the extent that it is not probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized.

Income tax relating to items recognized directly in equity is recognized in equity and not in the statements of comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities.

Leases

The Group determines whether an arrangement is, or contains a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Leases are classified as finance leases whenever the term of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Group as a Lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the lease asset and recognized on a straight-line basis over the term of the lease.

Borrowing Costs

Borrowing costs are generally expensed as incurred. Borrowing costs incurred during the construction period on loans and advances used to finance construction and property development are capitalized as part of Construction in progress included under “Property and Equipment” account in the consolidated Statements of financial position. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use are complete. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Capitalized borrowing cost is based on applicable weighted average borrowing rate.

All other borrowing costs are charged to operations in the period in which they are incurred.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. 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 assessment 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 passage of time is recognized as a financial expense.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefit is probable.

Events After End of Financial Reporting Period
Post year-end events that provide additional information about the Group's position at the end of financial reporting period, if any, are reflected in the financial statements. However, post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. Significant Accounting Judgments and Estimates

The preparation of the Group's consolidated financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The judgments, estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as at date of the consolidated financial statements. Actual results could differ from such estimates, and such estimates will be adjusted accordingly.

The following is a summary of these significant estimates and judgments and the related impact and associated risks on the consolidated financial statements.

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

- *Assessment of Going Concern*
  Management has made an assessment of the Group's ability to continue as going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, management of the Group assessed that the going concern assumption remains to be appropriate as the Group continues to generate sufficient cash flows to sustain operations and complete its current and future plans. Therefore, the financial statements continue to be prepared on a going concern basis. (see Note 1)

- *Determination of Control*
  The Group determines control when it is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the equity.

  The Group regularly reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control as discussed in Note 2. The Group determined that it exercises control on all of its subsidiaries as it has all the elements of control listed above.

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

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

- *Determination of Fair Value of Financial Instruments*
  The Group carries certain instruments at fair value and discloses also the fair values of financial instruments, which requires extensive use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group utilized different valuation methodologies and assumptions. Any changes in fair value of these financial assets and liabilities would affect profit or loss and equity.

  The summary of the carrying values and fair values of the Group's financial instruments as at June 30, 2018 and December 31, 2017 is shown in Note 23.

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

- *Estimation of Allowance for Impairment on Financial Assets*
  The Company provides an allowance for impairment losses on financial assets included receivables and due from related parties at a level considered adequate for potential uncollectible amounts or are doubtful of collection. The level of allowance is evaluated by management on the basis of factors that affect the collectibility of the accounts such as the length of relationship with the customer/debtor, credit status of customer/debtor, customer/debtor payment's behavior, historical experience and other known market factors. An increase in the allowance for impairment losses on receivables and refundable deposits would increase recorded operating expenses and decrease the related assets.

  The Group's allowance for impairment amounted to ₱39.7 million as at June 30, 2018 and December 31, 2017 (see Note 17).

  The carrying value of financial assets as at June 30, 2018 and December 31, 2017 are as follows:

	Note	**2018**	2017
Nontrade receivables and other receivables	7	**₱251,514,857**	₱251,177,220
Due from related parties	17	**819,896,038**	821,835,699

- *Estimation of Impairment of AFS Investments*
  The computation for the impairment of AFS investments requires an estimation of the present value of the expected future cash flows and the selection of an appropriate discount rate. An impairment issue arises when there is an objective evidence of impairment, which involves significant judgment. In making this judgment, the Group evaluates the financial health of the issuer, among others. In the case of available-for-sale equity investments, the Group expands its analysis to consider changes in the issuer's industry and sector performance, legal and regulatory framework, changes in technology, and other factors that affect the recoverability of the Group's investment.

The carrying values of AFS investments amounted ₱370,000 as at June 30, 2018 and December 31, 2017 (see Note 10).

- *Estimation of Useful Lives of Certain Assets*
  The useful life of each of the Group's property and equipment and investment property is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets.

  The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction on the estimated useful life of any property and equipment and investment property would increase the recorded operating expenses and decrease noncurrent assets. Any reduction in the estimated useful lives of property and equipment would increase the Group's recorded operating expenses and decrease on the related asset accounts.

  There are no changes in the estimated useful life of the property and equipment in 2018 and 2017.

  As at June 30, 2018 and December 31, 2017, the carrying value of the Group's depreciable property and equipment amounted ₱1.18 million, respectively (see Note 13).

- *Estimation of Impairment of Nonfinancial Assets*
  The Group reviews nonfinancial assets included in receivables, deposit to suppliers, other current assets, deposits for land acquisition, biological assets, investment in associates, property and equipment and investment properties for impairment of value. This includes considering certain indications of impairment such as significant changes in asset usage, significant decline in assets' market value, obsolescence or physical damage of an asset, plans in the real estate projects, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends.

  As described in the accounting policy, the Group estimates the recoverable amount as the higher of the net selling price and value in use. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that may affect deposit for land acquisition, biological assets, other assets, investment in associates, property and equipment and investment property.

  The Group's allowance for impairment loss for nonfinancial assets amounted to ₱236.1 million as at June 30, 2018 and December 31, 2017. (see Notes 7, 9, 12, 15 and 17).

- *Estimation of Deferred Tax Assets and Deferred Tax Liabilities*
  Significant judgment is required in determining provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

  No deferred tax asset was recognized for allowance for impairment and for NOLCO and MCIT as management believes that these could not be utilized prior to its expiration.

- *Estimation of Provisions for Contingencies*
  The Group is a party to certain lawsuits involving recoveries of sum of money arising from the ordinary course of business.

  The estimate of the probable costs for the resolution of possible claims has been developed in consultation with outside counsel handling the Group's defense in these matters and is based upon an analysis of potential results. These are recognized in the books only when the claims are finally settled or when judgment is rendered.

  The Group has no provisions as at June 30, 2018 and December 31, 2017.

6. **Cash**

This account consists of:

	2018	2017
Cash in banks	**₱18,019,425**	₱2,321,823
Cash on hand	**690,314**	378,473
	₱18,709,739	₱2,700,296

Cash in banks pertain to savings and current accounts that generally earn interest based on prevailing respective bank deposit rates of less than 1% annually. Interest income on cash in banks recognized in the Group statements of comprehensive income amounted to ₱736 in the second quarter of 2018 and ₱3,872 in the second quarter of 2017.

Cash in bank denominated in foreign currency as at June 30, 2018 and December 31, 2017 amounted to ₱54,895 and ₱53,730, respectively. This balance has been restated at a rate of ₱53.52/US$1 and ₱49.923/US$1 as at June 30, 2018 and December 31, 2017, respectively.

In May 2015, the Court of Appeals ordered the freezing of three (3) bank accounts of the Group. As of 30 June 2018, the freeze order on these accounts had been lifted. However, the three (3) bank accounts with a total deposit of ₱635,654 were subsequently included in the civil forfeiture case docketed as AMLC Case No. 15-007-53 currently pending with the Regional Trial Court of Manila, Branch 32 (formerly with Branch 53) (see Note 27).

7. **Receivables** – net

This account consists of:

	2018	2017
Nontrade receivables	**₱251,260,845**	₱251,177,220
Advances to officers and employees	**319,540**	324,490
Deposit to suppliers	**99,168**	99,168
Accounts receivable – others	**–**	–
Other advances	**182,931**	182,931
	251,862,484	251,783,809
Allowance for impairment loss	**(347,627)**	(347,627)
	₱251,514,857	₱251,436,182

Nontrade receivables include an unsecured, noninterest-bearing receivable from ThomasLloyd Cleantech Infrastructure Fund GMHB (TLCIF) amounting to ₱250,142,630, which was subsequently assigned by TLCIF to Zongshan Fucang Trade Co. Ltd. (ZFTCL) on December 29, 2014, subject to the consent of the Parent Company. The Parent Company agreed to the assignment of receivables to ZFTCL under the following conditions:

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

As at June 30, 2018, nontrade receivables from ZFTCL has not yet been collected. However, management assessed that these are still fully collectible.

Advances to officers and employees are unsecured and noninterest-bearing made for various business-related expenses which are subject to liquidation on demand. As at December 31, 2016, the Group had provided a provision for impairment loss on the advances amounting to ₱315,627 as it believed that these were are no longer recoverable.

Other advances represent unsecured, noninterest-bearing funds advanced to the Group's lawyer, which will be charged to expense upon utilization. As at June 30, 2018 and December 31, 2017, the Group provided a partial allowance for impairment as it believed that certain receivables amounting to ₱32,000 were no longer recoverable.

The movement of provision for impairment losses in 2018 and 2017 is shown below:

	Note	**2018**	2017
Balance at beginning of year		**₱347,627**	₱347,627
Accounts written off		**–**	–
Provision for impairment loss	19	**–**	–
		₱347,627	₱347,627

None of the Group's receivables were used as pledged in the Group's loan payables.

8. Deposit for Land Acquisition

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

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

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

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

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

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

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

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

In 2015, the stockholder paid for the improvements made in the Park, including the construction of thirty (30) greenhouses with an estimated cost of ₱10.5 million.

In 2017, SREDC started its operation in the last quarter of 2017 which offers agri-tourism and lifestyle center activities. The Group recognized agri-tourism revenue amounting to ₱1.49 million in the second quarter of 2018 and nil in the second quarter of 2017 which includes income from field trips and other recreational events, room services and other sale of agricultural products.

9. **Other Current Assets – net**

This account consists of:

	2018	2017
Input VAT	**₽633,711**	₽568,169
Prepaid tax	**1,316**	1,316
Miscellaneous deposits	**460**	460
	635,487	569,945
Allowance for impairment loss – input VAT	**–**	–
	₽635,487	₽569,945

The movement of provision for impairment losses in 2018 and 2017 were shown below:

	Note	**2018**	2017
Balance at beginning of year		**₽–**	₽1,078,488
Write-off during the year		**–**	(1,078,488)
Provision for the year	19	**–**	–
		₽–	₽–

10. **Available-for-Sale (AFS) Investments**

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

The fair values of AFS investments have been determined based on the latest published stock exchange-quoted market price. As at June 30, 2018 and December 31, 2017, the Group's outstanding AFS investment amounted to ₽370,000 representing 1.0 million shares with a quoted market price of ₽0.37 per share.

11. **Investment in an Associate**

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

On May 24 and 30, 2018, the Group sold a total of 2,117,300 shares of the total issued and outstanding shares of ANI for a total consideration of ₽30.44 million resulting to a decrease of ownership to 186,008,079 shares or 24.21%. The sale of investment resulted into a gain of ₽21.13 million for the period June 30, 2018.

The investment in ANI amounted to ₽2.92 billion and ₽2.3 billion as at June 30, 2018 and December 31, 2017, respectively, based on its price per share amounting to ₽15.72 and ₽12.2, respectively. As at reporting date, the market value of the investment in ANI amounted to ₽2.95 billion at a price per share of ₽15.86.

Rollforward analysis of the carrying value of the investment in associate follows:

	2018	2017
Beginning balance	**₱319,154,639**	₱297,927,710
Sale during the period	**(9,304,669)**	–
Equity in other comprehensive income (loss) of an associate	**7,213,225**	(10,122,255)
Equity in net income of an associate	**2,260,034**	31,349,184
	₱319,323,229	₱319,154,639

Summarized financial information of the associate follows:

	2018	2017
Current assets	**2,685,003,619**	2,399,288,984
Noncurrent assets	**1,689,472,455**	1,577,463,675
Current liabilities	**1,297,193,799**	1,892,447,334
Noncurrent liabilities	**386,558,190**	625,838,628
Net assets	**2,690,724,086**	1,458,466,697
Revenue	**846,312,912**	2,096,962,338
Net income – attributable to parent	**9,080,712**	103,599,418
Other comprehensive income (loss) – attributable to parent	**(12,069,101)**	33,892,805

12. **Advances for Waste Recycling Project**

Advances for waste recycling project amounting to ₱235.0 million as at December 31, 2013 represents TWMRSI's machineries, equipment and steel structures for the construction of a wet process recovery system for solid waste (the "Facility"). These are currently stored for free in a warehouse owned by a director of the Company located in Santiago Street, Barangay Lingunon, Valenzuela City. TWMRSI has not started the assembly and installation of the parts as it is still finalizing the arrangement for the site where the project site will be located.

On April 20, 2015, TWMRSI engaged the services of a third party to appraise the market value of the facility. The facility was appraised at ₱113,759,000.

Management believed that the appraised market value of the Facility may no longer be recoverable. Consequently, a full provision for impairment loss was made in 2014.

13. **Property and Equipment** – Net

The rollforward analysis of this account is shown below:

	2018				
	Land improvements	Building improvements	Transportation equipment and others	Furniture, fixtures and equipment	Total
Cost					
Balance at beginning and end of year	₱1,463,013	₱43,685	₱2,293,176	₱227,078	₱4,026,952
Accumulated depreciation and amortization					
Balance at beginning of year	292,602	4,951	2,293,176	189,493	2,780,222
Depreciation and amortization	19,057	14,056	–	32,168	65,281
Balance at end of year	311,659	19,007	2,293,176	221,661	2,845,503
Net book value	₱1,151,354	₱24,678	₱–	₱5,417	₱1,181,449

	2017				
	Land improvements	Building improvements	Transportation equipment and others	Furniture, fixtures and equipment	Total
Cost					
Balance at beginning and end of year	₱1,463,013	₱43,685	₱2,293,176	₱227,078	₱4,026,952
Accumulated depreciation and amortization					
Balance at beginning of year	195,068	3,204	2,293,176	157,294	2,648,742
Depreciation and amortization	97,534	1,747	–	32,199	131,480
Balance at end of year	292,602	4,951	2,293,176	189,493	2,780,222
Net book value	₱1,170,411	₱38,734	₱–	₱37,585	₱1,246,730

Depreciation and amortization expense for the period ended June 30, 2018 and 2017 are shown as part of general and administrative expenses in the Group statements of comprehensive income (see Note 19).

The Group's management had reviewed the carrying values of the property and equipment as at June 30, 2018 and December 31, 2017 for any impairment. Based on the evaluation, there are no indications that the property and equipment might be impaired.

There are no contractual commitments to purchase property and equipment. There are also no property and equipment that are pledged as securities for liabilities. Further, there is no property whose title is restricted from use of the Group in both periods.

14. **Biological Assets**

The Company's biological assets includes livestock and poultry, which are valued at cost less amortization and impairment loss amounting to ₱3,232,807 as at June 30, 2018 and December 31, 2017.

The gain on fair market value of the biological assets as at December 31, 2017 amounting to ₱553,115 is the result of best estimates on the most recent price in an active market. As at December 31, 2017, there has not been a significant change in economic circumstances between the date of last transaction and the balance sheet date.

Management believes that there is no indication of impairment on the Group's biological assets account and that its net carrying amount can be recovered through use in operations. There are no biological assets that are pledged as security for liabilities and whose title is restricted as at June 30, 2018.

15. **Investment Properties – net**

This account consists of the following:

		2018		2017	
Property	Location	Area	Cost	Area	Cost
Land	Batangas	35,084 sq. m	₱3,157,560	35,084 sq. m	₱3,157,560
	Laguna	335 sq. m	2,400,000	335 sq. m	2,400,000
	Olongapo	467 sq. m	1,500,000	467 sq. m	1,500,000
			7,057,560		7,057,560
Allowance for impairment loss			(737,095)		(737,095)
			₱6,320,465		₱6,320,465

In August 2017, the remaining lot in Quezon City was sold for ₱17.2 million, the proceeds of which were received in August 2017. The gain on sale of investment properties amounted to ₱11.2 million.

A parcel of land in Quezon City was mortgaged to the Group's loans payable. In 2016, such loan was settled and the mortgaged land was released by the bank.

The land located in Rosario, Batangas which was acquired in 2013, Cabuyao, Laguna and Olongapo City which were acquired in 2008, with a total land area of 35,886 square meters are intended to be held also as capital appreciation. The estimated fair value as of June 30, 2018 and December 31, 2017 amounted to ₱6.32 million using the Market Data Approach based on available market information. The approach was used for the land as it is commonly used in the property market since inputs and data for this approach are available. A provision for allowance on impairment was recognized in the statement of comprehensive income in 2017 amounting to ₱737,095.

The Group's management had reviewed the carrying values of the investment property for any impairment as at June 30, 2018 and December 31, 2017.

16. Trade and Other Payables

This account consists of:

	Note	**2018**	2017
Trade		**₱17,852,569**	₱16,844,281
Accrued expenses		**1,929,042**	2,459,114
Government payables		**76,756**	52,610
Refundable deposit	18	**270,000**	270,000
		₱20,128,367	₱19,626,005

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

Accrued expenses include accruals for professional fees, interest expense, permits and penalties.

Government payables are dues and remittances which represents contributions of employees that will be remitted to various government agencies. 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, communication, and other expenses payable upon demand.

All nontrade payables are noninterest-bearing.

17. Related Party Transactions

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

The following are the details of related party transactions.

a. The Group availed an extended unsecured noninterest–bearing cash advances from and to its related parties with no definite repayment dates for working capital requirements.

b. The Group extended noninterest-bearing and unsecured cash advances to one of its stockholders for the acquisition and development of the Park amounting to ₱446.1 million in 2014 (see Notes 1 and 8).

c. As at June 30, 2018 and December 31, 2017 details and outstanding balances of due to and from related parties follow:

	2018	2017
Due from:		
Stockholders	**₱792,356,995**	₱795,352,728
Associate	**52,287,030**	51,230,958
Affiliates	**14,969,935**	14,969,935
	859,613,960	861,553,621
Allowance for impairment – associates	**(39,717,922)**	(39,717,922)
	₱819,896,038	₱821,835,699

Due to:		
Associate	**₱35,930,481**	₱43,692,923
Affiliates	**3,059,150**	3,059,150
	₱38,989,631	₱46,752,073

The rollforward analysis of related party accounts follow:

	2018	2017
Due from:		
Balance at beginning of year	**₱821,835,699**	₱786,249,841
Collections during the year	**(2,995,733)**	(2,300,550)
Advances made during the year	**1,056,072**	37,886,408
Accounts written off	**–**	–
Balance at end of year	**₱819,896,038**	₱821,835,699
Due to:		
Balance at beginning of year	**₱37,082,073**	₱–
Advances received during the year	**1,907,558**	46,752,073
Balance at end of year	**₱38,989,631**	₱46,752,073

d. On July 2, 2014, the Parent Company executed a subscription agreement with Earthright Holdings, Inc. (EHI). Subject to the application and approval by the SEC of the Parent Company's increase of its authorized capital stock (the "Increase"), EHI subscribed ₱250.0 million worth of common shares at ₱1.00 per share and ₱37.5 million worth preferred shares at ₱0.01 per share. Of the total subscription, ₱214.5 million shall be paid in cash upon execution of the subscription agreement, with the balance due upon approval by the SEC of the Increase.

   The deposit will be converted into equity once proper documentation and approval from the SEC have been obtained. As at reporting date, the Parent Company has not filed its application for the Increase with the SEC.

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

	2018			
Category	Amount/ Volume	Outstanding Balance - Asset (Liability)	Terms and Condition/ Settlement	Guaranty/ Provision
Stockholders				
Receivables		₱792,356,995	Noninterest-bearing; no definite repayment dates; to be settled in cash on demand	Unsecured; no significant warranties and covenants; no impairment
• Advances made	(₱2,995,733)			
Deposit for future stocks subscription	–	177,000,000	Noninterest-bearing; to be converted to equity upon approval of SEC.	Unsecured; no significant warranties and covenants; no impairment
Associate				
Receivable		52,287,030	Noninterest-bearing; no definite repayment dates; to be settled in cash on demand	Unsecured; no significant warranties and covenants;
• Advances made	1,056,072			
• Payments received				
• Allowance for impairment		(39,717,922)		
Payable		(48,659,631)	Noninterest-bearing; no definite repayment dates; to be settled in cash on demand	Unsecured; no significant warranties and covenants
• Advances received	3,059,150			
Affiliates				
Receivable		14,969,935	Noninterest-bearing; no definite repayment dates; to be settled in cash on demand	No significant warranties and covenants; impaired
• Advances made	-			
Payable		(38,989,631)	Noninterest-bearing; no definite repayment dates; to be settled in cash on demand	Unsecured; no significant warranties and covenants
• Advances received	(1,907,558)			

	2017			
Category	Amount/ Volume	Outstanding Balance - Asset (Liability)	Terms and Condition/ Settlement	Guaranty/ Provision
Stockholders				
Receivables		₱795,352,728	Noninterest-bearing; no definite repayment dates; to be settled in cash on demand	Unsecured; no significant warranties and covenants; no impairment
• Advances made	₱37,876,948			
Deposit for future stocks subscription	–	177,000,000	Noninterest-bearing; to be converted to equity upon approval of SEC.	Unsecured; no significant warranties and covenants; no impairment

Associate				
Receivable		51,230,958	Noninterest-bearing; no definite repayment dates; to be settled in cash on demand	Unsecured; no significant warranties and covenants;
• Advances made	7,960			
• Payments received	(2,300,550)			
• Allowance for impairment		(39,717,922)		
Payable		(43,692,923)	Noninterest-bearing; no definite repayment dates; to be settled in cash on demand	Unsecured; no significant warranties and covenants
• Advances received	43,692,923			
Affiliates				
Receivable		14,969,935	Noninterest-bearing; no definite repayment dates; to be settled in cash on demand	No significant warranties and covenants; impaired
• Advances made	1,500			
Payable		(3,059,150)	Noninterest-bearing; no definite repayment dates; to be settled in cash on demand	Unsecured; no significant warranties and covenants
• Advances received	3,059,150			

f. Compensation paid to key management personnel for the year then ended June 30, 2018 amounted to ₱339,480.

There are no other related party transactions in 2018 and 2017.

18. **Equity**

Capital Stock

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

On March 8, 2012, the SEC approved the increase in authorized capital stock from ₱1.0 billion divided into 100 billion shares with a ₱0.01 par value per share to ₱2.0 billion divided into 200.0 billion shares with a ₱0.01 par value per share.

On June 27, 2013, the BOD approved the restructuring of the authorized capital stock from 200.0 billion shares at ₱0.01 per share to 2.9 billion divided into 1.9 billion common shares at ₱1.0 par value per share and 1.0 billion preferred shares at ₱0.10 par value per share. The BOD likewise approved the conversion of ₱62.5 million worth of issued common shares to EHI into 625.0 million preferred shares with a par value of ₱0.10. This was approved by SEC on September 11, 2014. Further on July 2, 2014, the Parent Company issued additional 375.0 million preferred shares to EHI for ₱37.5 million at ₱0.10 par value per share.

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

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

Details of the capital stock as at June 30, 2018 and December 31, 2017 follow:

	Preferred		Common	
	Number of Shares	Peso equivalent	Number of Shares	Peso equivalent
Authorized – ₱0.01 par value per preferred share/ ₱1.0 par value per common share	1,000,000,000	₱100,000,000	1,900,000,000	₱1,900,000,000
Subscribed and issued	1,000,000,000	₱100,000,000	1,703,278,572	₱1,703,278,572

The movement in the Group's common shares is shown below

	2018	2017
Issued and paid		
Balance at beginning of year	**₱1,598,289,455**	₱1,598,289,455
Issuance of shares	**–**	–
Balance at end of year	**₱1,598,289,455**	₱1,598,289,455
Subscribed – net of subscription receivable of ₱97,500,000		
Balance at beginning and end of year	**₱104,989,117**	₱104,989,117

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

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

The total number of shareholders of the Group is 1,039 as at June 30, 2018 and December 31, 2017, respectively.

The principal market for the Group's capital stock is the PSE. The high and low trading prices of the Group's shares as at June 30, 2018 and December 31, 2017 are as follows:

	High	Low
First	₱0.37	₱0.37
Second	0.37	0.37
Third	-	-
Fourth	-	-

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

On May 13, 2015, the Parent Company requested for a voluntary suspension in the trading of its securities in the PSE (see Note 27).

19. General and Administrative Expenses

This account consists of:

		2018	2017
Contractual services		**₱3,819,726**	₱3,469,278
Salaries and wages		**1,725,411**	1,307,481
Utilities		**1,356,696**	1,356,225
Materials and supplies		**1,310,461**	1,585,080
Repairs and maintenance		**644,338**	399,523
Legal and professional expense		**664,230**	60,000
Transportation expense		**319,178**	304,033
Taxes and licenses		**287,172**	14,098
Listing fees		**256,000**	–
Representation and entertainment		**181,690**	124,966
Depreciation and amortization	13	**65,281**	66,771
Penalties and fines		**1,400**	–
Miscellaneous		**55,296**	63,779
		₱10,686,879	₱8,751,234

As at June 30, 2018 and 2017, the Group is not covered by the provisions of the Republic Act No. 7641, Retirement Pay Law, because the total number of regular employees is not more than 10, which is the number of mandated to comply with the said law. Accordingly, the Group has not made a provision for retirement benefits.

20. Income Taxes

a. The current income tax expense in 2018 and 2017 pertains to MCIT.

b. The Group has NOLCO which can be claimed as deduction against future taxable income for the next three years as follows:

Year	Amount	Expired	Ending Balance	Year of Expiry
2017	₱7,506,866	₱–	₱7,506,866	2020
2015	17,198,344	–	17,198,344	2018
2014	15,057,115	15,057,115	–	2017
	₱39,762,325	₱15,057,115	₱24,705,210	

c. The carryforward benefits of excess MCIT can be claimed as deduction from regular corporate income tax for the next three (3) years as follows:

Year	Amount	Expired	Ending Balance	Year of Expiry
2016	₱231,426	₱–	₱231,426	2019
2015	5,633	–	5,633	2018
2014	266	266	–	2017
	₱237,325	₱266	₱237,059	

d. RA No. 9504 that was enacted in 2008 amended various provisions in the existing 1997 National Internal Revenue Code among the forms introduced by the said RA was the option granted to corporation to avail of the optional standard deduction at 40% of gross income in lien of the itemized deduction scheme.

The Group opted for the itemized deduction scheme for its income tax reporting in 2018 and 2017.

21. Basic Income (Loss) per Share

The following table presents the information necessary to compute the basic loss per share attributable to equity holders of the Group.

	2018	2017
Net income (loss) attributable to the equity holders of the Parent Company	**₱16,722,833**	**(₱2,723,967)**
Divided by: Weighted average number of common shares	**1,703,278,570**	**1,703,278,570**
Basic income (loss) per share	**₱0.01**	**(₱0.001)**

The Group has no diluted loss per share for the year ended June 30, 2018 and December 31, 2017.

22. Non-controlling Interest

Noncontrolling interests represents the equity in subsidiaries not attributable directly or indirectly to the Parent Company. The details of the account are as follows:

	2018			
	Balance at beginning of year	Net loss	Other comprehensive loss	Balance at end of year
SREDC	₱254,612,499	(₱2,405,114)	₱–	₱252,207,385
LSTI	11,557	(245)	–	11,312
TWMRSI	(115,394,812)	(245)	–	(115,395,057)
	₱139,229,244	(₱2,405,604)	₱–	₱136,823,641

	2017			
	Balance at beginning of year	Net loss	Other comprehensive loss	Balance at end of year
SREDC	₱257,102,556	(₱2,490,057)	₱–	₱254,612,499
LSTI	39,034	(27,477)	–	11,557
TWMRSI	(115,347,187)	(47,625)	–	(115,394,812)
	₱141,794,403	(₱2,565,159)	₱–	₱139,229,244

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

23. **Financial Instruments**

The following tables set forth the carrying values and estimated fair values of the Company's financial asset and liabilities recognized as at June 30, 2018 and December 31, 2017:

		2018			
	Note	Carrying value	Fair value	Quoted prices in active market (Level 1)	Significant Observable Inputs (Level 2)
Financial assets:					
Cash	6	₱18,709,739	₱18,709,739	₱–	₱18,709,739
Nontrade receivables	7	251,514,857	251,514,857	–	251,514,857
Due from related parties – net	18	819,896,038	819,896,038	–	819,896,038
AFS investments	9	370,000	370,000	370,000	–
		₱1,090,490,634	₱1,090,490,634	₱370,000	₱1,090,120,634
Financial liabilities:					
Trade and other payables*	16	₱20,051,611	₱20,051,611	₱–	₱20,051,611
Due to related parties	18	38,989,631	38,989,631	–	38,989,631
		₱59,041,242	₱59,041,242	₱–	₱59,041,242

**Excludes government payables amounting to ₱76,756 and ₱52,610 as at June 30, 2018 and December 31, 2017, respectively.*

		2017			
	Note	Carrying value	Fair value	Quoted prices in active market (Level 1)	Significant Observable Inputs (Level 2)
Financial assets:					
Cash	6	₱2,700,296	₱2,700,296	₱–	₱2,700,296
Nontrade receivables	7	251,177,220	251,177,220	–	251,177,220
Due from related parties – net	17	821,835,699	821,835,699	–	821,835,699
AFS investments	9	370,000	370,000	370,000	–
		₱1,076,083,215	₱1,076,083,215	₱370,000	₱1,075,713,215
Financial liabilities:					
Trade and other payables*	16	₱20,051,611	₱20,051,611	₱–	₱20,051,611
Due to related parties	17	46,752,073	46,752,073	–	46,752,073
		₱66,803,684	₱66,803,684	₱–	₱66,803,684

**Excludes government payables amounting to ₱52,610 and ₱1,024,000 as at December 31, 2017 and 2016 respectively.*

Methods and assumption used to estimate fair value

The carrying value of cash, receivables, trade and other payables and due to and from related parties approximate the fair value due to the short-term nature of the transactions.

AFS investment in a listed company included in Level 1 is valued based on published prices. The fair value of financial assets and liabilities included in Level 2 which are not traded in an active market are determined based on the expected cash flows of the underlying asset and liability based on the instrument where the significant inputs required to determine the fair value of such instrument are directly or indirectly observable.

The Group has no financial instruments that are carried at FVPL.

24. **Financial Risk Management Objectives and Policies**

The Group is exposed to a variety of financial risks, which resulted from its operating, investing and financing activities. The Group's principal financial instruments comprise of cash, receivables, AFS investment, trade and other payables, loans payable and due to and from related parties. The main purpose of investing these financial instrument (assets) is to maximize interest yield and for capital appreciation. The main purpose of loan is to finance the Group's operations.

The Group's policies and guidelines cover credit risk, liquidity risk, interest rate risk and foreign currency 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 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 counterparty will default and/or fail to honor its financial or contractual obligations, resulting in financial loss to the Group. The Group only transacts with recognized and creditworthy counterparties, like investing in creditworthy equities.

  a. Credit Quality

  Below is the credit quality per class of the Group's financial assets as at June 30, 2018 and December 31, 2017.

	2018			
	Neither past due nor impaired		Past due but not	
	High Grade	Standard Grade	Impaired	Total
Cash*	₱17,224,779	₱794,646	₱–	₱18,019,425
Nontrade receivables	–	–	251,260,845	251,260,845
Due from related parties	–	–	819,896,038	819,896,038
AFS investment	370,000	–	–	370,000
	₱17,594,779	₱794,646	₱1,071,156,883	₱1,089,546,308

	2017			
	Neither past due nor impaired		Past due but not	
	High Grade	Standard Grade	Impaired	Total
Cash*	₱1,527,177	₱794,646	₱–	₱2,321,823
Nontrade receivables	–	–	251,177,220	251,177,220
Due from related parties	–	–	821,835,699	821,835,699
AFS investment	370,000	–	–	370,000
	₱1,897,177	₱794,646	₱1,073,012,919	₱1,075,704,742

** Excludes cash on hand.*

High grade cash are placed, invested, or deposited in local banks belonging to the top 25 banks in the Philippines in terms of resources and profitability, otherwise cash in banks are considered standard.

Other high grade accounts are considered of high value.

Standard grade accounts consist of advances from its debtors with good financial condition and with relatively low defaults. Substandard grade accounts on the other hand, are receivables from other counterparties with history of defaulted payments.

These counterparties include banks, customers and related parties who pay on or before due date.

b. Credit risk exposure

With respect to credit risk arising from other financial assets of the Group, which comprise of cash, receivables and due from related parties, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The table below summarizes the maximum exposure to credit risk for the components of the Group's financial assets as at June 30, 2018 and December 31, 2017.

	2018	2017
Cash in banks	**₱18,019,425**	₱2,321,823
Nontrade receivables	**251,260,845**	251,177,220
Due from a related parties–net	**819,896,038**	821,835,699
AFS investments	**370,000**	370,000
	₱1,089,546,308	₱1,075,704,742

c. Risk concentrations of the maximum exposure to credit risk

Concentrations arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location. Such credit risk concentrations, if not properly managed, may cause significant losses that could threaten the Group's financial strength and undermine public confidence.

d. Impairment assessment

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

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

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

- Liquidity Risk
The Group seeks to manage its liquidity profile to be able to finance its capital expenditures and cover its operating costs. The Group's objective is to maintain a balance between continuity of funding and flexibility through valuation of projected and actual cash flow information. Additional short-term funding is obtained from related party advances.

Maturity Profile
The maturity profile of the Group's financial assets and liabilities are presented below:

	2018			
	On demand	Due within one (1) year	Due beyond one year but not more than five years	Total
Financial assets				
Cash	₱18,019,425	–	₱–	₱18,019,425
Nontrade receivables	251,260,845	–	–	251,260,845
Due from related parties – net	819,896,038	–	–	819,896,038
AFS investments	–	–	370,000	370,000
	₱1,089,176,308	₱–	₱370,000	₱1,089,546,308
Financial Liabilities				
Trade and other payables*	₱–	₱20,051,611	₱–	₱20,051,611
Due to related parties	38,989,631	–	–	38,989,631
	₱38,989,631	₱20,051,611	₱–	₱59,041,242

	2017			
	On demand	Due within one (1) year	Due beyond one year but not more than five years	Total
Financial assets				
Cash	₱2,700,296	–	₱–	₱2,700,296
Nontrade receivables	251,177,220	–	–	251,177,220
Due from related parties – net	821,835,699	–	–	821,835,699
AFS investments	–	–	370,000	370,000
	₱1,075,680,550	₱–	₱370,000	₱1,076,083,215
Financial Liabilities				
Trade and other payables*	₱–	₱18,464,355	₱–	₱18,464,355
Due to related parties	46,750,573	–	–	46,750,573
	₱46,750,573	₱18,464,355	₱–	₱65,214,928

**Excludes government payables amounting to ₱76,756 in 2018 and ₱52,610 in 2017.*

- Interest rate risk
  The Group is exposed to interest rate fluctuations on their cash in banks and loan payable. Other financial assets and liabilities which principally arise in the ordinary course of its operations are generally short-term and non-interest bearing.

  Historically, the rate fluctuations relative to its cash in banks are minimal. Interest rate in 2018 and 2017 is less than 1%.

- Foreign Currency risk
  Currency risk arises when transactions are denominated in foreign currency. The Group is not exposed to significant foreign currency risk given that the Group's foreign currency denominated financial assets, which pertain to cash in bank, are not significant in amount.

25. Capital Management

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

The Group considers the following accounts as its capital:

	2018	2017
Capital stocks	**₱1,803,278,572**	₱1,803,278,572
Additional paid-in capital	**268,090,531**	268,090,531
Accumulated losses	**(1,020,914,692)**	(1,037,637,525)
	₱1,050,454,411	₱1,033,731,578

The Group manages capital on the basis of the debt-to-equity ratio which is calculated as total debt divided by total equity.

The debt-to-equity ratios as at June 30, 2018 and December 31, 2017 follow:

	2018	2017
Total debt	**₱236,396,355**	₱243,609,501
Total equity	**1,195,787,717**	1,174,257,262
	20%	21%

The Group had not been subjected to externally imposed capital requirements in 2018 and 2017. No changes were made in the objectives, policies, and processes during the period ended June 30, 2018 and December 31, 2017.

26. **Segment Reporting**

Business Segments

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

The industry segments where the Group operates are as follows:

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

Segment Assets and Liabilities

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

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

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27. Other Matters

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

On said date, the PSE suspended the trading of the Parent Company's securities until further notice (see Note 1).

On Civil Forfeiture
On December 14 and 15, 2015 the Regional Trial Court of the City of Manila, Branch 53, (the "Court") placed under asset preservation specified bank accounts of (i) Parent Company and (ii) SREDC, a subsidiary of the Parent Company (the "Order"). The Order was predicated solely on the allegation made by the Anti-Money Laundering Council ("AMLC") that multiple transactions involving receipt of inward remittances and inter-branch fund transfers between Parent Company, SREDC, and related corporations were allegedly without any underlying legal or trade obligation, purpose, or economic justification and/or that they were allegedly not commensurate to the business or financial capacity of the parties involved.

On 22 January 2016, the Parent Company and SREDC filed a Motion for Reconsideration of the Order, praying that the same be discharged on the ground that the issuance of the Order had no legal or factual basis, among others.

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