

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

Preliminary Information Statement

Definitive Information Statement

2. Name of Registrant as specified in its charter: **GREENERGY HOLDINGS INCORPORATED**

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

4. SEC Identification Number: **AS092-00589**

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

6. **Address of principal office:** 54 National Road, Dampol II-A, Pulilan, Bulacan
Postal Code: **3005**

7. Registrant's telephone number, including area code: **(02) 8997-5184**

8. Date, time and place of the meeting of security holders: **14 August 2020 (Friday), 1:30 p.m.
at 54 National Road, Dampol II-A, Pulilan, Bulacan.**

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **23 July 2020**

10. **In case of Proxy Solicitations:**

Name of Person Filing the Statement/Solicitor: **N.A.**

Address and Telephone No.: **N.A.**

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

| Title of Each Class | Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding |
|---------------------|---|
| Common | 1,800,778,572 shares¹ |
| Preferred | 1,000,000,000 shares |

12. Are any or all of registrant's securities listed in a Stock Exchange?

Yes.

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

The Company's common shares are listed with the Philippine Stock Exchange ("PSE").

¹ Greenergy Holdings Inc. (the "Company") is still in the process of implementing the change in par value of shares as approved by the SEC. For the purpose of this Report, the number of shares outstanding was rounded off. However, the same is still subject to change/adjustment.

PART I - INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. Date, Time and Place of Meeting of Security Holders

The Annual Meeting of the Stockholders of the Company will be held on **14 August 2020 (Friday), 1:30 p.m. at 54 National Road, Dampol II-A, Pulilan, Bulacan.**

- a. The complete mailing address of the principal office of the Company is **54 National Road, Dampol II-A, Pulilan, Bulacan.**
- b. The approximate date on which this Information Statement, form of proxy and other materials are first to be sent or given to security holders is on **23 July 2020.**

Item 2. Dissenters' Right of Appraisal

The matters to be acted upon at this Annual Meeting of the Stockholders are not matters with respect to which a dissenting stockholder may exercise his right under Section 80 of the Revised Corporation Code.

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

No director has informed the Company of his/her opposition to any matter to be acted upon during the Annual Meeting of the Stockholders on 14 August 2020.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

- a. As of reporting date, the Company's issued and outstanding capital stock consists of 1,800,778,572² common shares and 1,000,000,000 preferred shares. Each outstanding share held as of the record date is entitled to one (1) vote.
- b. The record date with respect to the Annual Meeting of the Stockholders on 14 August 2020 is fixed at 15 July 2020.
- c. During the election of directors, every stockholder entitled to vote shall have the right to vote, in person or by proxy, the number of shares standing in his own name in the Stock and Transfer Book of the Company at the time of the election. Pursuant to Section 23 of the Revised Corporation Code, a stockholder may vote such number of shares registered in his name as of the record date for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall fit; provided that, the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Company multiplied by the whole number of directors to be elected. There are no stated conditions precedent to the exercise of cumulative rights.

The total number of votes that may be cast by a stockholder of the Company is computed as follows: No. of Shares Held on Record as of Record Date x 11 Directors.

Nominees for directors receiving the highest number of votes will be declared elected.

² The Company is still in the process of implementing the change in par value of shares as approved by the SEC. For the purpose of this Report, the number of shares outstanding was rounded off. However, the same is still subject to change/adjustment.

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

As of 30 June 2020, the following persons or groups own more than five percent (5%) of the Company's voting securities:³

| Title of Class | Name and Address of Record Owner and Relationship with Issuer | Name of Beneficial Owner and Relationship with Record Owner | Citizenship | No. of Shares Held | Percent |
|----------------------|---|--|------------------------|--|---------|
| Common and Preferred | <i>Earthright Holdings, Inc.*</i> Unit 3C Value Point Executive Building, 227 Salcedo Street, Legaspi Village, Makati City <i>Private placement investor</i> | Earthright Holdings, Inc. | Filipino | 1,187,500,000 (consists of 187,500,000 common shares and 1,000,000,000 preferred shares) | 42.40% |
| Common | <i>PCD Nominee Corporation (Filipino)</i> 37/F The Enterprise Center, Ayala Avenue, Makati City <i>No relationship with the Issuer</i> | PCD Nominee Corporation, a wholly-owned subsidiary of the Philippine Depository and Trust Corporation, Inc. ("PDTC"), is the registered owner of the shares in the books of the Company's stock transfer agent. The beneficial owner of such shares entitled to vote the same are PDTC's participants, who hold the shares either in their own behalf or on behalf of their clients. No stockholder owns more than 5% of the outstanding capital stock under the PCD Nominee Corporation. | Filipino | 447,578,240 | 24.85% |
| Common | <i>ThomasLloyd Cleantech Infrastructure Fund GmbH (formerly Cleantech Projektgesellschaft mbH)**</i> Hanauer Landstraße 291B, 60314 Frankfurt a.M., Deutschland <i>Private placement investor</i> | ThomasLloyd Cleantech Infrastructure Fund GmbH (formerly Cleantech Projektgesellschaft mbH) | German | 207,768,560 | 11.54% |
| Common | <i>Three Star Capital Limited (BVI)***</i> P.O. Box 2234, IFS Chambers, Road Town, Tortola, British Virgin Islands <i>Private placement investor</i> | Three Star Capital Limited | British Virgin Islands | 110,000,000 | 6.1085% |

³ Per the Company's Amended Articles of Incorporation dated 11 September 2014, the Company's 1,000,000,000 preferred shares are voting securities. Thus, the total number of voting securities of the Company is 2,800,778,572, broken down as follows: (i) 1,800,778,572 common shares and (ii) 1,000,000,000 preferred shares.

| | | | | | |
|--------|--|----------------|---------|-------------|-------|
| Common | <i>Jian Cheng Cai</i> #18 Dadiangas Street, Damar Village, Quezon City <i>Private placement investor</i> | Jian Cheng Cai | Chinese | 160,000,000 | 8.89% |
|--------|--|----------------|---------|-------------|-------|

*Shares to be voted by Mr. Tiu or any other duly authorized representative of Earthright Holdings, Inc.

**Shares to be voted by the duly authorized representative of ThomasLloyd Cleantech Infrastructure Fund GmbH

***Shares to be voted by Mr. Tiu or any other duly authorized representative of Three Star Capital Limited (BVI)

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

The public float of the Company as of reporting date is 70.87%.

The following table shows the ownership of the following directors and executive officers in the Company's common shares as of 30 June 2020:

| Title of Class | Name of Beneficial Owner | Citizenship | Amount and Nature of Beneficial Ownership | | Percent of Class |
|----------------|--------------------------|-------------|---|----------|------------------|
| Common | Martin C. Subido | Filipino | 1,000 | Direct | 0.00% |
| | | | 1,000 | Indirect | |
| Common | Antonio L. Tiu* | Filipino | 10,000 | Direct | 16.58% |
| | | | 298,500,000 | Indirect | |
| Common | Kenneth S. Tan | Filipino | 0 | Direct | 0.00% |
| | | | 10,000 | Indirect | |
| Common | Yang Chung Ming | Chinese | 1 | Direct | 0.00% |
| | | | 0 | Indirect | |
| Common | Paula Katrina L. Nora | Filipino | 1 | Direct | 0.00% |
| | | | 0 | Indirect | |
| Common | Antonio Peter R. Galvez | Filipino | 1 | Direct | 0.00% |
| | | | 0 | Indirect | |
| Common | Senen L. Matoto | Filipino | 0 | Direct | 0.00% |
| | | | 1,000 | Indirect | |
| Common | Luis Rey I. Velasco | Filipino | 0 | Direct | 0.00% |
| | | | 1,000 | Indirect | |
| Common | Honorio T. Tan | Filipino | 1 | Direct | 0.33% |
| | | | 6,000,000 | Indirect | |
| Common | Maylyn Z. Dy | Filipino | 1 | Direct | 0.00% |
| | | | 0 | Indirect | |
| Total | | | 304,524,005 | - | 16.91% |

The aggregate number of common shares owned by all officers and directors as a group as of 30 June 2020 is **304,524,005** or **16.91%** of the Company's outstanding common shares.

Voting Trust of 5% or More

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

Changes in Control

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

Item 5. Directors and Executive Officers

The Board of Directors is made up of ten⁴ (10) members, with Atty. Subido at the helm as Chairman. Board committees have been formed to focus on nomination, audit, and corporate governance.

As of 31 December 2019, the following are the ten (10) individuals comprising the Board of Directors:

| Name | Position | Nationality | Age | Term of Office | Period of Directorship Served |
|---------------------------|----------------------|-------------|-----|--------------------|-------------------------------|
| Martin C. Subido | Chairman | Filipino | 44 | 9 years, 3 months | 2010 to present |
| Antonio L. Tiu | Director | Filipino | 44 | 9 years, 3 months | 2010 to present |
| Kenneth S. Tan | Director | Filipino | 47 | 5 years, 11 months | 2014 to present |
| Antonio Peter R. Galvez** | Director | Filipino | 59 | 4 years, 5 months | 2015 to present |
| Yang Chung Ming*** | Director | Chinese | 45 | 3 years, 5 months | 2016 to present |
| Senen L. Matoto*** | Director | Filipino | 72 | 11 months | 2019 to present |
| Luis Rey I. Velasco**** | Director | Filipino | 63 | 11 months | 2019 to present |
| Paula Katrina L. Nora* | Director | Filipino | 37 | 5 years, 11 months | 2014 to present |
| Maylyn Z. Dy | Independent Director | Filipino | 55 | 3 years, 5 months | 2016 to present |
| Honorio T. Tan | Independent Director | Filipino | 82 | 3 years, 5 months | 2016 to present |

*Elected to the Board of Directors on 16 June 2014

**Elected to the Board of Directors on 9 December 2015

***Elected to the Board of Directors on 15 December 2016

****Elected to the Board of Directors on 28 June 2019

MARTIN C. SUBIDO. Atty. Subido currently serves as Chairman. He is likewise a director and Corporate Secretary of Sunchamp Real Estate Development Corp., Total Waste Management Recovery System, Inc., Winsun Green Ventures, Inc., Lite Speed Technologies, Inc., and AgriNurture Development Holdings Inc., among others.

Atty. Subido is a Certified Public Accountant and a member of the Integrated Bar of the Philippines. He graduated with a Bachelor's Degree in Accountancy from De La Salle University Manila and obtained his Juris Doctor Degree, with honors, from the School of Law of the Ateneo de Manila University. He was a Senior Associate at the Villaraza & Angangco Law Offices before founding SPCMB Law Offices. Atty. Subido is currently a Senior Partner at SPCMB Law Offices.

ANTONIO L. TIU. Mr. Tiu is the Chairman/CEO of Earthright Holdings, Inc., AgriNurture Inc. (ANI), Three Star Capital Ltd. (BVI), Sunchamp Real Estate and Development Corporation, and Chairman of Agricultural Bank of the Philippines, M2000 Imex Co., Ltd., Tully's Coffee Philippines Inc., First Class Agriculture Corporation, Agri Token Inc., and The Big Chill, Inc. He is also Director of Philippine Infradev Holdings Inc. (IRC), Greenery Holdings Inc. (GREEN), Makati City

⁴ There is one (1) vacant position for director.

Subway Inc., and Prime Media Holdings Inc. (PRIM). He was a part-time lecturer in International Finance at DLSU Graduate School from 1999 to 2001 and board of adviser of DLSU School of Management. He is an active member of the Integrated Food Manufacturer Association of the Philippines, PHILEXPORT, PHILFOODEX, Chinese Filipino Business Club, and Philippine Chamber of Agriculture and Food Industries. He was awarded the Ernst and Young Emerging Entrepreneur of the Year (2009), Overseas Chinese Entrepreneur of the Year (2010) and Ten Outstanding Young Men of the Philippines (2011).

Mr. Tiu has a Master's degree in Commerce, specializing in International Finance, from University of New South Wales, Sydney, Australia, and a Bachelor's Degree in Commerce, major in Business Management, from De La Salle University, Manila.

KENNETH S. TAN. Mr. Tan serves as the Chief Financial Officer of Greenery Holdings Incorporated and has been its Treasurer since June 2013. Mr. Tan also concurrently serves as the Treasurer and Chief Financial Officer of AgriNurture Inc. Previously, Mr. Tan served as Alternate Corporate Information and Compliance Officer of Greenery Holdings Incorporated. Mr. Tan also served as the Vice President for Administration/Information Officer and Compliance Officer of AgriNurture, Inc. Further, he served as an officer of Citibank N.A. and Manulife Financial and was a part-time lecturer in Economics at an international school in Manila.

Mr. Tan has a Bachelor's Degree in Developmental Studies from the Ateneo de Manila University.

ANTONIO PETER R. GALVEZ. Mr. Galvez is an Executive and Leadership Coach and Business Coach with the University of Asia and the Pacific. He is also a licensed facilitator of Get Clients Now, licensed instructor of GRID International, and a director at Pastra.Net. His previous employments include various stints with the Securities Transfer Services, Inc., First Philippine Holdings Corporation and its subsidiaries, Department of Trade and Industry, and the Board of Investments.

Mr. Galvez is a holder of an Executive Master's Degree in Business Administration from the Asian Institute of Management. He graduated from the Ateneo de Manila University with a Bachelor's Degree in Economics.

YANG CHUNG MING. Mr. Yang is the General Manager of Good Chance AgriNurture Marketing Co., Ltd. and Tong Shen Enterprises, which are both Taiwan-based firms.

He has a Bachelor's Degree in Computer Science from Chiang Kai Shek College, Philippines and has a Master's Degree in Business Administration from the National Chengchi University in Taiwan.

SENE L. MATOTO. Mr. Senen Matoto served from 2007-2017 as President and Director of Vicsal Investment and Investment, AB Capital and Investment Corporation, VSec. Com. Inc. He obtained his Masters in Business Administration from the Asian Institute of Management and his Bachelor of Science in Business Administration from the University of the Philippines.

LUIS REY I. VELASCO. Mr. Luis Rey I. Velasco, PhD, is a Doctorate Degree Holder in Entomology from University of Queensland, Brisbane, Australia. He is currently a professor in Agriculture Entomology at University of the Philippines Los Banos.

PAULA KATRINA L. NORA. Atty. Nora currently serves as director and Corporate Secretary of Greenery Holdings Incorporated. She is likewise a director and Assistant Corporate Secretary of Sunchamp Real Estate Development Corp. and AgriNurture Development Holdings Inc. Finally, she currently acts as the Assistant Corporate Secretary of Winsun Green Ventures, Inc. and Lite Speed Technologies, Inc.

Atty. Nora is a member of the Integrated Bar of the Philippines. She graduated with a Bachelor's Degree in Political Science, with a minor in Economics, from the Ateneo de Manila University and obtained her Juris Doctor Degree from the School of Law of the Ateneo de Manila University. Atty. Nora was an Associate at SPCMB Law Offices from January 2008 to July 2010. From August 2010 to May 2011, she was an Associate at the Del Rosario & Del Rosario Law Office and

subsequently a Senior Associate at Nava & Associates from June 2011 to June 2013. Atty. Nora rejoined SPCMB Law Offices in 2013 as a Senior Associate of the Corporate Department and is now a partner of the Corporate Department.

HONORIO T. TAN (Independent Director).* Mr. Tan is the Chairman, President, and owner of Beam Marketing Enterprise, Inc., a health food and herbal medicine manufacturing company. Mr. Tan is also the inventor of a number of herbal and naturopathic medicines. He served as President of Manila Downtown YMCA from 2005 to 2010 and from 2015 to 2016. He also served as President of Moringaling Philippines Foundation, Inc. in 2011. He started his career with the Bank of Asia in 1964, and later joined Menzi & Company.

Mr. Tan holds a Bachelor's Degree in Economics from University of the East. In 2019, Mr. Tan was awarded the degree of Doctor, honoris causa, by Lyceum Northwestern University, Dagupan, Pangasinan for Community Service.

MAYLYN Z. DY (Independent Director).* Ms. Dy is currently the Corporate Secretary of Woodside Properties & Land Corp., a director at VitaMaxx Realty, and an independent consultant at First Vita Plus Marketing Corporation. She was an Assistant General Manager at R. Zalamea Pawnshop from 1986 to 1998.

Ms. Dy graduated from Maryknoll College Foundation Inc. with a Bachelor's Degree in Communication Arts.

*The independent directors were never engaged as consultants of the Company.

As of reporting date, the following are the executive officers of the Company:

| Name | Position | Age | Citizenship | Business Experience |
|----------------|---|-----|-------------|---|
| Antonio L. Tiu | President/Chief Executive Officer ("CEO") | 44 | Filipino | Mr. Tiu is the Chairman/CEO of Earthright Holdings, Inc., AgriNurture Inc. (ANI), Three Star Capital Ltd. BVI, Sunchamp Real Estate and Development Corporation, and Chairman of Agricultural Bank of the Philippines, M2000 Imex Co., Ltd., Tully's Coffee Philippines Inc., First Class Agriculture Corporation, Agri Token Inc., and The Big Chill, Inc. He is also Director of Philippine Infradev Holdings Inc. (IRC), Greenergy Holdings Inc. (GREEN), Makati City Subway Inc., and Prime Media Holdings Inc. (PRIM). He was a part-time lecturer in International Finance at DLSU Graduate School from 1999 to 2001 and board of adviser of DLSU School of Management. He is an active member of the Integrated Food Manufacturer Association of the Philippines, PHILEXPORT, PHILFOODEX, Chinese Filipino Business Club, and Philippine Chamber of Agriculture and Food Industries. He was awarded the Ernst and Young Emerging Entrepreneur of the Year (2009), Overseas |

| | | | | |
|------------------------|--|----|----------|--|
| | | | | <p>Chinese Entrepreneur of the Year (2010) and Ten Outstanding Young Men of the Philippines (2011).</p> <p>Mr. Tiu has a Master's degree in Commerce, specializing in International Finance, from University of New South Wales, Sydney, Australia, and a Bachelor's Degree in Commerce, major in Business Management, from De La Salle University, Manila.</p> |
| Kenneth S. Tan | Treasurer/Chief Financial Officer ("CFO") | 47 | Filipino | <p>Mr. Tan serves as the Chief Financial Officer of Greenergy Holdings Incorporated and has been its Treasurer since June 2013. Mr. Tan also concurrently serves as the Treasurer and Chief Financial Officer of AgriNurture Inc. Previously, Mr. Tan served as Alternate Corporate Information and Compliance Officer of Greenergy Holdings Incorporated. Mr. Tan also served as the Vice President for Administration/Information Officer and Compliance Officer of AgriNurture, Inc. Further, he served as an officer of Citibank N.A. and Manulife Financial and was a part-time lecturer in Economics at an international school in Manila.</p> |
| Paula Katrina L. Nora | Corporate Secretary | 37 | Filipino | <p>Atty. Nora currently serves as director and Corporate Secretary. She is likewise a director and Assistant Corporate Secretary of Sunchamp Real Estate Development Corp. and AgriNurture Development Holdings Inc. Finally, she currently acts as the Assistant Corporate Secretary of Winsun Green Ventures, Inc. and Lite Speed Technologies, Inc.</p> |
| Maricris Connie B. Pua | Corporate and Information Compliance Officer | 36 | Filipino | <p>Atty. Maricris Connie B. Pua obtained her Bachelor of Laws degree from San Sebastian College-Recoletos in 2008. She also holds a Bachelor of Arts in Political Science degree from the University of the Philippines – Diliman. She was previously an Associate Lawyer for Rodriguez Esquivel Palpal-Iatoc Law Firm from August 2013 to May 2014 and is currently an Associate</p> |

| | | | | |
|--|--|--|--|--|
| | | | | Lawyer for Chato & Vinzons-Chato Law Offices. She is also the Corporate Secretary of Agrinurture, Inc. |
|--|--|--|--|--|

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

There was no director elected during the Annual Stockholders' Meeting of the Company on 28 June 2019 who resigned or declined to stand for re-election to the Board of Directors due to a disagreement with the Company on any matter relating to the Company's operations, policies, or practices, and the required disclosures relevant to the existence thereof.

The nominees for the election to the Board of Directors on 14 August 2020 are as follows:

1. Antonio L. Tiu
2. Kenneth S. Tan
3. Martin C. Subido
4. Paula Katrina L. Nora
5. Antonio Peter R. Galvez
6. Yang Chung Ming
7. Senen L. Matoto
8. Luis Rey I. Velasco
9. Ciara Mae Ong-Lim
10. Maylyn Z. Dy (Independent Director)
11. Honorio T. Tan (Independent Director)

In compliance with the Company's Revised Manual on Corporate Governance, a Nomination Committee composed of the following directors was created:

| | | |
|----------|---|----------------|
| Chairman | - | Kenneth S. Tan |
| Member | - | Honorio T. Tan |
| Member | - | Maylyn Z. Dy |

The Nomination Committee pre-screened the nominees for election as independent directors pursuant to the criteria in the Company's Revised Manual of Corporate Governance. The final list of nominees as pre-screened by the Nomination Committee is as follows:

| Nominee for Independent Director (a) | Person/Group Recommending Nomination (b) | Relation of (a) and (b) |
|--------------------------------------|--|-------------------------|
| Maylyn Z. Dy | Antonio L. Tiu | None |
| Honorio T. Tan | Antonio L. Tiu | None |

In approving the nominations for independent director, the Nomination Committee took into consideration the guidelines on the nomination of independent directors as prescribed in SEC Memorandum Circular No. 19, series of 2016, and the Company's Revised Manual on Corporate Governance.

The Nomination Committee has determined that the nominees meet the qualifications and none of the disqualifications to serve as independent directors of the Company.

Attached as **Annex "A"** is the certification issued by the Corporate Secretary that none of the (i) current members of the Board of Directors and officers and (ii) nominees to the Board of Directors of the Company are appointed/employed in any government agency.

Further, attached as **Annex “B”** and **Annex “C”** are the certifications of Mr. Honorio T. Tan and Ms. Maylyn Z. Dy, respectively, as to their compliance with the Securities and Regulations Code Rule 38 on the qualifications and disqualifications of independent directors.

Significant Employees

No single person is expected to make a significant contribution to the business since the Company considers the collective efforts of all of its employees as instrumental to the overall success of the Company's performance.

Family Relationships

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

Involvement in Legal Proceedings

To the best of the Company's knowledge, in the last five (5) years up to the latest date of this Information Statement, only Mr. Tiu, the President/CEO of the Company, has been involved in an event material in evaluating the ability or integrity of any director, any nominee for election as director, or executive officer of the Company, to wit:

Republic of the Philippines, represented by AMLC v. Binay, et. al.; CA-G.R. AMLA No. 00134

On 11 May 2015, the Court of Appeals issued a six (6)-month *Freeze Order* effective immediately on specified bank accounts of Mr. Tiu in connection with the anti-money laundering case filed by the AMLC against former Vice President and persons and corporations alleged to be involved in the money laundering scheme subject of the instant case.

The freezing of the bank accounts was predicated solely on the allegations made by the AMLC that the multiple transactions involving receipt of inward remittances and inter-branch fund transfers between the Company, EHI (a stockholder of the Company), and SREDC (a subsidiary), as well as the alleged purchase of \$20.46 million in foreign exchange from RCBC Forex 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.

Although the rules on confidentiality bar Mr. Tiu from going into the details of the proceedings before the Court of Appeals, he is of the position that the AMLC's allegation is without basis. The Company's disclosures with the SEC and the PSE, which were timely filed and readily accessible to the general public, show that the receipts and transmittals involving the foregoing corporations had economic justifications and involved legitimate business transactions.

Moreover, RCBC Forex admitted and in fact issued a certification that Mr. Tiu did not make the \$20.46 million purchase of foreign currency as erroneously claimed by the AMLC.

Hence, on 6 November 2015, Mr. Tiu filed a *Motion to Lift Freeze Order* (the "*Motion to Lift*") of even date with the Court of Appeals where he argued, among others, that the alleged unjustified bank transactions of the foregoing corporations were above-board, legal, and duly reported to the appropriate regulatory bodies of the government even prior to any investigation conducted by any government agency.

Without resolving the *Motion to Lift*, the *Freeze Order* on the above bank accounts were *motu proprio* lifted upon the expiration of the maximum six (6)-month period to freeze bank accounts allowed under the law.

Republic of the Philippines v. Binay, et. al., AMLA Case No. 15-007-53

In 2015, the Republic of the Philippines, through the AMLC (the "Petitioner"), filed a Verified *Ex Parte* Petition for Civil Forfeiture (With Urgent Prayer for Issuance of a Provisional Asset Preservation Order

and/or Asset Preservation Order) dated 29 October 2015 (the "Ex Parte Petition") with the Regional Trial Court of Manila (the "Regional Trial Court"). In the Ex Parte Petition, the Petitioner prayed that (i) a Provisional Asset Preservation Order ("PAPO") be issued over specified bank accounts of the Company, among others, (ii) the PAPO be converted into an Asset Preservation Order ("APO") after summary hearing, and (iii) the Company's bank accounts specified in the Ex Parte Petition be forfeited in favor of the government after due proceedings (the "Case"). On 13 November 2015, the Regional Trial Court issued the PAPO over specific bank accounts of the Company.

On 9 December 2015, the Company filed an Omnibus Motion of even date in response to Petitioner's *Ex Parte* Petition where it was prayed that the Case be dismissed on the following grounds:

1. The Regional Trial Court has no jurisdiction to hear the Case because it was instituted within the one-year ban provided for under Republic Act No. 1379; and
2. The report of the AMLC, upon which the *Ex Parte* Petition and the issuance of the PAPO were predicated, was prepared in a manner that was violative of the Company's right to due process; hence, it cannot be used, relied upon, nor be taken cognizance of by the Regional Trial Court in determining the existence of probable cause that would justify the issuance of the PAPO.

In the Omnibus Motion, the Company also prayed for a bill of particulars or a more definite statement of facts so that it could intelligently confront the baseless imputation that the foregoing bank accounts are somehow connected with any illegal activity. A mere perusal of the *Ex Parte* Petition filed in the Case will readily show that while the foregoing accounts were mentioned, not a single allegation was made connecting any of the funds therein to any specific alleged illegal transaction or unlawful activity involving former Vice President Binay.

On 14 December 2015, the Regional Trial Court, without ruling on the Company's Omnibus Motion issued the Order dated 15 December 2015 converting the PAPO into an APO.

Accordingly, on 22 January 2016, the Company filed its Motion for Reconsideration of even date in regard to the said Order dated 15 December 2015. The Company prayed that the APO be recalled and set aside, insofar as it relates to the bank accounts of the Company, based on the following grounds: (i) the issuance of the APO was premature considering that the jurisdiction of the court was still an issue; (ii) the APO was improperly and irregularly issued; and (iii) there was no legal or factual basis for the issuance of the APO.

On 25 May 2016, RCBC Forex issued a written Certification of even date categorically refuting the findings made in the AMLC Report that Mr. Antonio L. Tiu ("Tiu") allegedly purchased in cash the amount of \$20.46 million in foreign currency. In the Certification, RCBC Forex unequivocally admitted its mistake in relaying false information to the AMLC as regards Mr. Tiu's supposed covered transactions.

Thus, a Supplemental Motion to the Omnibus Motion was filed by the Company where it prayed that the Ex Parte Petition against it be stricken from the records of the Regional Trial Court in view of (i) the Certification by RCBC Forex that the information it relayed to the AMLC regarding the involvement of Mr. Tiu in the \$20.46 million purchase of foreign currency was erroneous; (ii) the indubitable legitimate and bona fide business transactions that supported the inward bank remittance transactions involving the Company, Earthright, Sunchamp, and Mr. Tiu; (iii) the false and erroneous information contained in the AMLC Report; and (iv) the violation of the Company's constitutional rights in connection with the AMLC Report and the proceedings instituted as a result thereof.

In an Order dated 9 July 2018 ("Order"), the Regional Trial Court categorically ruled that "the funds in the subject accounts of respondents Greenergy et al. are not related to the unlawful activity of violation of R.A. 3019 and R.A. 7080." Thus, the Company and its bank accounts were "ordered Discharged from the effects of the Asset Preservation Order (APO) dated 15 December 2015."

With the Order, which was immediately executory, the Company regained access and control over its bank accounts.

The Office of the Solicitor General filed a Motion for Reconsideration (to the Order dated 9 July 2018) dated 3 August 2018 ("Motion"), while the Company filed their Comment/Opposition (to the Motion for Reconsideration) dated 11 December 2018 on even date.

On 1 July 2019, the RTC Manila issued the Order of even date, denying the Petitioner's Motion for Reconsideration dated 3 August 2019 for lack of merit. In this connection, the Petitioner has sixty (60) days from its receipt of the said Order within which to assail the same through a petition for certiorari with the Court of Appeals. As of date however, the Company has not yet received any notice that the Petitioner filed such a petition for certiorari.

Considering the lapse of the reglementary period to file a petition for certiorari, the Company has been advised that both the Orders dated 9 July 2018 and 1 July 2019 are deemed final and executory and a confirmatory certification will be obtained by the Company.

As a consequence of the Order, the above-mentioned bank account of the Company remains to be discharged from the effects of the APO.

Certain Relationships and Related Transactions

Please refer to Note 18 of the Audited Consolidated Financial Statements for the year ended 31 December 2019 for details on related party transactions.

Item 6. Compensation of Directors and Executive Officers

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

| (A) Name and Position | (B) Year | (C) Salary (in P) | (D) Bonus | (E) Other Annual Compensation |
|---|---------------------|-------------------------|--------------|-------------------------------------|
| Antonio L. Tiu, as President/CEO | 2020 (estimated) | 273,000.00 | None | 52,000.00 |
| | 2019 | 249,600.00 | None | 20,800.00 |
| | 2018 | 0.00 | None | None |
| All other officers and directors as a group, unnamed | 2020 (estimated) | 951,958.30 | None | 78,100.00 |
| | 2019 | 819,945.20 | None | 78,100.00 |
| | 2018 | 0.00 | None | None |

**The Treasurer/CFO, Corporate Secretary, and the Corporate Information and Compliance Officer did not receive compensation in the year 2019.*

Compensation of Directors

The Board of Directors, committee chairmen, and members do not receive compensation or director's fees.

However, effective January 2012, the members of the Board of Directors are entitled to reimbursement of actual transportation expenses for attendance to any regular or special meeting.

Employment Contracts

None.

Warrants and Options Outstanding

None.

Item 7. Independent Public Accountants

Pursuant to the authority delegated to the Board of Directors by the stockholders of the Company during the Annual Stockholders' Meeting held on 28 June 2019, the Board of Directors approved on 03 April 2020 the re-appointment of Constantino and Partners as external auditor for the fiscal year ended 31 December 2019.

- (i) Constantino and Partners is a public accounting firm accredited by the SEC as a Group A auditing firm for public companies. Aside from the SEC, it is also accredited as an auditing firm by the Board of Accountancy, Bangko Sentral ng Pilipinas, Insurance Commission, and the Bureau of Internal Revenue.
- (ii) Globally, Constantino and Partners is an independent member of Baker Tilly International, an international network of high-quality accountancy and business advisory firms.
- (iii) Representatives of Constantino and Partners are expected to be present at the Annual Stockholders' Meeting to respond to appropriate questions and will be given the opportunity to make a statement if they desire to do so.
- (iv) There are no disagreements with the Company's external auditor as regards accounting principles, practices, or financial disclosures.
- (v) The engagement of Constantino and Partners as the external auditor complies with the requirement on rotation of external auditors under SRC Rule 68(3)(b)(iv).
- (vi) The effective date of engagement by the Company of Constantino and Partners is 03 April 2020.
- (vii) The appointment of the External Auditor for year 2020 is one of the items in the agenda for the forthcoming Annual Stockholders' Meeting.

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

| | | |
|----------|---|------------------|
| Chairman | - | Maylyn Z. Dy |
| Member | - | Honorio T. Tan |
| Member | - | Martin C. Subido |

Constantino and Partners is still recommended for re-appointment as external auditor for the fiscal year ending 31 December 2020.

Description of Any Disagreement on Any Matter of Accounting Principle or Practices, FS Disclosures, Etc.

None.

Letter from Former Accountant Addressed to the SEC (Exhibit)

Not applicable.

Item 8. Compensation Plans

No action is to be taken with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. Authorization or Issuance of Securities Other than for Exchange

There is no action or matter to be taken up with respect to the authorization or issuance of securities.

Item 10. Modification or Exchange of Securities

There is no action or matter to be taken up with respect to the modification of any class of securities of the Company, or the issuance of authorization for issuance of one class of securities of the Company in exchange for outstanding securities of another class.

Item 11. Financial and Other Information

Attached as **Annex "D"** is the Consolidated Audited Financial Statements of the Company for the fiscal year ended 31 December 2019.

Further, attached hereto is the Quarterly Report for the period ended 31 March 2020, which include the consolidated notes on the financial statements, marked as **Annex "E."**

MANAGEMENT REPORT

The Company was registered and incorporated with the SEC on 29 January 1992 as MUSX Corporation to primarily engage in the manufacturing and sale of semiconductor products. In 2011, the SEC approved the amendment of its Articles of Incorporation to change the Company's registered name to Greenergy Holdings Incorporated. The Company was listed in the PSE on 26 September 1996.

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

Status of Operations

Sunchamp Real Estate Development Corp. ("SREDC")

SREDC was incorporated and registered with the SEC on 31 May 2004. It is a real estate company that focuses on the development of self-sustaining agri-tourism areas. At present, the Company has a 62.39% equity stake in SREDC.

In the last quarter of 2017, SREDC started the commercial operations of a self-sustaining agri-tourism park located in Rosario Batangas (the "Park"). The Park offers agri-tourism and lifestyle center activities, overnight accommodations, and venue for weddings, special events, field trips and seminars to students, individuals and groups. Soon, it will also offer facilities for team building activities to encourage more visitors to come and enjoy the Park.

Total Waste Management Recovery System, Inc. ("TWMRSI")

TWMRSI was incorporated and registered with the SEC on 8 March 2011. It 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 toward efficient, hygienic, and economical collection, segregation, recycling, composting, filling,

disposing, treating, and managing of household, office, commercial, and industrial garbage. The Company has 51% equity interest in TWMRSI.

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

Winsun Green Ventures, Inc. ("WGVI")

WGVI was incorporated and registered with the SEC on 22 June 2012. It is a wholly-owned subsidiary of the Company engaged in renewable energy projects.

On 11 May 2020, WGVI entered into an International Distributorship Agreement (Agreement) with Hanergy Thin Film Power Asia Pacific Limited (Hanergy). Hanergy is engaged in the business of manufacturing and selling solar-powered related products. Under the Agreement, WGVI is appointed as Hanergy's distributor in the Philippines for the promotion and sale of all Hanergy solar products such as, but not limited to, the new and innovative Film Flat SOLARtile. The Agreement has a term of one (1) year, with an option to renew for another year upon expiration of the original term.

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

AgriNurture Development Holdings Inc. ("ADHI")

ADHI was incorporated and registered with the SEC on 17 June 2014. It is a wholly-owned subsidiary of the Company. The Company intends to use ADHI as the holding company of its agricultural portfolio.

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

Lite Speed Technologies, Inc. ("LSTI")

LSTI was incorporated and registered with the SEC on 14 August 2014. It is engaged in the business of information and communications technology. The Company has 51% equity interest in LSTI.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Income Statement Trends

First Quarter Interim Periods: March 2020 and March 2019

Revenue recorded for the first three (3) months of 2020 is P0.34 million, which includes Agri-tourism revenue and rental income from P0.53 million last quarter of 2019. The decrease is due to the low number of tourist visitors during the quarter as compared to last quarter of 2019.

Expenses such as contractual services, utilities, repairs and maintenance, materials and supplies, transportation, legal and professional and taxes and licenses decreases by P1.88 million during the 1st quarter of 2020 as compared to last quarter of 2019.

As a result of the above, the Company had a Consolidated Operating Loss of P7.46 million for the period March 31, 2020. Furthermore, the sales were low during the quarter due to the eruption of eh Taal Volcano and the COVID-19 pandemic.

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. On July 17, 2019, the Parent Company also entered into a Memorandum of Agreement with RYM Business Management Corp. ("RYM") and certain landowners in connection with an investment in Prime Media Holdings, Inc. ("Prime"). Under the MOA, properties in, among others, the Province of Rizal will be invested, infused and contributed to Prime in exchange for primary common shares to be issued from the latter's unissued authorized capital stock (the "Investment"). The Investment is subject to verification and validation by RYM of the titles and ownership rights of the landowners.

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 investment, 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 the operations and complete its current and future plans.

Balance Sheet Trends

First Quarter Interim Periods Ended March 2020 and Year Ended 31 December 2019.

Cash and cash equivalent amounted to P1.24 million as at March 31, 2020 from P1.32 million consolidated as at December 31, 2019. The decrease in cash is due to several payments of payables during the quarter.

Receivables increased to P252.64 million in March 31, 2020 from P252.20 million as of December 31, 2018 mainly due to additional recognition of rental income and sales during the quarter.

Dues from related parties decreased to P714.07 million in March 31, 2020 from P717.92 million consolidated at December 31, 2019 as a result of liquidation and collections during the quarter.

Other current assets slightly increased to P9.31 million in March 31, 2020 from P9.28 million consolidated as at December 31, 2018 due to increase in Input VAT during the quarter.

Financial assets at fair value through other comprehensive income decreased during the quarter from P2.46 billion to P1.15 billion due to decrease in market price based on published price in the stock market.

Property and equipment, decreased to P151.31 million in March 31, 2020 from P154.52 million as at December 31, 2019 mainly due to liquidation of advances from a stockholder that resulted to an increase in land in 2019.

Trade and Other Payables decreased to P18.98 million in March 31, 2020 compared to the Trade and Other Payables as at December 31, 2019 amounting to P19.22 million due to payments of payables and accruals during the quarter.

Non-controlling interest decreased P110.93 million in March 31, 2020 from P113.24 million as at December 31, 2019 due to net loss results of the operations of subsidiaries under common control.

Income Statement Trends

Income Statement for the Fiscal Years 2019 and 2018

The Group's revenues for 2019 amounted to P1.65 million, a decrease from the revenue generated in 2018 which totaled P3.45 million due to the decrease in agri-tourism revenue situated in Rosario, Batangas. Cost of sales consists of salaries and wages, cost of raw materials and fuel and oil relating to the agri-tourism activities.

In 2019, the Group's gross loss was at P1.13 million due to significant decrease in revenue and increase in cost of sales during the year. In 2018, the Company's gross income was at P1.00 million or 29.03% of revenues. The Company estimates that its gross profit margins will improve more in the coming years when returns on the Company's investments become visible, especially on the increase in service income from agri-tourism, sale of harvests from greenhouse projects of one of its subsidiaries. In addition, the Group entered into agreements for potential projects with Hanergy Thin Film Power Asia Pacific Limited ("Hanergy") and RYM Business Management Corp. ("RYM") that will generate sufficient cash flows to sustain operation.

General and Administrative expenses in 2019 totaled P36.60 million, a decrease of 4.82% compared to that in 2018 which amounted to P38.46 million due to the decrease in legal and professional fees, repairs and maintenance, brokers fee and handling cost.

Other charges net in 2019 totaled P18.85 million compared to that in 2018 which amounted to other income-net of P2.86 billion. The decrease is due to the results of provision for impairment amounting to P27.73 million while in 2018 the increase is due to the results of gain on reclassification of investment in associate to FVOCI amounting to P2.61 billion, gain on deemed disposal of investment in an associate of P186.43 million and gain on sale of investment in associate amounting to P78.97 million. Provision for impairment increased in 2019 from P12.75 million to P27.73 million in 2018 which includes advances from related parties and other receivables. Equity in loss of an associate amounted to P0.77 in 2018 due to decrease in ownership of an associate as a result of significant sales of shares.

As a result of the above, the Company had a consolidated net loss in 2019 of P56.75 million as a result of provision made during the year for receivables, other current assets and due from related parties.

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. On 11 April 2019, the Company entered into an International Distributorship Agreement ("Agreement") with Hanergy. Hanergy is engaged in the business of manufacturing and selling solar-powered related products. Under the Agreement, the Company is appointed as Hanergy's distributor in the Philippines for the promotion and sale of all Hanergy solar products such as, but not limited to, the new and innovative Film Flat SOLARtile. The Agreement has a term of one (1) year, with an option to renew for another year upon expiration of the original term. Terms of the agreement was extended until 10 May 2020 in consideration of the delay in the delivery of the shipment of Hanergy solar products due to the COVID-19 pandemic and to give the parties time to negotiate the terms and conditions of the assignment by the Company of its rights and obligations under the Agreement to WGVI. On 11 May 2020, the parties mutually agreed to have the Company, through WGVI, continue as distributor of Hanergy's solar products in the Philippines. On even date, WGVI and Hanergy executed an International Distributorship Agreement. Said Agreement has a term of one (1) year with an option to renew for another one (1) year upon expiration of the original term. Also, on 17 July 2019, the Company also entered into a Memorandum of Agreement ("MOA") with RYM and certain landowners in connection with an investment in Prime Media Holdings, Inc. ("Prime"). Under the MOA, properties in, among others, the Province of Rizal will be invested, infused and contributed to Prime in exchange for primary common shares to be issued from the latter's unissued authorized capital stock. With these investments, the management of the Group will continue to generate sufficient cash flows to complete its current and future plans.

Balance Sheet Trends

Balance Sheet Trends – Fiscal Years 2019 and 2018

Cash and cash equivalent decreased by P11.21 million from P12.53 million in 2018 to P1.32 million in 2019 due to the decrease in sales and various payments of operating expenses during the year.

Net receivables decreased by P1.39 million as of 31 December 2019 from P253.59 million in 2018 to P252.20 million in 2019 due to the impairment of advances to officers and employees during the year.

In 2019, due from related parties decreased by P93.20 million, P717.92 million, and P811.12 million in 2019 and 2018. The decrease is due to liquidation and collection of advances given to a stockholder in relation to the purchase of land in Rosario, Batangas, various expenses of the Park and other expenses of the Group.

Other assets include pre-payments, materials and supplies, deferred taxes, and input VAT. The increase is due to the input VAT in relation to the purchase of land.

Deposit for land acquisition increased by P4.00 million due to the advance deposit of the Group for a future project.

Financial assets at FVOCI decreased significantly at P640.00 million in 2019 due to decrease in market price per share of the investment in shares of stocks.

"Property and equipment" increased due to the additional land purchase in Rosario, Batangas.

Total liabilities increased by P12.21 million in 2019 from P309.98 million in 2018 to P322.19 million in 2019. The increase in 2019 is the result of the additional deposits by Earthright Holdings, Inc. in relation to the subscription agreement classified under "deposit for future stock subscription".

Total equity decreased by P694.79 million in 2019 from P3.99 billion in 2018 to P3.30 billion in 2019 due to the decrease in fair value of financial assets at FVOCI during the year.

Income Statement Trends

Income Statement for the Fiscal Years 2018 and 2017

The Group's revenues for 2018 amounted to P3.45 million, an increase from the revenue generated in 2017 which totaled P0.52 million due to the increase in agri-tourism revenue and rental income from the nine (9)-hectare property situated in Rosario, Batangas. Cost of sales consists of salaries and wages, cost of raw materials and fuel and oil relating to the agri-tourism activities.

In 2018, the Group's gross income was at P1.00 million, equivalent to 29% of revenues. In 2017, the Company's gross loss was at P1.49 million or -287.61% of revenues. The Company estimates that its gross profit margins will improve more in the coming years when returns on the Company's investments become visible, especially on the increase in service income from agri-tourism, sale of harvests from greenhouse projects of one of its subsidiaries and potential project with Thebizlink Co. Ltd that will generate sufficient cash flows to sustain operation.

Administrative expenses in 2018 totaled P38.46 million, an increase of 95% compared to that in 2017 which amounted to P19.69 million due to the increase in depreciation expense, penalties and fines, salaries and wages, legal and professional fees and repairs and maintenance.

Other income (charges) in 2018 totaled P2,856.48 million compared to that in 2017 which amounted to P42.69 million. The increase is due to the results of gain on reclassification of investment in associate to FVOCI amounting to P2,613.49 million, gain on deemed disposal of investment in an associate of P186.42, gain on sale of investment in associate amounting to P78.97 million. Provision for impairment increased in 2018 from P0.74 million to P12.75 million in 2017 which includes advances from related parties and other receivables. Equity in net income (loss) of associate decreased from a gain of P31.35 million in 2017 to a loss of P3.45 in 2017 due to decrease in ownership of an associate.

As a result of the above, the Company had a consolidated net income in 2018 of P2.82 billion as a result of the gain recognized for the year on the revaluation of a financial assets at fair value through other comprehensive income.

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. On January 30, 2019, the Group entered into a Memorandum of Agreement with Thebizlink Group for the development of a transport hub, smart-farming agriculture area, smart-city commercial and/or mixed use developments and other related developments. With these investments, the management of the Group will continue to generate sufficient cash flows to complete its current and future plans.

Balance Sheet Trends

Balance Sheet Trends – Fiscal Years 2018 and 2017

Cash and cash equivalent increased by P9.83 million from P2.70 million in 2017 to P12.53 million in 2018 due to the result of the gain on sale of investments and collection of agri-tourism revenues.

Net receivables increased by P2.15 million as of 31 December 2018 from P251.44 million in 2017 to P253.59 million in 2018 due to the increase in rental receivables during the year.

In 2018, due from related parties decreased by P10.72 million, P811.12 million, and P821.84 million in 2018 and 2017. The decrease is due to liquidation and collection of advances given to a stockholder in relation to the expenses of the Park and other expenses of the Group.

Other assets include pre-payments, materials and supplies, deferred taxes, and input VAT.

Deposit for land acquisition increased by P4.60 million due to the advance deposit of the Group for a future project.

Financial assets at FVOCI increased significantly at P3,101.01 million and P0.37 million in 2018 and 2017, respectively due to the reclassification of an investment in associate to investment in shares of stocks as a result of the decrease in ownership to ANI common shares.

"Property and equipment" increased due to the additional recognition of various properties in Rosario Batangas in 2018 such as buildings and land improvements including machineries and equipment. Total liabilities increased by P66.37 million in 2018 from P243.61 million in 2017 to P309.98 million in 2018. The increase in 2018 is the result of the additional advances given by one of its related parties during the year. Total equity increased by P2,820.50 million in 2018 from P1.17 billion in 2017 to P3.99 billion in 2018 due to the positive results of the Group's operations during the year.

Changes and Disagreements with Accounts on Accounting and Financial Disclosure

None.

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

Imposition of Penalties

On 3 May 2017, the PSE imposed on the Company a basic fine of P50,000.00 and a daily fine of P5,000.00 for each day of non-compliance for its failure to submit the *Annual Report* for the year ended 31 December 2016 within the prescribed period.

Further, on 23 May 2017, the PSE imposed on the Company a basic fine of P50,000.00 and a daily fine of P5,000.00 for each day of non-compliance for its failure to submit the *Quarterly Report* for the period ended 31 March 2017 within the prescribed period.

Finally, on 23 August 2017, the PSE imposed on the Company a basic fine of P50,000.00 and a daily fine of P5,000.00 for each day of non-compliance for its failure to submit the *Quarterly Report* for the period ended 30 June 2017 within the prescribed period.

The Company previously disclosed that it received a final demand letter from the PSE requiring the settlement of outstanding obligations in the total amount of P553,360.00 (the "Outstanding Obligations"). The Outstanding Obligations include penalties imposed by the PSE due to the Company's failure to file (i) the *Annual Reports* for the years ended 31 December 2014 and 2015, and (ii) the *Quarterly Reports* for the periods ended 31 March 2015, 30 June 2015, and 31 March 2016.

The Company likewise previously disclosed to the public that the Securities and Exchange Commission ("SEC") imposed upon it a partial aggregate penalty amounting to P922,000.00 due to its failure to file the (i) *Annual Reports* for the years ended 31 December 2014 and 2015, and (ii) *Quarterly Reports* for the periods ended 31 March 2015, 30 June 2015, 30 September 2015, and 31 March 2016.

Further, the SEC imposed upon the Company an additional delay assessed aggregate penalty amounting to P457,500,000.00 for the late filing of (i) the *Annual Report* for the years ended 31 December 2014 and 2014, and (ii) the *Quarterly Reports* for the periods ended 30 June 2015 and 30 September 2015.

An Order dated 5 November 2018 was issued by the SEC directing the Company to pay the amount of ₱2,000,000.00 as penalty for the late filing of its 2016 and 2017 *Annual Reports* (SEC Form 17-A), 2016 1st and 2nd *Quarterly Reports*, and 2017 1st and 2nd *Quarterly Reports* (SEC Form 17-Q).

The Company has submitted the (i) *Annual Reports* for the years ended 31 December 2014 to 2017 and (ii) *Quarterly Reports* for the periods ended 31 March 2015, 30 June 2015, 30 September 2015, 31 March 2016, 31 March 2017, and 30 June 2017, and has settled all the monetary penalties accordingly.

Additional Investment in WGV

On 22 February 2019, the Board of Directors authorized the Company to make an additional investment of up to Php100 million in WGV to finance the latter's "green" projects involving solar power and liquefied natural gas (LNG).

Other than those stated above, and to the best of the Company's knowledge, the Company's Management has no knowledge and is not aware of the following:

1. Any known trends or any known demands, commitments, events, or uncertainties that will result in or that are reasonably likely to result in the Company's liquidity increasing or decreasing in any material way;
2. Any events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation;
3. Any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period;
4. Any material commitments for capital expenditures;
5. Any known trends, events, or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations;
6. Any significant elements of income or loss that did not arise from the Company's continuing operations; and
7. Any seasonal aspects that had a material effect on the financial condition or results of operations.

The causes for any material changes from period to period are explained in the above discussions on Income Statement Trends and Balance Sheet Trends.

Key Performance Indicators

The top five (5) key performance indicators are shown below for the years 2019, 2018, and 2017:

| Indicator | 2019 | 2018 | 2017 |
|----------------------------------|-------------|-------------|-------------|
| Current ratio | 9.77:1 | 8.11:1 | 4.42:1 |
| Debt to equity ratio | 0.10:1 | 0.08:1 | 0.21:1 |
| Bank debt to equity ratio | - | - | - |
| Income (Loss) per share | (0.02) | 1.77 | 0.02 |
| Return on Equity | (0.02) | 0.71 | 0.01:1 |

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

Definition of "Liquidity Ratios"

A class of financial metrics that is used to determine a company's ability to pay off its short-terms debt

obligations. Generally, the higher the value of the ratio, the larger the margin of safety that the company possesses to cover short-term debts.

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

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

Definition of "Solvency Ratio"

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

The measure is usually calculated as follows:

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

Definition of "Debt/Equity Ratio"

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

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

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

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

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

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

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

Definition of "Interest Coverage Ratio"

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

period by the company's interest expenses of the same period:

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

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

Definition of "Return on Equity – ROE"

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

$$\text{Return on Equity} = \frac{\text{Net Income}}{\text{Shareholders' Equity}}$$

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

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

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

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

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

Definition of "Gross Margin"

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

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

This number represents the proportion of each dollar of revenue that the company retains as gross profit. For example, if a company's gross margin for the most recent quarter was 35%, it would retain \$0.35 from each dollar of revenue generated, to be put towards paying off selling, general and administrative expenses, interest expenses, and distributions to shareholders. The levels of gross

margin can vary drastically from one industry to another depending on the business. For example, software companies will generally have a much higher gross margin than a manufacturing firm.

Definition of "Net Margin"

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

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

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

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

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

Audit and Audit-Related Fees – 2019

The audit fees for the services rendered by the Company's external auditor, Constantino and Partners for its services in connection with the statutory and regulatory filings of the Company's financial statements for the fiscal year ended 31 December 2019 and 2018 amounted to ₱335,000.00 and ₱300,000.00, respectively.

Tax Fees – 2019

For the year 2019, there were no fees paid for professional services rendered by the external auditor for tax accounting compliance, advice, planning, and any other form of tax services.

All Other Fees – 2019

For the year 2019, there were no fees paid for products and services provided by the external auditor other than the fees paid as indicated in "Audit and Audit-Related Fees – 2019" above.

Audit Committee's Approval Policies and Procedures for the Above Services

The Audit Committee approved the above fees paid to the external auditor for the fiscal year 2019.

MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Securities

As of reporting date, the Company has an authorized capital stock of ₱2,000,000,000.00 divided into the following:

- a. Common Shares, consisting of 1,900,000,000 shares with a par value ₱1.00 per share for a total par value of ₱1,900,000,000.00; and
- b. Preferred Shares, consisting of 1,000,000,000 shares with a par value of ₱0.10 per share for a total par value of ₱100,000,000.00.

The total issued and subscribed capital stock of the Company is ₱1,900,778,572.00, divided into (i) 1,800,778,572 common shares with a par value of ₱1.00 per common share or a total par value of

₱1,800,778,572.00, and (ii) 1,000,000,000 preferred shares with a par value of ₱0.10 per preferred share or a total par value of ₱100,000,000.00.

Except for those exempt from the registration requirement, no sales of unregistered securities were made in the past three (3) years.

No debt securities are registered or contemplated to be registered.

No securities subject to redemption or call exists or are planned to be issued.

Market Information

The following is a summary of the trading prices at the PSE for each of the quarterly periods of 2019 and 2018:

| Ave. Price | 2019 | | 2018 | |
|-------------------|------|------|------|------|
| Quarter | Low | High | Low | High |
| 1 st | 1.97 | 3.55 | N.A. | N.A. |
| 2 nd | 2.24 | 2.92 | N.A. | N.A. |
| 3 rd * | 1.87 | 2.64 | N.A. | N.A. |
| 4 th * | 1.80 | 2.54 | 1.23 | 2.40 |

**The trading of the Company's securities was suspended starting the 3rd quarter of 2015. The stock was last traded on 13 May 2015 before trading thereof resumed on 05 November 2018.*

The last traded price of the Company's common shares at the PSE on 17 July 2020 was Php1.56.

Holdings⁵

The Company has a total of 1,027 stockholders of record as of 30 June 2020. The Company issues both common and preferred shares. The top twenty (20) shareholders as of 30 June 2020 are as follows:

| Stockholder's Name | No. of Shares | % of Ownership |
|--|---------------|----------------|
| PCD Nominee Corporation | 447,578,240 | 24.85% |
| ThomasLloyd Cleantech Infrastructure Fund GmbH | 207,768,560 | 11.54% |
| Earthright Holdings, Inc. | 187,500,000 | 10.41% |
| Jian Cheng Cai | 160,000,000 | 8.89% |
| Three Star Capital Limited (BVI) | 110,000,000 | 6.11% |
| PPAR Management & Holdings Corporation | 58,000,000 | 3.22% |
| Southern Field Limited (BVI) | 55,000,000 | 3.05% |
| Jerry G. Yu | 52,000,000 | 2.89% |
| Ann Loraine B. Tiu | 51,500,000 | 2.86% |
| A.R.C. Estate & Project Corporation | 50,000,000 | 2.78% |
| Mark Kenrich Duca | 50,000,000 | 2.78% |
| Hung Kamtin | 40,000,000 | 2.22% |
| Paul Vincent Lee | 36,000,000 | 2% |
| Fab People, Inc. | 31,000,000 | 1.72% |
| Jaime L. Tiu | 30,000,000 | 1.67% |
| James L. Tiu | 30,000,000 | 1.67% |
| Prestejenchrisdan (PSJCD) Inc. | 30,000,000 | 1.67% |

⁵ The Company is still in the process of implementing the change in par value of its common shares as approved by the SEC.

For the purpose of this Report, the (i) number of shareholders; (ii) number of shares of the top twenty (20) shareholders; (iii) percentage of ownership; and (iv) public float were rounded off. However, the same are still subject to change/adjustment upon completion of the implementation of the change in par value of common shares of the Company.

| | | |
|-----------------------|----------------------|---------------|
| Sure Anthony T. Ching | 30,000,000 | 1.67% |
| Jose Marie E. Fabella | 30,000,000 | 1.67% |
| Leonardo S. Gayao | 28,000,000 | 1.55% |
| Total | 1,714,346,800 | 95.22% |

| Stockholder's Name | No. of Preferred Shares | % of Ownership |
|---------------------------|-------------------------|----------------|
| Earthright Holdings, Inc. | 1,000,000,000 | 100.00% |

The public float of the Company as of reporting date is 70.87%.

Background of Shareholders Owning At Least 10% of the Total Outstanding Stock

1. PCD Nominee Corporation

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

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

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

2. ThomasLloyd Cleantech Infrastructure Fund GmbH

ThomasLloyd Cleantech Infrastructure Fund GmbH ("Cleantech," formerly Cleantech Projektgesellschaft GmbH) was established in 2011 and duly organized under the laws of Germany, with registered address at Hanauer Landstraße 291B, 60314 Frankfurt a. M., Deutschland (Germany). It was established to launch a platform of retail and high net worth investor funds, specifically to invest in clean technologies and renewable energy. The company is owned by ThomasLloyd Holdings Ltd. and its sole director is T.U. Michael Sieg. Cleantech has invested in a US-based hybrid car designer and manufacturer, as well as a series of biomass projects in the Philippines.

3. Earthright Holdings, Inc.

Earthright Holdings, Inc. ("Earthright") is a domestic company incorporated on 14 November 2011 with the purpose of acquiring, holding, selling, exchanging, dealing, and investing in the shares of stock, bonds, or any kind of securities of any government or any subdivision thereof or any public or private corporation in the Philippines and abroad, and in real or personal property of any kind in the Philippines and abroad, in the same manner and to the same extent as a natural person might, could, or would do, to exercise all rights, powers, and privileges or ownership, including the right to vote therein, or consent in respect thereof, for any and all purposes without managing securities portfolio or similar securities or acting as broker of securities.

Dividends

No dividends were distributed in 2019 and 2018. Except for the required presence of unrestricted retained earnings, there are no restrictions that limit the Company's ability to pay dividends on equity or that are likely to do so in the future.

Exempt Transactions

None in the past three (3) years.

CORPORATE GOVERNANCE

The Company has adopted the Corporate Governance Self-Rating System to measure its compliance with the Revised Manual on Corporate Governance. Items that need improvement are being reviewed and discussed for actions by champions as assigned by the Corporate Governance Committee. The results of these reviews are documented and forwarded to the Board of Directors for further discussion and, if needed, for appropriate action. In accordance with the Company's Revised Manual on Corporate Governance, the assessment will be supported by an external facilitator every three (3) years.

The performance of the Board of Directors and its individual members is being measured and monitored via the Board Performance Tracking System. Areas for improvement are discussed for action during board/committee meetings. Board performance metrics include, among others, the individual director's attendance to board/committee meetings, availability of minutes, open/closed action items, etc.

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

On 31 May 2017, the Board of Directors of the Company, pursuant to SEC Memorandum Circular No. 19, series of 2016, approved the Company's Revised Manual on Corporate Governance to reflect the changes required by the SEC. A copy of the Revised Manual on Corporate Governance was filed with the SEC and the PSE on 31 May 2017.

No substantial deviation from the Revised Manual on Corporate Governance was recorded and disclosed in 2019.

On 9 July 2020, the Board of Directors of the Company, pursuant to SEC Memorandum Circular No. 24, series of 2019, approved the Company's Revised Manual on Corporate Governance in order to be compliant with the additional guidelines provided by the SEC.

Plan to Improve the Corporate Governance of the Company

Continuous training is being undertaken by members of the Board of Directors, Management, officers, and personnel to fully acquaint themselves with the Company's Revised Manual on Corporate Governance, policies, and related matters.

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

There is no action or matter to be taken up in the Annual Stockholders' Meeting with respect to merger, consolidation, acquisition, sale or other transfer of all or substantially all of the assets of the Company, liquidation, dissolution, and similar matters.

Item 13. Acquisition or Disposition of Property

There is no action or matter to be taken up in the Annual Stockholders' Meeting with respect to the acquisition or disposition that constitute all or substantially all of the assets or property of the Company.

Item 14. Restatement of Accounts

There is no action or matter to be taken up with respect to the restatement of any asset, capital, or surplus account of the Company.

D. OTHER MATTERS

Item 15. Action with Respect to Reports

The Minutes of the Annual Stockholders' Meeting held on 28 June 2019 will be submitted for approval to the stockholders of the Company.

Matters Approved by the Board of Directors and for Ratification by the Stockholders

1. The appointment of Constantino and Partners as the external auditor for the fiscal year 2019;
2. Postponement of the Annual Stockholders' Meeting previously scheduled on 12 June 2020, as provided in the Company's By-Laws, to 30 June 2020, with a record date of 29 May 2020;
3. Postponement of the Annual Stockholders' Meeting previously scheduled on 30 June 2020, to 14 August 2020, with a record date of 15 July 2020; and
4. Amendment of the Revised Manual on Corporate Governance in compliance with SEC Memorandum Circular No. 24, Series of 2019.

Item 16. Matters Not Required to be Submitted

None.

Item 17. Amendment of Charter, By-Laws or Other Documents

None.

Item 18. Other Proposed Action

1. Ratification of all the acts of the Board of Directors and officers since the Annual Stockholders' Meeting held on 28 June 2019;
2. Election of the members of the Board of Directors, including the independent directors; and
3. Appointment of an external auditor for the fiscal year 2020.

Item 19. Voting Procedures

1. For the matters to be presented to the stockholders for approval/ratification under item 15 above, the vote of stockholders present in person or by proxy representing at least a majority of the total outstanding capital stock entitled to vote is required.
2. For the matters to be presented to the stockholders for approval under item 18 above, the vote of stockholders present in person or by proxy representing at least a majority of the total outstanding capital stock entitled to vote is required.
3. During the election of directors, there must be present, either in person or by representative authorized to act by written proxy, the owners of at least a majority of the total outstanding capital stock. Unless a poll is demanded either before or on the declaration of the result of the vote on a show of hands, the election shall be done by a show of hands. Every stockholder entitled to vote shall have the right to vote in person or by proxy the number of shares of stock outstanding, at the time fixed in the By-Laws, in his own name on the stock books of the Company, or where the By-Laws is silent, at the time of election; and said stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit; provided, that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Company multiplied by the whole number of directors to be elected; provided, however, that no

delinquent stock shall be voted. Candidates receiving the highest number of votes shall be declared elected. Any meeting of the stockholders called for an election may adjourn from day to day or from time to time but not *sine die* or indefinitely if, for no reason, no election is held, or if there be not present or represented by proxy, at the meeting, the owners of a majority of the outstanding capital stock.

The total number of votes that may be cast by a stockholder of a Company is computed as follows: *No. of Shares Held on Record as of Record Date x 11 Directors*. Candidates receiving the highest number of votes will be declared elected.

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

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

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

Attention: Atty. Paula Katrina L. Nora

SIGNATURE

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

Makati City, Philippines, 20 July 2020

GREENERGY HOLDINGS INCORPORATED

By:


PAULA KATRINA L. NORA
Corporate Secretary



GREENERGY HOLDINGS INCORPORATED
(formerly MUSX Corporation)
54 National Road, Dampol II-A
Pulilan, Bulacan
Tel. No. (02) 997-5184

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO ALL STOCKHOLDERS:

NOTICE is hereby given that the Annual Meeting of the Stockholders of Greenergy Holdings Incorporated (the "Company") will be held on **14 August 2020**, Friday, at **1:30 in the afternoon**, at **54 National Road, Dampol II-A, Pulilan, Bulacan**.

The agenda for the said meeting shall be as follows:

1. Call to order;
2. Certification of notice and determination of quorum;
3. Approval of the minutes of the Annual Meeting of the Stockholders held last 28 June 2019;
4. Presentation of the Annual Report and Audited Financial Statements for the year ended 31 December 2019;
5. Ratification of all acts, resolutions, and decisions of the incumbent Board of Directors and Management since the Annual Stockholders' Meeting held last 28 June 2019;
6. Election of Directors;
7. Appointment of the external auditor for the fiscal year 2020;
8. Consideration of such other business as may properly come before the meeting; and
9. Adjournment.

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

By resolution of the Board of Directors, the close of business on **15 July 2020** has been fixed as the record date for the determination of the stockholders entitled to notice of such meeting and any adjournment thereof, and to attend and vote thereat.

All stockholders who will not, are unable, or do not expect to attend the meeting in person are urged to fill in, date, sign, and return the enclosed proxy to the Company at its principal office at 54 National Road, Dampol II-A, Pulilan, Bulacan. The proxy need not be a shareholder. A stockholder who is entitled to cast two (2) or more votes may appoint two (2) proxies and must specify the proportion of votes each proxy is appointed to exercise. All proxies must be received on or before **4 August 2020**. Proxies received after the said deadline will not be recorded. Corporate stockholders are requested to attach to the proxy instrument their respective Secretary's Certificates containing the Board Resolution vis-à-vis the authority of the proxy(ies). Validation of proxy(ies) shall be held on **7 August 2020 at 2:00 p.m.** at the Company's principal office. **Management is not asking you for a proxy nor is it requesting you to send a proxy in its favor.**

For convenience in registering your attendance, please bring your identification card containing your picture and signature, and present the same at the registration desk. Registration shall start at 1:00 p.m.

Pursuant to Securities and Exchange Commission Notice dated 20 April 2020, the electronic copies of the Company's Information Statement (SEC Form 20-IS), Notice and Agenda, Proxy Form, 2019 Annual Report (SEC Form 17-A), 2019 Sustainability Report, Audited Financial Statements for the year ended 31 December 2020, Quarterly Report for the period ended 31 March 2020 (SEC Form 17-Q), and other pertinent documents related to the Annual Stockholders' Meeting may be viewed and/or downloaded on the Company's website at www.ghi.com.ph, and PSE Edge portal at <https://edge.pse.com.ph/>.

By:


PAULA KATRINA L. NORA
Corporate Secretary

We are not soliciting your proxy. However, if you would be unable to attend the meeting but would like to be represented thereat, you may accomplish the proxy form herein and submit the same to the office of the Corporate Secretary at 54 Dampol II-A, National Road, Pulilan, Bulacan, Philippines. All proxies should be received on or before 4 August 2020 at 2:00 p.m. For partnerships, corporations, and associations, the proxies should be accompanied by a Secretary's Certificate on the appointment or designation of a proxy/representative and/or authorized signatories.

PROXY

I/WE hereby name and appoint _____ or, in his/her absence, the Chairman of the meeting as my/our proxy at the Annual Stockholders' Meeting of Greenergy Holdings Incorporated to be held at 54 National Road, Dampol II-A, Pulilan, Bulacan, Philippines on Friday, 14 August 2020, at 1:30 in the afternoon and at any postponement or adjournment thereof.

Place/Date : _____

Name of Shareholder : _____

Signature : _____

Number of Shares : _____

Witness : _____

CERTIFICATION

I, **PAULA KATRINA L. NORA**, Filipino, of legal age, and with office address at the 5th Floor, Prince Building, 117 Rada Street, Legaspi Village, Makati City, hereby certify that:

1. I am the duly elected and qualified Corporate Secretary of **GREENERGY HOLDINGS INCORPORATED** (the "Corporation"), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office at No. 54 National Road, Dampol II-A, Pulilan, Bulacan.

2. Based on corporate records, I certify that none of the members of the Board Directors, including the independent directors and officers of the Corporation, are appointed/employees in any government agency as of the date of this certification.

3. Further, based on corporate records, none of the nominees to the Board of Directors in the 2020 Annual Stockholders' Meeting, including the independent directors and officers of the Corporation, are appointed to or are employees in any government agency as of the date of this certification.

4. I am issuing this certification in compliance with the directive of the Markets and Securities Regulation Department of the Securities and Exchange Commission.

IN WITNESS WHEREOF, I have hereunto set my hand this 8th day of July 2020 in Makati City.

PAULA KATRINA L. NORA
Corporate Secretary

SUBSCRIBED AND SWORN TO before me on this 8th day of July 2020 in Makati City, affiant appeared and exhibited to me her competent evidence of identity, Driver's License No. D04-03-186603, a government-issued identification card bearing her name, photograph and signature, valid until 9 August 2024.

Doc. No. 186 ;
Page No. 39 ;
Book No. I ;
Series of 2020.



ATTY. MARI PAZ C. LUNA
Notary Public
Until December 31, 2020
Roll of Attorneys No. 73280
IBP No. 105446/01-07-2020/Makati City Chapter
PTR No. 8121860/01-06-2020/Makati City
Notarial Commission No. M-147 (2020-2021)
TIN 238-476-866
5th Floor, Prince Building, 117 Rada Street
Legaspi Village, Makati City

CERTIFICATION OF INDEPENDENT DIRECTOR

I, HONORIO T. TAN, Filipino, of legal age, and a resident of No. 23 Lourdes Castillo Street, Quezon City, after having been duly sworn in accordance with law do hereby declare:

1. I am a nominee for independent director of **GREENERGY HOLDINGS INCORPORATED** (the "Corporation"), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office at 54 National Road, Dampol II-A, Pulilan, Bulacan, and have been its independent director since 15 December 2016.

2. I am affiliated with the following companies or organizations:

| Company/Organization | Position/Relationship | Period of Service |
|---|--------------------------|-----------------------|
| BEAM Marketing Enterprises, Inc. | Chairman | 1972 to present |
| YMCA of the Philippines | National Treasurer | 2015-2018 |
| Manila Downtown YMCA | President | 2005-2010 |
| Manila Downtown TMCA | Director | 2013 to present |
| Moringaling Philippines Foundation Inc. | Past President, Chairman | 2011, 2017 to present |
| Agricultural Bank of the Philippines | Independent Director | 2014 to present |

3. I possess all the qualifications and none of the disqualifications to serve as an independent director of the Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations, and other issuances of the Securities and Exchange Commission ("SEC").

4. To the best of my knowledge, I am not related in any capacity or degree to any director, officer, or substantial shareholder of the Corporation, any of its related companies, or any of its substantial shareholders.

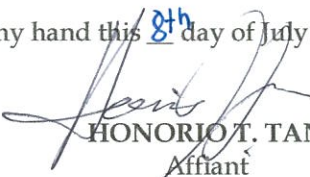
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I am not in government service nor affiliated with a government agency or government-owned and controlled corporation.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, the Revised Code of Corporate Governance, and other SEC issuances.

8. I shall inform the Corporate Secretary of the Corporation of any changes in the above-mentioned information within five (5) days from its occurrence.

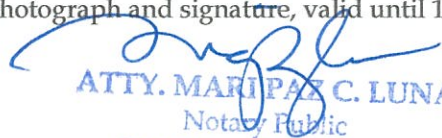
IN WITNESS WHEREOF, I have hereunto set my hand this 8th day of July 2020 in Makati City.


HONORIO T. TAN
Affiant

SUBSCRIBED AND SWORN TO before me on this 8th day of July 2020 in Makati City, affiant appeared and exhibited to me his competent evidence of identity, Passport No. P6823026A, a government-issued identification card bearing his name, photograph and signature, valid until 16 April 2028.

Doc. No. 184;
Book No. 38;
Page No. I;
Series of 2020.




ATTY. MARI PAZ C. LUNA
Notary Public
Until December 31, 2020
Roll of Attorneys No. 73280
IBP No. 105446/01-07-2020/Makati City Chapter
PTR No. 8121860/01-06-2020/Makati City
Notarial Commission No. M-147 (2020-2021)
TIN 238-476-866
5th Floor, Prince Building, 117 Rada Street
Legaspi Village, Makati City

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **MAYLYN Z. DY**, Filipino, of legal age, and a resident of 121 B. Gonzalez Street, Crystal Court Unit-E, Xavierville II, Quezon City, after having been duly sworn in accordance with law do hereby declare:

1. I am a nominee for independent director of **GREENERGY HOLDINGS INCORPORATED** (the "Corporation"), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office at 54 National Road, Dampol II-A, Pulilan, Bulacan, and have been its independent director since 15 December 2016.

2. I am affiliated with the following companies or organizations:

| Company/Organization | Position/Relationship | Period of Service |
|----------------------------------|-----------------------|-------------------|
| Woodside Properties & Land Corp. | Corporate Secretary | 1991 to present |
| VitaMaxx Realty | Director | 1998 to present |
| Vita Homes | President | 2000 to present |
| North East Dialysis Center | Treasurer | 2000 to present |

3. I possess all the qualifications and none of the disqualifications to serve as an independent director of the Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations, and other issuances of the Securities and Exchange Commission ("SEC").

4. To the best of my knowledge, I am not related in any capacity or degree to any director, officer, or substantial shareholder of the Corporation, any of its related companies, or any of its substantial shareholders.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I am not in government service nor affiliated with a government agency or government-owned and controlled corporation.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, the Revised Code of Corporate Governance, and other SEC issuances.

8. I shall inform the Corporate Secretary of the Corporation of any changes in the above-mentioned information within five (5) days from its occurrence.

IN WITNESS WHEREOF, I have hereunto set my hand this 8th day of July 2020 in Makati City.

Marilyn Z. Dy
MAYLYN Z. DY
Affiant

SUBSCRIBED AND SWORN TO before me on this 8th day of July 2020 in Makati City, affiant appeared and exhibited to me her competent evidence of identity, Passport No. P9993182A, a government-issued identification card bearing her name, photograph and signature, valid until 18 December 2028.

Doc. No. 183;
Book No. 38;
Page No. I;
Series of 2020.



Mari Paz C. Luna
ATTY. MARI PAZ C. LUNA
Notary Public
Until December 31, 2020
Roll of Attorneys No. 73280
IBP No. 105446/01-07-2020/Makati City Chapter
PTR No. 8121860/01-06-2020/Makati City
Notarial Commission No. M-147 (2020-2021)
TIN 238-476-866
5th Floor, Prince Building, 117 Rada Street
Legaspi Village, Makati City

INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY SCHEDULES

CONSTANTINO AND PARTNERS
22nd Floor Citibank Tower
8741 Paseo de Roxas
Salcedo Village, Makati City
Philippines

T: (+632) 8 848 1051
F: (+632) 7 728 1014

mail@bakertilly.ph
www.bakertilly.ph

The Stockholders and Board of Directors
Greenery Holdings Incorporated and Subsidiaries
No. 54 National Road, Dampol II-A
Pulilan, Bulacan

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Greenery Holdings Incorporated and Subsidiaries (the Group) as at December 31, 2019 and 2018, and for each of the three years in the period ended December 31, 2019, included in this Form 17-A and have issued our report thereon dated June 30, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purpose of complying with Revised Securities Regulation Code Rule 68, and are not part of the consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, fairly state in all material respects, the information required to be set forth therein in relation to the consolidated financial statements taken as a whole.

CONSTANTINO AND PARTNERS
BOA Registration No. 0213, valid until November 15, 2022
SEC Accreditation No. (A.N.) 0003-FR-4, valid until December 7, 2020 (Group A)
BIR A.N. 08-001507-000-2017, valid until December 21, 2020

By:



Edwin F. Ramos
Partner
CPA Certificate No. 0091293
SEC A.N. 1795-A, valid until November 10, 2022 (Group A)
TIN 134-885-074-000
BIR A.N. 08-001507-008-2017, valid until December 21, 2020
PTR No. 8135201, issued on January 14, 2020, Makati City

Makati City, Philippines
June 30, 2020

ASSURANCE · TAX · ADVISORY · ACCOUNTING

Constantino and Partners trading as Baker Tilly is a member of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities.



GREENERGY
Holdings

GREENERGY HOLDINGS INCORPORATED
(formerly Music Semiconductors Corp.)
54 National Road, Dampol II
Pulilan, Bulacan

June 30, 2020

The Securities and Exchange Commission
SECBuilding, EDSA, Greenhills
Mandaluyong City

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS


The management of **Greenergy Holdings Inc. and its Subsidiaries** is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2019 and 2018 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternatives but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

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

Constantino and Partners, the independent auditor appointed by the Board of the Directors for the years ended December 31, 2019 and 2018, respectively, have audited the consolidated financial statements of the Company in accordance with the Philippine Standards on Auditing, and in their reports to the stockholders, have expressed their opinions on the fairness of presentation upon completion of such audit.


MARTIN C. SUBIDO
Chairman of the Board


ANTONIO L. TIUA
President

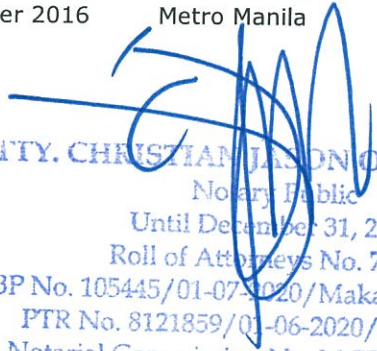

KENNETH S. TAN
Chief Financial Officer

SUBSCRIBED AND SWORN to before me this 30th June 2020 affiant exhibiting to me their competent proof of identity as follows:

| NAME | ID | DATE OF ISSUE | PLACE OF ISSUE |
|------------------|--------------------------|-------------------|----------------|
| MARTIN C. SUBIDO | Passport No P0299172B | 18 January 2019 | DFA Manila |
| ANTONIO L. TIU | D.L. N04-93-265667 | 07 September 2017 | Metro Manila |
| KENNETH S. TAN | D.L N04-90-144089 | 27 December 2016 | Metro Manila |

Doc. No. 197
Page No. 41
Book No. 1
Series of 2020




ATTY. CHRISTIAN JASON O. DALUDADO
Notary Public
Until December 31, 2020
Roll of Attorneys No. 73615
IBP No. 105445/01-07-2020/Makati City Chapter
PTR No. 8121859/01-06-2020/Makati City
Notarial Commission No. M-573 (2019-2020)
TIN 469-624-483
5th Floor, Prince Building, 117 Rada Street
Legaspi Village, Makati City

INDEPENDENT AUDITORS' REPORT

The Stockholders and Board of Directors
Greenery Holdings Incorporated and Subsidiaries
No. 54 National Road, Dampol II-A
Pulilan, Bulacan

CONSTANTINO AND PARTNERS
22nd Floor Citibank Tower
8741 Paseo de Roxas
Salcedo Village, Makati City
Philippines

T: (+632) 8 848 1051
F: (+632) 7 728 1014

mail@bakertilly.ph
www.bakertilly.ph

Opinion

We have audited the consolidated financial statements of Greenery Holdings Incorporated and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of comprehensive income (loss), consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2019 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audits included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Consolidation Process

The Group's consolidated financial statements comprise the financial statements of Greenery Holdings Incorporated and its Subsidiaries. The Group's consolidation process is a key audit matter because of the complexity of the process which involves identifying and combining of like items in the financial statements of the Parent Company and subsidiaries, and identifying and eliminating intercompany transactions and balances to properly reflect the consolidated financial position and its consolidated financial performance and consolidated cash flows in accordance with PFRSs.

ASSURANCE · TAX · ADVISORY · ACCOUNTING

Constantino and Partners trading as Baker Tilly is a member of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities.

Audit response

Our audit procedure involves obtaining an understanding of the Group's corporate structure and its consolidation process and policy, such as identifying intercompany transactions and reconciliation of intercompany balances. We checked the Group's combination of like items of assets, liabilities, equity, income, costs and expenses and cash flows of the Parent Company with those of the subsidiaries. We checked the appropriateness of the intercompany elimination entries of the carrying amount of the Parent Company's investments in each subsidiary and the Parent Company's portion of equity of each subsidiary, and the recognition of the noncontrolling interest. We further checked the elimination in full of intercompany assets and liabilities including income, costs and expenses, and cash flows relating to transactions involving companies within the Group. We also evaluated whether uniform accounting policies for like transactions and events are adopted by all entities within the Group in preparing the consolidated financial statements. We further evaluated the sufficiency of the disclosures in the Group consolidated financial statements.

Recoverability of Receivables from Stockholders

As at December 31, 2019, the Group has outstanding receivables from stockholders amounting to ₱726.1 million. This represents 20% of the Group's total assets. In addition, the assessment of recoverability of the advances requires a high level of management judgment and the estimation of future cash repayments. The Group's disclosure about the transaction and recoverability of the amounts are included in Note 16 of the consolidated financial statements.

Audit response

Our audit procedures focused on the evaluation of management's assessment on the recoverability of the advances to the stockholders. We obtained confirmation from the stockholders for the acknowledgement of the liability to the Group and repayment agreement that covers the timing and manner of payment either through future cash flows and/or liquidation.

Other Information

Management is responsible for the other information. The other information comprises the information included in SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report are expected to be made available to us after the auditors' report date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationship and other matters that may be thought to bear our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were most significant in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Edwin F. Ramos.

CONSTANTINO AND PARTNERS

BOA Registration No. 0213, valid until November 15, 2022

SEC Accreditation No. (A.N.) 0003-FR-4, valid until December 7, 2020 (Group A)

BIR A.N. 08-001507-000-2017, valid until December 21, 2020

By:



Edwin F. Ramos
Partner

CPA Certificate No. 0091293

SEC A.N. 1795-A, valid until November 10, 2022 (Group A)

TIN 134-885-074-000

BIR A.N. 08-001507-008-2017, valid until December 21, 2020

PTR No. 8135201, issued on January 14, 2020, Makati City

Makati City, Philippines
June 30, 2020

GREENERGY HOLDINGS INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018
(Amounts in Philippine Pesos)

| | 2019 | 2018 |
|---|------------------------|-----------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalent (Note 6) | P 1,320,074 | P 12,531,445 |
| Receivables – net (Note 7) | 252,196,139 | 253,589,703 |
| Due from related parties – net (Note 16) | 717,917,772 | 811,115,326 |
| Other current assets – net (Note 9) | 9,281,497 | 818,564 |
| Total Current Assets | 980,715,482 | 1,078,055,038 |
| Noncurrent Assets | | |
| Deposits for land acquisition (Note 8) | 19,600,000 | 15,600,000 |
| Financial assets at fair value through other comprehensive income (FVOCI) (Note 10) | 2,461,005,166 | 3,101,013,543 |
| Investment properties – net (Note 14) | 6,320,465 | 6,320,465 |
| Property and equipment – net (Note 13) | 154,518,437 | 103,745,870 |
| Total Noncurrent Assets | 2,641,444,068 | 3,226,679,878 |
| | P 3,622,159,550 | P 4,304,734,916 |

LIABILITIES AND EQUITY

| | | |
|---|---------------------|--------------|
| Current Liabilities | | |
| Trade and other payables (Note 15) | P 19,215,473 | P 14,918,675 |
| Due to related parties (Note 16) | 80,986,459 | 118,057,499 |
| Income tax payable | 165,449 | 956 |
| Deposit for future stock subscription (Note 16) | 221,821,275 | 177,000,000 |
| Total Current Liabilities | 322,188,656 | 309,977,130 |

(Forward)

(Carryforward)

| | 2019 | 2018 |
|---|------------------------|-----------------|
| Equity | | |
| Attributable to equity holders of Parent Company | | |
| Capital stock (Note 17) | | |
| Common – P1.00 par value | | |
| Authorized – 1,900,000,000 shares in 2019 and 2018 | | |
| Subscribed and paid – 1,703,278,572 shares | | |
| in 2019 and 2018 | ₱ 1,703,278,572 | ₱ 1,703,278,572 |
| Preferred – P0.10 par value | | |
| Authorized and subscribed | | |
| 1,000,000,000 shares | 100,000,000 | 100,000,000 |
| Additional paid-in capital | 268,090,531 | 268,090,531 |
| Cumulative fair value gain (loss) on | | |
| financial assets at FVOCI (see Note 10) | (638,038,377) | 607,640 |
| Retained earnings | 1,753,401,814 | 1,793,486,641 |
| | 3,186,732,540 | 3,865,463,384 |
| Non-controlling interests | 113,238,354 | 129,294,402 |
| Total Equity | 3,299,970,894 | 3,994,757,786 |
| | ₱ 3,622,159,550 | ₱ 4,304,734,916 |

See accompanying Notes to Consolidated Financial Statements.

GREENERGY HOLDINGS INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(Amounts in Philippine Pesos)

| | 2019 | 2018 | 2017 |
|--|-----------------------|-----------------|--------------|
| SALES (Note 18) | ₱ 1,645,603 | ₱ 3,447,073 | ₱ 519,503 |
| COST OF SALES (Note 19) | 2,774,771 | 2,446,363 | 2,013,654 |
| GROSS INCOME (LOSS) | (1,129,168) | 1,000,710 | (1,494,151) |
| GENERAL AND ADMINISTRATIVE EXPENSES (Note 20) | (36,603,237) | (38,456,848) | (19,687,840) |
| OPERATING LOSS | (37,732,405) | (37,456,138) | (21,181,991) |
| OTHER INCOME (CHARGES) – Net | | | |
| Provisions for impairment (Notes 7, 9, 14, 16) | (27,734,778) | (12,751,337) | (737,095) |
| Reversal of payables (Notes 15 and 16) | 8,272,480 | 59,026 | - |
| Rental income (Note 18) | 395,307 | 359,370 | 326,700 |
| Accounts written off (Notes 7 and 9) | (28,656) | (142,666) | (56,889) |
| Interest income (Note 6) | 28,917 | 111,901 | 9,274 |
| Unrealized foreign exchange gain (Note 6) | (3,931) | 3,029 | 128 |
| Gain on: | | | |
| Sale of financial asset at FVOCI (Note 10) | 220,000 | - | - |
| Reclassification of investment | | | |
| in associate to FVOCI (Notes 10 and 11) | - | 2,613,537,267 | - |
| Deemed disposal of investment | | | |
| in associate (Note 11) | - | 186,436,244 | - |
| Sale of investment in an associate (Note 11) | - | 78,968,491 | - |
| Sale of investment property (Note 14) | - | - | 11,244,427 |
| Equity in exchange differences on translation of foreign operations of associate | - | (9,337,832) | - |
| Equity in net income (loss) of associate (Note 11) | - | (760,596) | 31,349,184 |
| Increase in fair value of biological assets | - | - | 553,115 |
| | (18,850,661) | 2,856,482,897 | 42,688,844 |
| INCOME (LOSS) BEFORE INCOME TAX | (56,583,066) | 2,819,026,759 | 21,506,853 |
| INCOME TAX EXPENSE (Note 21) | 165,449 | 28,443 | 231,426 |
| NET INCOME (LOSS) | (₱ 56,748,515) | ₱ 2,818,998,316 | ₱ 21,275,427 |

(Forward)

(Carryforward)

| | 2019 | 2018 | 2017 |
|--|------------------------|------------------------|-----------------------|
| OTHER COMPREHENSIVE INCOME (OCI) | | | |
| <i>Not reclassifiable subsequently to profit or loss</i> | | | |
| Increase (decrease) in fair value of financial asset at FVOCI (Note 10) | (P 638,038,377) | P 1,600,000 | P - |
| Share on equity in other comprehensive income on remeasurements of retirement liability - net of tax (Note 11) | - | 363,044 | 66,854 |
| <i>Reclassifiable subsequently to profit or loss</i> | | | |
| Exchange differences on translation of foreign operations (Note 11) | - | - | (10,189,109) |
| | (P 638,038,377) | P 1,963,044 | (P 10,122,255) |
| TOTAL COMPREHENSIVE INCOME (LOSS) | (P 694,786,892) | P 2,820,961,360 | P 11,153,172 |
| NET INCOME (LOSS) ATTRIBUTABLE TO: | | | |
| Equity holders of the Parent Company | (P 40,692,467) | P 2,829,534,918 | P 23,840,586 |
| Non-controlling interests (Note 23) | (16,056,048) | (10,536,602) | (2,565,159) |
| | (P 56,748,515) | P 2,818,998,316 | P 21,275,427 |
| TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO: | | | |
| Equity holders of the Parent Company | (P 678,730,844) | P 2,830,896,202 | P 13,718,331 |
| Non-controlling interests (Note 23) | (16,056,048) | (9,934,842) | (2,565,159) |
| | (P 694,786,892) | P 2,820,961,360 | P 11,153,172 |
| EARNINGS (LOSS) PER SHARE (Note 22) | (P 0.02) | P 1.77 | P 0.01 |

See accompanying Notes to Consolidated Financial Statements.

GREENERGY HOLDINGS INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(Amounts in Philippine Pesos)

| | 2019 | 2018 | 2017 |
|---|------------------------|------------------------|------------------------|
| EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT COMPANY | | | |
| CAPITAL STOCK (Note 17) | | | |
| <i>Common</i> | | | |
| Authorized – 1.9 billion shares | | | |
| Par value – P1.00 per share | | | |
| Issued and | | | |
| subscribed – 1,800,778,572 shares | P 1,800,778,572 | P 1,800,778,572 | P 1,800,778,572 |
| Subscriptions receivable | (97,500,000) | (97,500,000) | (97,500,000) |
| | 1,703,278,572 | 1,703,278,572 | 1,703,278,572 |
| <i>Preferred</i> | | | |
| Authorized – 1 billion shares | | | |
| Par value – P0.10 per share | | | |
| Issued – 1,000,000,000 shares | 100,000,000 | 100,000,000 | 100,000,000 |
| ADDITIONAL PAID-IN CAPITAL | 268,090,531 | 268,090,531 | 268,090,531 |
| CUMULATIVE FAIR VALUE GAIN (LOSS) ON FINANCIAL ASSETS AT FVOCI | | | |
| Balance at beginning of year | 607,640 | (390,600) | (390,600) |
| Unrealized gain (loss) during the year | (638,038,377) | 998,240 | - |
| Reclassification to retained earnings | (607,640) | - | - |
| Balance at end of year (Note 10) | (638,038,377) | 607,640 | (390,600) |
| SHARE IN OCI OF AN ASSOCIATE | | | |
| Balance at beginning of year | - | 1,687,040 | 11,809,295 |
| Reclassification (Note 10) | - | (2,050,084) | - |
| Share in: | | | |
| Remeasurement of pension liability - net of tax | - | 363,044 | 66,854 |
| Exchange differences on translation of foreign operations | - | - | (10,189,109) |
| Balance at end of year (Note 11) | - | - | 1,687,040 |
| RETAINED EARNINGS (DEFICIT) | | | |
| Balance at beginning of year | 1,793,486,641 | (1,037,637,525) | (1,061,478,111) |
| Net income (loss) during the year | (40,692,467) | 2,829,534,918 | 23,840,586 |
| Reclassification from OCI | 607,640 | - | - |
| Reclassification of share in OCI of associate (Note 10) | - | 1,589,248 | - |
| Balance at end of year | 1,753,401,814 | 1,793,486,641 | (1,037,637,525) |
| | P 3,186,732,540 | P 3,865,463,384 | P 1,035,028,018 |

(Forward)

(Carryforward)

| | 2019 | 2018 | 2017 |
|--|------------------------|-----------------|-----------------|
| NON-CONTROLLING INTERESTS | | | |
| Balance at beginning of year | ₱ 129,294,402 | ₱ 139,229,244 | ₱ 141,794,403 |
| Net loss during the year | (16,056,048) | (10,536,602) | (2,565,159) |
| Share in increase in fair value of financial assets at FVOCI (Note 10) | - | 601,760 | - |
| Balance at end of year (Note 23) | 113,238,354 | 129,294,402 | 139,229,244 |
| | ₱ 3,299,970,894 | ₱ 3,994,757,786 | ₱ 1,174,257,262 |

See accompanying Notes to Consolidated Financial Statements.

GREENERGY HOLDINGS INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(Amounts in Philippine Pesos)

| | 2019 | 2018 | 2017 |
|--|-----------------------|-----------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Income (loss) before income tax | (P 56,583,066) | P 2,819,026,759 | P 21,506,853 |
| Adjustments for: | | | |
| Provisions for impairment losses (Notes 7, 9, 14, 16) | 27,734,778 | 12,751,337 | 737,095 |
| Depreciation and amortization (Note 13) | 12,844,793 | 12,814,521 | 131,480 |
| Reversal of payables (Notes 15 and 16) | (8,272,480) | - | - |
| Gain on: | | | |
| Sale of financial asset at FVOCI (Note 10) | (220,000) | - | - |
| Reclassification of investment in associate to financial assets at FVOCI (Note 10) | - | (2,613,537,267) | - |
| Deemed disposal of investment in associate (Note 11) | - | (186,436,244) | - |
| Sale of investment in associate (Note 11) | - | (78,968,491) | - |
| Sale of investment properties (Note 14) | - | - | (11,244,427) |
| Interest income (Note 6) | (28,917) | (111,901) | (9,274) |
| Accounts written-off (Notes 7 and 9) | 28,656 | 142,666 | 56,889 |
| Unrealized foreign exchange loss (gain) (Note 6) | 3,931 | (3,029) | (128) |
| Exchange differences on translation of foreign operation | - | 9,337,832 | - |
| Equity in net income (loss) of associate (Note 11) | - | 760,596 | (31,349,184) |
| Increase in fair value of biological assets | - | - | (553,115) |
| Operating loss before working capital changes | (24,492,305) | (24,223,221) | (20,723,811) |
| Changes in operating assets and liabilities: | | | |
| Increase in: | | | |
| Receivables (Note 7) | (2,053,509) | (3,580,344) | (302,199) |
| Other current assets (Note 9) | (9,050,758) | (217,165) | (7,681) |
| Increase (decrease) in trade and other payables (Note 15) | 4,585,221 | (4,707,330) | (702,130) |
| Net cash used in operations | (31,011,351) | (32,728,060) | (21,735,821) |
| Interest received (Note 6) | 28,917 | 111,901 | 9,274 |
| Income taxes paid | (956) | (292,140) | (473,699) |
| Net cash used in operating activities | (30,983,390) | (32,908,299) | (22,200,246) |

(Forward)

(Carryforward)

| | 2019 | 2018 | 2017 |
|--|---------------------|---------------|--------------|
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Collections from related parties (Note 16) | P 38,071,311 | P 37,556,012 | P 2,300,550 |
| Advances made to related parties (Note 16) | (31,962,293) | (150,342,991) | (37,886,408) |
| Increase in deposit for land acquisition (Note 8) | (4,000,000) | (4,600,000) | - |
| Proceeds from sale of: | | | |
| Financial asset at FVOCI (Note 10) | 2,190,000 | - | - |
| Investment in associate (Note 11) | - | 88,856,878 | - |
| Investment properties (Note 14) | - | - | 17,232,143 |
| Additions to property and equipment (Note 13) | (257,360) | (38,906) | - |
| Net cash provided by (used in) investing activities | 4,041,658 | (28,569,007) | (18,353,715) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Additional deposits for future stock subscription (Note 16) | 44,821,275 | - | - |
| Payments to related parties (Note 16) | (36,901,907) | (5,380,589) | - |
| Advances received from related parties (Note 16) | 7,814,924 | 76,686,015 | 46,752,073 |
| Payments of loan payable | - | - | (5,153,846) |
| Net cash provided by financing activities | 15,734,292 | 71,305,426 | 41,598,227 |
| EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENT | | | |
| | (3,931) | 3,029 | 128 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT | | | |
| | (11,211,371) | 9,831,149 | 1,044,394 |
| CASH AND CASH EQUIVALENT AT BEGINNING OF YEAR (Note 6) | | | |
| | 12,531,445 | 2,700,296 | 1,655,902 |
| CASH AND CASH EQUIVALENT AT END OF YEAR (Note 6) | | | |
| | P 1,320,074 | P 12,531,445 | P 2,700,296 |

See accompanying Notes to Consolidated Financial Statements.

GREENERGY HOLDINGS INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in Philippine Pesos)

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 or associations, domestic or foreign, for whatever lawful purpose or purposes the same may have been organized and to pay therefor in money or by exchanging therefor stocks, bonds, or other evidence of indebtedness or securities of this or any other corporation, stocks, bonds, debentures, contracts, or obligations, to receive, collect, and dispose of the interest, dividends, proceeds and income arising from such property, and to possess and exercise in respect 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 system, agriculture and real estate, information technology and waste management.

The Parent Company’s registered address and principal place of business is at 54 National Road, Dampol II-A, Pulilan Bulacan. The Parent Company’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:

| Subsidiary | Country of Incorporation | Nature of Business | Principal Place of Business | Ownership | |
|---|--------------------------|-----------------------------|-----------------------------|-----------|---------|
| | | | | 2019 | 2018 |
| Winsun Green Ventures, Inc. (WGVI) | Philippines | Renewable Energy System | Pulilan, Bulacan | 100.00% | 100.00% |
| Agrinurture Development Holdings, Inc. (ADHI) | Philippines | Investment Holding | Makati City | 100.00% | 100.00% |
| Sunchamp Real Estate Development Corp. (SREDC) | Philippines | Real Estate and Agriculture | Makati City | 62.39% | 62.39% |
| Lite Speed Technologies, Inc. (LSTI) | Philippines | Information Technology | Makati City | 51.00% | 51.00% |
| Total Waste Management Recovery System, Inc. (TWMRSI) | Philippines | Waste Management Facility | Pulilan, Bulacan | 51.00% | 51.00% |

Going Concern

The Group's financial statements have been prepared on a going concern basis, which assumes that the Group will be able to continue towards increasing revenues and improving operations despite significant losses incurred over the years. 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.

On April 11, 2019, the Parent Company entered into an International Distributorship Agreement (IDA) with Hanergy Thin Film Power Asia Pacific Limited (Hanergy). Hanergy is engaged in the business of manufacturing and selling solar-powered related products. Under the Agreement, the Parent Company is appointed as Hanergy's distributor in the Philippines for the promotion and sale of all Hanergy solar products such as, but not limited to, the new and innovative Film Flat SOLARtile. The Agreement has a term of one (1) year, with an option to renew for another year upon expiration of the original term. On April 10, 2020, the Agreement was extended for a period of thirty (30) days or until May 10, 2020. On May 11, 2020, the parties mutually agreed to have the Parent Company, through its wholly-owned subsidiary, WGVI, to continue as distributor of Hanergy's solar products in the Philippines, on even date, WGVI and Hanergy executed an IDA. The Agreement has a term of one (1) year with an option to renew for another one (1) year.

On July 17, 2019, the Parent Company also entered into a Memorandum of Agreement with RYM Business Management Corp. ("RYM") and certain landowners in connection with an investment in Prime Media Holdings, Inc. ("Prime"). Under the MOA, properties in, among others, the Province of Rizal will be invested, infused and contributed to Prime in exchange for primary common shares to be issued from the latter's unissued authorized capital stock (the "Investment"). The Investment is subject to verification and validation by RYM of the titles and ownership rights of the landowners. On October 15, 2019, the Parties agreed to the extension of the prescribed periods provided in the Agreement. However, upon review of the pertinent documents related to the parcels of land and the Investment, additional period is required to finalize the due diligence audit, to complete the appraisal report, and to implement the Investment. In view thereof, on March 3, 2020, the Parties have agreed to further extend the following periods in relation to the MOA:

1. An additional period of one hundred twenty (120) days from March 3, 2020 for the validation and verification of titles and the issuance of the appraisal reports;
2. An additional period of one hundred fifty (150) days from March 3, 2020 to execute the first (1st) tranche of the Investment; and
3. An additional period of two hundred ten (210) days from March 3, 2020 to execute the second (2nd) tranche of the Investment.

On January 30, 2019, the Parent Company entered into a Memorandum of Agreement "MOA" with Thebizlink Philippines, Inc. and Thebizlink Co. Ltd. (Thebizlink Group) for the development of a transport hub, smart-farming agriculture area, smart-city commercial and/or mixed-use developments and other related developments (the "Project"). Under the MOA, within ninety (90) days from the execution thereof, Thebizlink Group shall provide the Parent Company a funding facility in the initial amount of 350 million US Dollars, provided, that the legal, financial and technical due diligence on the Project to be conducted by Thebizlink Group will not result in any material adverse findings involving the Project. The funding facility will have a term of five (5) years with a fixed interest rate of 3% per annum. On the fifth anniversary of the execution of the funding facility, the Parent Company has the option to convert the loan into equity. On June 10, 2019, the terms and conditions of the MOA was extended until July 10, 2019. In July 2019, the Company has decided to terminate the MOA in view of Thebizlink Group's failure to comply with its obligation under the MOA within the prescribed period.

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.

The Group's ability to continue as a going concern is highly dependent on the commencement and the resumption of full operation of the subsidiaries and their future commercial success. It will also depend on the Group's successful engagements with various investors and business partners.

The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amount and classification of liabilities that may result from the outcome of this uncertainty.

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.

In a Correspondence dated September 26, 2018, the PSE lifted the trading suspension and on November 5, 2018, the shares in the Parent Company resumed trading in the stock exchange (see Note 29).

Subsidiaries

The principal activities of the subsidiaries are as follows:

WGVI

WGVI was incorporated on June 22, 2012 with the primary purpose engaging in the business of renewable energy projects. In 2014, WGVI's AFS investment amounting to ₱22.5 million was fully provided for impairment. In addition, WGVI has a capital deficiency amounting to ₱66.8 million and ₱66.5 million as at December 31, 2019 and 2018, respectively.

On February 22, 2019, the Board of Directors (BOD) approved the Parent Company's additional investment to WGVI amounting to ₱100 million to finance the latter in its "green" projects involving solar power and liquefied natural gas.

On May 11, 2020, WGVI executed an International Distributorship Agreement ("Agreement") with Hanergy Thin Film Power Asia Pacific Limited to be the latter's distributor of its solar products in the Philippines. The Agreement has a term of one (1) year, with an option to renew for another year upon expiration of the original term.

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

ADHI

On June 17, 2014, ADHI was incorporated to serve as the Group's holding company for its agricultural portfolio. However, it has not yet started its commercial operations as at reporting date. Accordingly, the Parent Company's investment in ADHI was provided with full impairment provision.

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). As at December 31, 2019 and 2018, operations resulted to loss amounting to ₱42.5 million and ₱26.3 million, respectively. Accordingly, the Parent Company's investment in SREDC was provided with impairment allowance amounting to ₱7.3 million in 2019.

LSTI

LSTI was registered with the SEC on August 14, 2014 to engage in the business of information and communications technology. However, it has not yet started commercial operations as at reporting date. Accordingly, the Parent Company's investment in LSTI was provided with full impairment provision.

TWMRSI

TWMRSI 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 machinery 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 amounted to ₱233.8 million and ₱233.7 million as at December 31, 2019 and 2018, respectively. Due to these circumstances, the Parent Company's investment and advances to TWMRSI were provided with full impairment allowance.

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

Approval of consolidated financial statements

The consolidated financial statements as at and for the year ended December 31, 2019 were approved and authorized for issue by the BOD on June 30, 2020.

2. Basis of Preparation

The consolidated financial statements of the Group have been prepared on a historical cost basis except for financial asset at fair value through other comprehensive income (FVOCI) which is measured at fair value. The Group presents all items of income and expenses in a single statement of comprehensive income. These consolidated financial statements and 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 Parent controls an investee if it 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 Parent has less than a majority of the voting or similar rights of an investee, it 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 Parent re-assesses its control over 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 Parent 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) accounts 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.

Non-controlling interests represent interests in certain subsidiaries not held by the Parent Company and are presented separately in the consolidated statements of comprehensive income (loss) 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

The following are standards, amendments and improvements to PFRS, PAS and Interpretation which became effective in 2019.

- **PFRS 16, "Leases"**
Under the new standard, lessees will no longer classify their lease as either operating or finance leases in accordance with PAS 17. Rather, leases will apply the single-asset model, wherein lessees will recognize the assets and the related liabilities for most leases in their balance sheets 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 which the underlying asset is of low value are exempted from these requirements.

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

- **Amendments to PFRS 9, *Prepayment Features with Negative Compensation***
The narrow-scope amendments made to PFRS 9 Financial Instruments in 2017 enable entities to measure certain pre-payable financial assets with negative compensation at amortized cost. These assets, which include some loan and debt securities, would otherwise have to be measured at fair value through profit or loss. To qualify for amortized cost measurement, the negative compensation must be 'reasonable compensation for early termination of the contract' and the asset must be held within a 'held to collect' business model.

The amendments do not have material impact on the Group's financial statements.

- **Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures***
The amendments clarify the accounting for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture, but to which equity accounting is not applied. Entities must account for such interests under PFRS 9 *Financial Instruments* before applying the loss allocation and impairment requirements in PAS 28 *Investments in Associates and Joint Ventures*.

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

- **Amendment to PAS 19, *Plan Amendment, Curtailment or Settlement***
The amendments clarify the accounting when a plan amendment, curtailment or settlement occurs and specifies how companies determine pension expenses when changes to a defined benefit pension plan occur. The amendments require the Group to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. The amendments are applied prospectively to plan amendments, settlements or curtailments that occur on or after the beginning of the annual period in which amendments to PAS 19 are first applied. The amendments to PAS 19 must be applied to annual periods beginning on or after January 1, 2019, but earlier application is permitted.

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

- **Amendments to PFRS 3, *Business Combinations* and PFRS 11, *Joint Arrangements***
The amendments clarify how a Group accounts for obtaining control (or joint control) of a business that is a joint operation if the Group already holds an interest in that business. On PFRS 3, the Group remeasures its previously held interest in a joint operation when it obtains control of the business. On PFRS 11, the Group does not remeasure its previously held interest in a joint operation when it obtains joint control of the business. The amendments are effective for business combinations with acquisition date on or after the beginning of annual periods beginning on or after January 1, 2019.

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

- **Amendments to PAS 12, *Income Tax Consequence of Payments on Financial Instruments Classified as Equity***
The amendments clarify that the requirements in paragraph 52B of PAS 12 apply to all income tax consequences of dividends. The Group accounts for all income tax consequences of dividend payments in the same way. The amendments should be applied for annual periods beginning on or after January 1, 2019 to the income tax consequences of dividends recognized on or after the beginning of the earliest comparative period.

These amendments are not relevant to the Group as any dividends declared by the Group will not give rise to tax obligations under the current tax laws.

- **Amendments to PAS 23, *Borrowing Costs Eligible for Capitalization***
The amendments to PAS 23 clarify which borrowing costs are eligible for capitalization in particular circumstances. The Group treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

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

New and Amended Standards Issued but not yet Effective

The new and amended standards which have been issued but are not yet effective are discussed below and in the subsequent pages. The Group will adopt these standards and amendments 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 to have a significant impact on its financial statements.

Effective in 2020

- **Amendments to PFRS 3, *Definition of a Business***
The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020 with earlier application permitted.

- **Amendments to PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material***
The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgments.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective in 2021

- PFRS 17, *Insurance Contracts*

This standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of PFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

Deferred

- 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 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.

No mandatory effective date

- PFRS 9, *Financial Instruments* (Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39).

The Group will continue to assess the relevance and impact of the above new and amended standards. The revised disclosures on the financial statements required by the above new and amended standards 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 and financial reporting policies adopted in preparing the 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.

Current and Noncurrent Classification

The Group presents assets and liabilities in the 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,
- expected to be settled on demand, or
- cash and cash equivalent 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. Deferred tax assets are classified as noncurrent assets.

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,
- it is expected to be settled on demand, or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are considered noncurrent. Deferred tax liabilities are classified as noncurrent liabilities.

Fair Value Measurement

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

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

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

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

Day 1 Difference

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a Day 1 difference) in the statements of comprehensive income unless it qualifies for recognition as some other type of asset or liability. In cases where an unobservable data is used, the difference between the transaction price and model value is only recognized in the statements of comprehensive income (loss) when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference amount.

Financial Assets and Liabilities

Date of recognition

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

Initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus or minus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL, if any, are expensed in profit or loss.

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 a similar instrument 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.

Classification of financial assets

The Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value [either through other comprehensive income (OCI) or through profit or loss], and
- Those to be measured at amortized cost.

Financial assets at FVOCI

Financial assets at FVOCI comprise:

- o Equity instruments
 - Equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to be recognized in this category. These are strategic investments and the Group considers this classification to be more relevant. Gains and losses on these financial assets are never recycled to profit or loss.

Dividends are recognized as other income in the statements of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group classifies its investment in shares of stocks as financial asset at FVOCI as at December 31, 2019 and 2018 (see Note 10).

- Debt instruments
Debt securities where the contractual cash flows are solely principal and interest and the objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets. For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statements of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Group has no debt instruments at FVOCI as at December 31, 2019 and 2018.

Financial assets at FVPL

The Group classifies the following financial assets at FVPL:

- debt investments that do not qualify for measurement at either amortized cost or FVOCI
- equity investments that are held for trading, and
- equity investments for which the entity has not elected to recognize fair value gains and losses through OCI.

Financial assets at FVPL are carried in the statements of financial position at fair value with net changes in fair value recognized in the statements of comprehensive income. This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at FVOCI. Dividends on listed equity investments are also recognized as other income in the statements of profit or loss when the right of payment has been established.

The Group has no financial assets at FVPL as at December 31, 2019 and 2018.

Financial assets at amortized cost

The amortized cost of a financial asset is the present value of future cash receipts discounted at the effective interest rate. The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVPL:

- it is held within a business model whose objective is to hold assets to collect 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 amount outstanding.

This classification includes the Group's cash and cash equivalent, nontrade receivables and due from related parties as at December 31, 2019 and 2018 (see Notes 6, 7 and 16).

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Subsequent measurement of financial assets

- Debt instruments

There are three measurement categories into which the Group classifies its debt instruments:

- *Amortized cost*: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains (losses) together with foreign exchange gains and losses. Impairment losses, if any, are presented as separate line item in the statements of profit or loss. Short-term receivables with no stated interest rate are measured at their invoice amounts or expected amounts of settlement without discounting, when the effect of not discounting is immaterial.
- *FVOCI*: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains or losses. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains or losses and impairment expenses are presented as separate line item in the statements of profit or loss.
- *FVPL*: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains and losses in the period in which it arises.

- Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Impairment of financial assets

The Group recognizes an expected credit loss (ECL) for all debt instruments not held at FVPL. ECLs are based in the difference between the contractual cash flows due in accordance with the contract and all the cash flows of that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

In measuring ECL, the Group must reflect:

- An unbiased evaluation of a range of possible outcomes and their probabilities of occurrence;
- Discounting for the time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Group may apply the simplified approach which requires expected lifetime losses to be recognized from initial recognition of the trade receivable and contract assets, if any. It also allows the Group to use a simplified "provision matrix" for calculating expected losses. The provision matrix is based on the Group's historical default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. Forward-looking information are considered as economic inputs, such as gross domestic product (GDP) or gross national income (GNI), exchange rate, interest rate, inflation rate and other economic indicators.

For cash in banks and cash equivalent, nontrade receivables and due from related parties, the Group applies the general approach in calculating ECLs. The Group recognizes a loss allowance based on either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk on its cash in banks, nontrade receivables and due from related parties since initial recognition.

For trade receivables, if any, the Group applies the simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Classification and subsequent measurement of financial liabilities

The Group classifies its financial liabilities in the following categories:

- *Financial Liabilities at FVPL*
Financial liabilities are classified in this category if these result from trading activities or derivatives transactions that are not accounted for as accounting hedges, or the Group elects to designate a financial liability under this category. Financial liabilities at FVPL are measured at fair value and net gains and losses, including interest expense, are recognized in profit or loss.

As at December 31, 2019 and 2018, the Group has no financial liabilities at FVPL.

- *Financial liabilities at amortized cost*

This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon inception of the liability. These include liabilities arising from operations (e.g. payables excluding statutory regulated payables) or borrowing (e.g. long-term debt). The financial liabilities are initially recorded at fair value less directly attributable transaction costs.

After initial recognition, other financial liabilities are subsequently measured at amortized cost using effective interest method. These include liabilities arising from operations and borrowings. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gains and losses on derecognition are also recognized in profit or loss.

As at December 31, 2019 and 2018, this category includes the Group's trade and other payables and due to related parties (see Notes 15 and 16).

Short-term payables with no stated interest rate are measured at their invoice amounts or expected amounts of settlement without discounting, when the effect of not discounting is immaterial.

The classification depends on the purpose for which the financial liabilities are acquired and whether they are quoted in an active market. Management determines the classification at initial recognition and, where allowed and appropriate, reevaluates this classification at every reporting date.

Derecognition of Financial Instruments

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.

On disposal of debt investments, any related balance within the FVOCI reserve is reclassified to profit or loss. On disposal of equity investments, any related balance within the FVOCI reserve is reclassified to retained earnings.

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 profit or loss.

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 Group's 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 Group's consolidated statements of financial position.

Cash and Cash Equivalents

Cash pertains to cash on hand and in banks which are stated at face value. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisition and that are subject to an insignificant risk of change in value.

These are initially recognized at face value and are subsequently measured at amortized cost (undiscounted amount to be received less any impairment).

Advances for Waste Recycling Project

Advances for waste recycling project are initially recorded at cost and subsequently stated at cost less any impairment in value. The advances are mainly for the acquisitions of steel structures, machinery and equipment to be used for the construction of waste recycling facilities. The facilities will be transferred to property and equipment and shall be subject to depreciation and impairment upon their completion and put into operation.

Advances to Officers and Employees

Advances represent amount advanced to officers and employees for business expenses subject for liquidation on which future economic benefits are expected to flow to the Group within the normal operating cycle or within 12 months from the end of financial reporting period. These are initially recorded at actual cash advanced to officers and employees and are subsequently applied against actual purchases of related assets, costs or expenses incurred.

Other Current Assets

This account comprises the following:

- *Prepayments* are costs and expenses which are paid in advance of actually incurring them and regularly recurring in the normal course of the business. Prepaid expenses are initially recorded at actual amount paid for expenses and are amortized as the benefits of the payments are received by the Group and are charged to expense in the applicable period of expiration.
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- *Input value added tax (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 cost (actual amount paid for) and subsequently stated at its net recoverable amount (unutilized amount of input VAT less impairment). Input VAT that is considered not recoverable permanently is derecognized and written-off to expense.

Deposits for Land Acquisition

Deposit for land acquisition mainly represents usufruct rights over a property. This is initially recorded at the cash amount deposited and subsequently stated at cost, less impairment losses, if any.

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 (loss) reflect 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. Equity in net losses of an associate is recognized only up to the extent of acquisition costs. Equity in net income of an associate is not available for dividends declaration until actually received.

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 shall discontinue the use of the equity method from the date when it ceases to have significant influence over an associate and shall account for the retained investment in accordance with PFRS 9 from that date, provided the associate does not become a subsidiary or a joint venture as defined in PAS 31. On the loss of significant influence, the Group shall measure at fair value any investment the investor retains in the former associate.

The Group shall recognize in profit or loss any difference between:

- a. The fair value of any retained investment and any proceeds from disposing of the part interest in the associate; and
- b. The carrying amount of the investment at the date when significant influence is lost.

When an investment ceases to be an associate and is accounted for in accordance with PFRS 9, the fair value of the investment at the date when it ceases to be an associate shall be recognized as its fair value on initial recognition as a financial asset in accordance with PFRS 9.

If the Group loses significant influence over an associate, the associate shall account for all amounts recognized in other comprehensive income in relation to that associate on the same basis as would be required if the associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by an associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over the associate.

If a Group's ownership interest in an associate is reduced, the investor shall reclassify to profit or loss only a proportionate amount of the gain or loss previously recognized in other comprehensive income.

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

Biological Assets and Agricultural Produce

Biological assets or agricultural produce are recognized only when the Group controls the assets as a result of past events, it is probable that future economic benefits associated with the assets will flow to the Group and the fair value or cost of the assets can be measured reliably.

The Group measures its biological assets at cost on initial recognition and at fair value less estimated costs to sell at the end of each reporting date. The Group uses the income approach, particularly the present value method, in computing for the fair value of the biological assets. This approach reflects the expectations about the cash flows from the biological assets from reporting period date to harvest period. The fair value measurement is categorized at level 2, which uses inputs that are not based on observable market data. The cash inflow would typically be the present value of the forecasted gross revenue from sale of harvested biological assets, which is a function of the price, expected production and the applicable discount rate given the nature of the biological assets. The forecasted gross revenue will be reduced by the forecasted costs, which will be the incremental, cost to sell and spoilage costs. The excess of the forecasted gross revenue over the forecasted costs will be the fair value of the biological assets. Cost to sell are the incremental costs directly attributable to the disposal of the agricultural produce, excluding finance costs and income taxes. Subsequent gains or losses arising from changes in fair value less cost to sell of the assets, resulting from fluctuations in population, growth, price and other factors, are credited or charged to profit or loss for the period. Costs incurred in maintaining or enhancing the biological assets are recognized as expenses when incurred.

Gains or losses arising from the changes in fair value less estimated point-of-sale costs of a biological asset are included in the Group's statements of comprehensive income (loss) for the period in which they arise.

Investment Properties

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

Subsequent to initial recognition, investment property is carried at cost less any impairment in value.

Investment property is derecognized when disposed of or when the investment property is permanently withdrawn from use and there is no future economic benefit expected to arise from the continued use of the properties. Any gain or loss on the retirement or disposal of said properties are recognized in the statements of profit or loss in the year of retirement or disposal.

Transfers to, or from, investment property shall be made when, and only when, there is a change in use, evidenced by: (a) commencement of owner-occupation, for a transfer from investment property to owner-occupied property; (b) commencement of development with a view to sale, for a transfer from investment property to inventories; (c) end of owner occupation, for a transfer from owner-occupied property to investment property; or, (d) commencement of an operating lease to another party, for a transfer from inventories to investment property. Transfers to or from investment properties are measured at the carrying value of the assets transferred.

Property and Equipment

Property and equipment, except for land, are carried at cost less accumulated depreciation and any impairment in value. Land is stated at cost less any impairment in value. The initial cost of property and equipment comprises its purchase price or construction cost and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other repairs and maintenance are charged against current operations as incurred.

Depreciation of property and equipment commences once the property and equipment are available for use and are computed on a straight-line basis over the estimated useful lives of the property and equipment as follows:

| | Years |
|--|-------|
| Land improvements | 15 |
| Building and improvements | 10 |
| Transportation equipment and machineries | 5 |
| Furniture, fixtures and office equipment | 5 |
| Bearer assets | 5 |

The estimated recoverable reserves, useful lives and depreciation and amortization methods are reviewed periodically to ensure the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Group's consolidated statements of comprehensive income (loss) in the year the asset is derecognized. Transfers to or from property and equipment are measured at carrying value of the assets transferred.

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

Impairment of Nonfinancial Assets

An assessment is made at each financial reporting period to determine whether there is any indication of impairment of nonfinancial assets. Where an indicator of impairment exists, the Group makes an estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Estimating the value in use amount requires management to make an estimate of the expected future cash flows and to choose a suitable discount rate in order to calculate the present value of those cash flows. A previously recognized impairment loss is reversed by a credit to current operations to the extent that it does not restate the asset to a carrying amount in excess of what would have been determined (net of any accumulated depreciation and amortization) had no impairment loss been recognized for the asset in prior years.

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.

Refundable Deposits

Refundable deposit refers to the security deposit received from a lessee for the lease of the Group's property. This is classified as financial liability measured at amortized cost. In case the future cash flows for purposes of computing amortization cannot be readily determined and reasonably measured, deposits are carried at cost less any impairment in value.

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.
- *Subscriptions receivable* pertains to the uncollected portion of subscribed and paid, or issued.
- *Cumulative fair value gain (loss)* on fair market value of financial asset at FVOCI are recognized immediately in other comprehensive income in equity in the period in which they arise and cannot be reclassified to profit or loss in subsequent periods.
- *Retained earnings (deficit)* include all current and prior period results of operations as disclosed in the Group's consolidated statements of comprehensive income (loss).

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 stocks 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.

Basic Earnings (Loss) per share (EPS)

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.

Foreign Currency Transactions

Transactions in foreign currencies are initially recorded using the functional currency exchange rates prevailing at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are restated using the closing functional currency exchange rate at the end of financial reporting date. All differences are taken to the consolidated statements of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transaction.

Revenue Recognition

The Group recognizes revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group applies the following five steps:

1. Identify the contract(s) with a customer;
2. Identify the performance obligations in the contract. Performance obligations are promises in a contract to transfer to a customer goods or services that are distinct;
3. Determine the transaction price. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. If the consideration promised in a contract includes a variable amount, an entity must estimate the amount of consideration to which it expects to be entitled in exchange for transferring the promised goods or services to a customer;
4. Allocate the transaction price to each performance obligation on the basis of the relative stand-alone selling prices of each distinct good or service promised in the contract;
5. Recognize revenue when a performance obligation is satisfied by transferring a promised good or service to a customer (which is when the customer obtains control of that good or service). A performance obligation may be satisfied at a point in time (typically for promises to transfer goods to a customer) or over time (typically for promises to transfer services to a customer). For a performance obligation satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognized as the performance obligation is satisfied.

Revenue is recognized to the extent that is probable that the economic benefits will flow to the Group and the revenue, related cost incurred or to be incurred/cost to complete the transactions can be reliably measured. 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 excludes any value added tax.

The following specific revenue recognition criteria must also be met before revenue is recognized:

- *Agri-tourism revenue* is recognized when the related service is rendered.
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- *Sale of fruits and vegetables* in the ordinary course of business is measured at the fair value of the consideration received or receivable, net of trade discounts, if any.
- *Rental income* is recognized on a straight-line basis over the term of the lease.
- *Gain on sale of asset* is recognized when the sale transactions occur.
- *Interest income*, which is presented net of final taxes paid or withheld, 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 (loss) when decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

Employee Benefits

- *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, SSS, PHIC and HDMF contributions, short-term compensated absences, bonuses and nonmonetary benefits.
- *Retirement Benefits*
The Group does not have a formal retirement benefit plan. However, the Group will provide retirement benefits in compliance with Republic Act (RA) 7641. No actuarial computations were obtained during the year as the amount of provisions for retirement benefits will not materially affect the fair presentation of the financial statements considering that there were no qualified employees as of reporting date.

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 Group's consolidated statements of comprehensive income (loss) 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 Group's consolidated 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

Policies beginning January 1, 2019

The Group assesses whether the contract is, or contains, a lease. To assess whether a contract conveys the right to control the use of an identified assets for a period of time, the Group assesses whether, throughout the period of use, it has the right to obtain substantially all the economic benefits from the use of the identified asset and the right to direct the use of the asset. If the Group has the right to control the use of an identified asset only for a portion of the term of the contract, the contract contains a lease for that portion of the term.

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.

Policies prior to January 1, 2019

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. Rental expenses under operating leases are recognized as expense in the profit or loss on a straight-line basis over the term of the lease.

A reassessment is made after inception of the lease only if one of the following applies:

- a. There is a change in contractual terms, other than renewal or extension of the arrangement;
- b. A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
- c. There is a change in the determination of whether fulfillment is dependent on specified asset; and
- d. There is a substantial change in the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Group as lessor

Leases which do not transfer from the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized as income on a monthly basis as this accrue in accordance with the substance of the contractual agreement. Contingent rents are recognized as revenue in the period in which they are earned.

Segment Reporting

For management purposes, the Group is organized into operating segments according to the nature of the sales and the services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in the consolidated financial statements (see Note 27).

Provisions

Provisions are recognized only when the following conditions are met: a) there exists a present obligation (legal or constructive) as a result of past event; b) it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and c) reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each end of financial reporting period and adjusted to reflect the current best estimate.

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 the 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 consolidated 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 consolidated 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. 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. Therefore, the consolidated 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 its control over an investee in 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.
- *Classification of Financial Instruments and Measurement Criteria*
The Group classifies financial assets at initial recognition depends on the financial assets contractual cash flows characteristics of the Group's business model for managing them. The Group determines the classification at initial recognition and reevaluates this designation at every reporting date.
- *Operating and Finance Leases*
The Group has entered into a lease agreement as a lessor. Critical judgment was exercised by management to distinguish the lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreement. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

As at December 31, 2019 and 2018, the Group's lease agreement is an operating lease.

- *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 December 31, 2019 and 2018 is shown in Note 24.

- *Assessment of Retirement Liability*
Management has reviewed its obligation for retirement benefit costs in view of the requirements under Republic Act (RA) 7641. Management has assessed that the current employees have not meet the minimum requirements under RA 7641 to be eligible for retirement benefits.

Accordingly, no provision for retirement benefit costs is recognized in the financial statements as at December 31, 2019 and 2018.

Management, however, will continue to have a yearly assessment of its obligation, if any, to pay retirement benefit costs.

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 of Financial Assets*
The Group applies general approach for determining the expected credit losses of cash in banks, nontrade receivables and due from related parties.

A credit loss is the difference between the cash flows that are expected to be received discounted at the original effective interest rate and contractual cash flows in accordance with the contract. The loss allowance for financial assets are based on the assumptions about risk of default and expected loss rates. In addition, management's assessment of the credit risk on the financial assets as at the reporting date is high.

Accordingly, additional impairment of due from related parties amounting to ₱23.7 million and ₱11.5 million were recognized as at December 31, 2019 and 2018, respectively (see Note 16). Nontrade receivables amounting to ₱140,890 were directly written off in 2018 (see Note 7).

The Group's allowance for impairment amounted to ₱76.2 million and ₱52.4 million as at December 31, 2019 and 2018, respectively (see Notes 7 and 16).

The carrying values of financial assets as at December 31, 2019 and 2018 are shown in Notes 6, 7 and 16.

- *Estimation of Impairment of Financial Asset at FVOCI*

The Group carries the financial asset at fair value, which requires the use of accounting estimates and judgment, in cases when active market quotes are not available, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net base of the instrument. The amount of changes in fair value would differ if the Group utilized different valuation methods and assumptions. Any change in fair value of these financial assets would affect other comprehensive income. The carrying values of financial asset at FVOCI as at December 31, 2019 and 2018 are shown in Note 10.

- *Estimation of Useful Lives of Property and Equipment*

The useful life of each of the Group's property and equipment 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, if any. 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. 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 useful lives of the property and equipment in 2019 and 2018.

- *Estimation of Impairment of Nonfinancial Assets*

The Group reviews its nonfinancial assets included in advances to officers and employees, other current assets, deposits for land acquisition, advances for waste recycling project, investment properties, property and equipment 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 its nonfinancial assets included in receivables, other current assets, deposits for land acquisition, advances for waste recycling project, investment properties, property and equipment.

The Group's allowance for impairment loss for nonfinancial assets amounted to ₱239.8 million and ₱235.8 million as at December 31, 2019 and 2018, respectively (see Notes 7, 9, 12 and 14).

Accounts written off amounted to ₱28,656 in 2019 and ₱1,776 in 2018 (see Note 9).

- *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 and liability was recognized in the Group's consolidated financial statements 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 December 31, 2019 and 2018.

6. Cash and Cash Equivalent

This account consists of:

| | 2019 | 2018 |
|------------------------------|-------------------|--------------------|
| Savings and current deposits | ₱1,270,074 | ₱3,414,299 |
| Cash on hand | 50,000 | 50,000 |
| Time deposit | - | 9,067,146 |
| | ₱1,320,074 | ₱12,531,445 |

Savings and current accounts generally earn interest based on prevailing respective bank deposit rates of less than 1% annually.

Cash equivalent pertains to time deposit made for a period of three months and earns interest at 2.75% which matured in February 2019. Interest income on cash in banks and cash equivalent recognized in profit or loss in the Group's consolidated statements of comprehensive income (loss) amounted to ₱28,917 in 2019, ₱111,901 in 2018 and ₱9,274 in 2017.

Cash in banks denominated in foreign currency amounted to €500 with Peso equivalent of ₱28,176 and \$1,078 with Peso equivalents of ₱54,683 in 2019 and ₱56,816 in 2018.

The balances have been translated at a rate of ₱56.35 to €1 and ₱50.74 to US\$1 as at December 31, 2019 and ₱52.724 to US\$1 as at December 31, 2018. Foreign exchange gain (loss) amounted to (₱3,931) in 2019, ₱3,029 in 2018 and ₱128 in 2017.

On May 11, 2015, the CA ordered the freezing of two (2) bank accounts of the Parent Company. Thereafter, the said bank accounts with a total deposit of ₱80,261 was subsequently included in the civil forfeiture case docketed as Anti-Money Laundering Council Case No. 15-007-53 pending with the Regional Trial Court (RTC) of Manila, Branch 53.

The bank account became the subject of a Provisional Asset Preservation Order and subsequently an Asset Preservation Order (APO) issued by the RTC on November 13, 2015 and December 15, 2015, respectively.

In an Order dated July 9, 2018 (Order), the RTC categorically ruled that "the funds in the subject accounts of respondent Greenergy et al. are not related to the unlawful activity of violation of R.A. 3019 and R.A. 7080". Thus, bank account of the Parent Company and SREDC was "ordered Discharged from the effects of the APO" dated December 31, 2015.

With the Order, which was immediately executory, the Parent Company regained access and control over the Subject Bank Accounts (see Note 29).

Thereafter, the Petitioner, through the Office of the Solicitor General, filed a *Motion for Reconsideration* (to the *Order* dated July 9, 2018) dated August 3, 2018 on even date to which the Parent Company and SREDC filed its *Comment/Opposition* (to the *Motion for Reconsideration*) dated December 11, 2018 on even date.

In this connection, the Petitioner has sixty (60) days from its receipt of the said *Order* within which to assail the same through a petition for *certiorari* with the Court of Appeals. As of date however, the Parent Company has not yet received any notice that the Petitioner filed such a petition for *certiorari*. Considering the lapse of the reglementary period to file a petition for *certiorari*, the Orders dated July 9, 2018 and July 1, 2019 are deemed final and executory and a confirmatory certification will be obtained by the Parent Company and SREDC. As a consequence of the *Order*, the above-mentioned bank account of the Parent Company remains to be discharged from the effects of the APO.

7. Receivables

This account consists of:

| | 2019 | 2018 |
|------------------------------------|---------------------|--------------|
| Nontrade receivables | ₱251,757,957 | ₱251,395,700 |
| Advances to officers and employees | 5,171,188 | 3,479,936 |
| | 256,929,145 | 254,875,636 |
| Allowance for impairment loss: | | |
| Advances to officers and employees | (3,479,936) | (32,863) |
| Nontrade receivables | (1,253,070) | (1,253,070) |
| | ₱252,196,139 | ₱253,589,703 |

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. (ZFTC) on December 29, 2014, subject to the consent of the Parent Company. Nontrade receivable also include rent receivable (see Note 18).

The Parent Company agreed to the assignment of receivables to ZFTC under the following terms and 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 ZFTC and the Parent Company.

As at December 31, 2019, the nontrade receivables from ZFTC are not yet settled. However, management assessed that these are still fully recoverable in 2020.

Advances to officers and employees are unsecured and noninterest-bearing advances made for various business-related expenses which are subject to liquidation on demand. Impaired advances to employees amounting to ₱347,627 as at December 31, 2017 were written off in 2018. Furthermore, nontrade receivable amounting to ₱140,890 was directly written off in 2018.

The movement of allowance for impairment losses is shown below:

| | 2019 | 2018 |
|-------------------------------|-------------------|-------------------|
| Balance at beginning of year | ₱1,285,933 | ₱347,627 |
| Provision during the year | 3,447,073 | 1,285,933 |
| Written off during the year | - | (347,627) |
| Balance at end of year | ₱4,733,006 | ₱1,285,933 |

8. Deposits for Land Acquisition

On January 18, 2013, the Group, through SREDC, entered into an agreement (the "Agreement") with Mr. Laureano R. Gregorio Jr. ("Mr. Gregorio"), a third party, for the transfer of all the rights, 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 sq. m.) | ₱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 SREDC's 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 16):

- 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 SREDC was extended for another three years or until January 17, 2018. No liquidation was made until January 17, 2018. To allow Mr. Gregorio more time to meet the conditions of the Agreement, on January 5, 2018, the Agreement was extended for another five years from January 17, 2018 or until January 16, 2023.

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 2019 and 2018, several properties were acquired through liquidation of the advances made to stockholder (see Note 13) for the following:

| | 2019 | 2018 |
|----------------------------|--------------------|---------------------|
| Land | ₱63,360,000 | ₱641,278 |
| Land improvements | - | 54,257,894 |
| Buildings and improvements | - | 45,471,611 |
| Machineries and equipment | - | 10,871,842 |
| Biological assets | - | 799,323 |
| | ₱63,360,000 | ₱112,041,948 |

In the last quarter 2017, SREDC started its operation which offers agri-tourism and lifestyle center activities. The Group recognized revenue amounting to ₱1.6 million in 2019 and ₱3.4 million in 2018 which includes income from field trips and other recreational events, room services and other sale of agricultural products.

On February 22, 2019, the Parent Company was authorized to enter in a joint venture agreement with a third party and the landowners he represents, for the acquisition of land and/or real estate development, including but not limited to a transport hub. Accordingly, the Parent Company made a deposit amounting to ₱4.6 million in 2018. In September 2019, the Parent Company made an additional investment amounting to ₱4.0 million.

9. Other Current Assets

This account consists of:

| | 2019 | 2018 |
|-------------------------------|-------------------|----------|
| Input VAT | ₱9,807,436 | ₱785,334 |
| Prepaid tax | 33,230 | 33,230 |
| | 9,840,666 | 818,564 |
| Less allowance for impairment | 559,169 | - |
| | ₱9,281,497 | ₱818,564 |

Impaired input VAT amounting to ₱28,656 were written off in 2019. Unrecoverable miscellaneous deposit and prepaid tax amounting to ₱1,776 were also written off in 2018

10. Financial Assets at FVOCI

Below is the rollforward analysis of this account:

| | 2019 | 2018 |
|--|-----------------------|----------------|
| Balance at beginning of year | ₱3,101,013,543 | ₱370,000 |
| Increase (decrease) in fair value | (638,038,377) | 1,600,000 |
| Disposal during the year | (1,970,000) | - |
| Additions during the year by way of reclassification | - | 3,099,043,543 |
| Balance at end of year | ₱2,461,005,166 | ₱3,101,013,543 |

Investment in shares of stocks with carrying value of ₱1,970,000 as at December 31, 2018 which represent quoted equity investments of a 62.39% owned subsidiary acquired in 2014 was sold for ₱2.2 million, recognizing a gain amounting to ₱220,000 in 2019. Accordingly, cumulative fair value gain as at December 31, 2018 amounting to ₱970,000 previously recognized for these specific shares was reclassified to retained earnings.

Rollforward analysis of fair market value of this investment, which is shown as "Cumulative fair value gain (loss) on financial asset at FVOCI" in the equity section of the consolidated statements of financial position is shown below:

| | 2019 | 2018 |
|---|-----------------------|------------|
| Balance at beginning of year | ₱970,000 | (₱630,000) |
| Fair value gain during the year | (638,038,377) | 1,600,000 |
| Reclassification to retained earnings due to disposal during the year | (970,000) | - |
| Balance at end of year | (₱638,038,377) | ₱970,000 |

Financial asset at FVOCI also include investment in shares of stocks of AgriNurture, Inc. (ANI), a former associate (see Note 11). On December 27, 2018, ANI increased its authorized capital stock from 1.0 billion common shares with par value of ₱1.00 per share to 1.9 billion common shares with par value of ₱1.00 per share. The Parent Company waived its right to subscribe additional shares. As a result, the Parent Company's ownership to ANI's was reduced to 17.90% consisting of 182,296,679 common shares (see Note 11). Accordingly, the investment was reclassified to financial asset at FVOCI in 2018.

Details of additions by way of reclassification in 2018 is shown below:

| | |
|---|-----------------------|
| Carrying value at date of deemed disposal | ₱485,506,276 |
| Gain on reclassification of investment in associate to financial assets at FVOCI | 2,613,537,267 |
| <u>Balance at end of year – as financial asset at FVOCI</u> | <u>₱3,099,043,543</u> |

The rollforward analysis of the Parent Company's investment in ANI in 2019 is shown below:

| | |
|---------------------------------|-----------------------|
| Balance at beginning of year | ₱3,099,043,543 |
| Fair value loss during the year | (638,038,377) |
| <u>Balance at end of year</u> | <u>₱2,461,005,166</u> |

The fair value of this investment amounted to ₱2.5 billion at ₱13.5 per share as at December 31, 2019 and ₱3.1 billion at ₱17 per share as at December 31, 2018 based on the quoted price published by the PSE.

There are no financial assets at FVOCI that are pledged as securities for liabilities.

11. Investment in Associate

This pertains to investment in ANI, a company incorporated in the Philippines. The Group holds 188,125,379 shares or 30.26% equity ownership with carrying value amounting to ₱319,154,639 as at December 31, 2017.

In May and June 2018, the Parent Company sold 5,828,700 shares of its investment in ANI for net proceeds of ₱88.9 million at an average price of ₱15.24 per share. Gain on sale recognized in the Group's consolidated statements of comprehensive income amounted to ₱79.0 million. The sale resulted to the decrease in the Parent Company's ownership in ANI from 28.16% to 23.73%.

Furthermore, the Parent Company waived its right to subscribe additional shares in ANI when the SEC approved ANI's increase in authorized capital stock from 1.0 billion common shares with par value of ₱1.00 per share to 2.0 billion common shares with par value of ₱1.00 per share on December 28, 2018. The investment was diluted to 17.90%, as a result of the waiver of its right to subscribe additional shares in 2018.

On the date the Parent Company's investment ceased to be an associate, it re-measured the investment balance at fair value. The Parent Company recognized as gain on reclassification of investment in associate to financial asset at FVOCI in profit or loss the difference between:

- a. The fair value of the retained investment; and
- b. The carrying amount of the investment (at cost) at the date when significant influence is lost.

As at December 31, 2018, the remaining investment in ANI at fair value is accounted for in accordance with PFRS 9. Accordingly, the fair value of the remaining investment in ANI was reclassified to financial asset at FVOCI (see Note 10). The fair value of the remaining investment at the date it ceases to be an associate is the amount recognized on initial recognition as financial asset at FVOCI.

There were no significant changes in the carrying value of the net assets of ANI from December 28 to 31, 2018 when the Parent Company's investment in ANI was reclassified from associate to financial asset at FVOCI as a result of dilution (see Note 10). Gain on reclassification of the investment recognized in profit or loss in the consolidated statements of comprehensive income (loss) amounted to ₱2.6 billion (see Note 10). The gain was mainly due to the different measurements between the two types of investments.

The rollforward analysis of the carrying value of this account in 2018 is shown below:

| | |
|---|-----------------|
| Balance at beginning of year | ₱319,154,639 |
| Carrying value of shares sold during the year | (9,888,387) |
| Equity in other comprehensive loss of an associate during the year | (9,435,624) |
| Equity in net loss of an associate | (760,596) |
| <hr/> | |
| Carrying value of the remaining investment in ANI at date of cease of significant influence (deemed disposal) | 299,070,032 |
| Gain on deemed disposal | 186,436,244 |
| Gain on reclassification of investment in associate to financial asset at FVOCI | 2,613,537,267 |
| <hr/> | |
| Fair value of the remaining investment in ANI at date of cease of significant influence | 3,099,043,543 |
| Reclassification of investment in associate to financial asset at FVOCI (see Note 10) | (3,099,043,543) |
| <hr/> | |
| Balance at end of year | ₱- |

The fair value of remaining investment in ANI at the date it ceases to be an associate amounted to ₱3.10 billion based on the quoted price per share is the amount recognized on initial recognition as financial asset at FVOCI.

12. Advances for Waste Recycling Project

Advances for waste recycling project amounting to ₱235.0 million as at December 31, 2013 represents TWMRSI's machinery and 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 TWMRSI 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. However, management believed that the cost of advances for the Facility may no longer be recovered. Accordingly, a full impairment provision was made in 2014.

1.3. Property and Equipment

The rollforward analysis of this account is shown below:

| | 2019 | | | | | | |
|--|-------------------|-------------|-----------------------|--|--|---------------|--------------|
| Cost: | Land improvements | Land | Building improvements | Transportation equipment and machineries | Furniture, fixtures and office equipment | Bearer assets | Total |
| Balance at beginning of year | ₱641,278 | ₱55,720,907 | ₱45,515,296 | ₱13,271,882 | ₱159,119 | ₱4,032,131 | ₱119,340,613 |
| Additions during the year | 63,360,000 | - | - | 257,360 | - | - | 63,617,360 |
| Balance at end of year | 64,001,278 | 55,720,907 | 45,515,296 | 13,529,242 | 159,119 | 4,032,131 | 182,957,973 |
| Accumulated depreciation and amortization: | | | | | | | |
| Balance at beginning of year | - | 4,007,329 | 6,104,339 | 4,520,929 | 155,720 | 806,426 | 15,594,743 |
| Depreciation and amortization | - | 3,714,727 | 6,099,387 | 2,220,854 | 3,399 | 806,426 | 12,844,793 |
| Balance at end of year | - | 7,722,056 | 12,203,726 | 6,741,783 | 159,119 | 1,612,852 | 28,439,536 |
| Net book value | ₱64,001,278 | ₱47,998,851 | ₱33,311,570 | ₱6,787,459 | ₱- | ₱2,419,279 | ₱154,518,437 |
| | | | | | | | |
| | 2018 | | | | | | |
| Cost: | Land improvements | Land | Building improvements | Transportation equipment and machineries | Furniture, fixtures and office equipment | Bearer assets | Total |
| Balance at beginning of year | ₱- | ₱1,463,013 | ₱43,685 | ₱2,361,135 | ₱159,119 | ₱- | ₱4,026,952 |
| Reclassification | - | - | - | - | - | 3,232,807 | 3,232,807 |
| Additions during the year | 641,278 | 54,257,894 | 45,471,611 | 10,910,747 | - | 799,324 | 112,080,854 |
| Balance at end of year | 641,278 | 55,720,907 | 45,515,296 | 13,271,882 | 159,119 | 4,032,131 | 119,340,613 |
| Accumulated depreciation and amortization: | | | | | | | |
| Balance at beginning of year | - | 292,602 | 4,952 | 2,332,605 | 150,063 | - | 2,780,222 |
| Depreciation and amortization | - | 3,714,727 | 6,099,387 | 2,188,324 | 5,657 | 806,426 | 12,814,521 |
| Balance at end of year | - | 4,007,329 | 6,104,339 | 4,520,929 | 155,720 | 806,426 | 15,594,743 |
| Net book value | ₱641,278 | ₱51,713,578 | ₱39,410,957 | ₱8,750,953 | ₱3,399 | ₱3,225,705 | ₱103,745,870 |

As at December 31, 2019 and 2018, additions amounting to ₱63,360,000 and ₱112,041,948, respectively, pertain to the liquidation of the advances extended to one of the stockholders (see Note 8). Fully depreciated assets amounting to ₱2,454,419 are still being used in operations.

Depreciation and amortization expense for the years ended December 31, 2019 and 2018 are shown as part of general and administrative expenses in the Group's consolidated statements of comprehensive income (loss) (see Note 20).

The Group's management had reviewed the carrying values of the property and equipment as at December 31, 2019 and 2018 for any impairment. Based on the evaluation, there are no indications that the property and equipment might be significantly 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. Investment Properties

As at December 31, 2019 and 2018 the account consists of the following:

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

The land located in Rosario, Batangas, and in Cabuyao Laguna and Olongapo City were acquired in 2013 and 2008, respectively. These properties with total land area of 35,886 square meters are intended to be held for capital appreciation. The estimated fair value as at December 31, 2018 amounted to ₱6.32 million using the Market Data Approach based on available market information. This approach was used for the land as it is commonly used in the property market since inputs and data for this approach are available.

Fair value of the property was not determined as at December 31, 2019. However, the management believes that there were no conditions present in 2019 and 2018 that would significantly reduce the recoverable values of investment property from its net carrying value and that fair value of the investment approximates its carrying value.

The Group's management had reviewed the carrying values of the investment properties for any impairment as at December 31, 2019 and 2018. Allowance for impairment amounted to ₱0.74 million as at December 31, 2019 and 2018.

There are no contractual commitments to purchase or construct investment property. There is also no investment property that are pledged as securities as at December 31, 2019 and 2018. Furthermore, there is no property whose title is restricted from use of the Group in both years.

15. Trade and Other Payables

This account consists of:

| | Note | 2019 | 2018 |
|--------------------------------------|------|--------------------|-------------|
| Trade | | ₱13,857,584 | ₱13,564,571 |
| Government payables | | 4,524,783 | 119,529 |
| Accrued expenses | | 484,580 | 713,547 |
| Refundable deposit | 18 | 270,000 | 270,000 |
| Advances from officers and employees | | 78,526 | 251,028 |
| | | 19,215,473 | ₱14,918,675 |

Trade payables are unsecured and noninterest-bearing which arise from purchases of materials, supplies and services in the ordinary course of business that are settled within 90 days.

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.

Accrued expenses include accruals of professional fees, taxes and penalties.

Advances from officers and employees are noninterest-bearing which arise from rendering of services to the Group are payable on demand.

All trade and other payables are noninterest-bearing. Trade and other payables amounting to ₱288,423 were reversed in 2019.

16. Related Party Transactions

The Group entered into transactions with related parties. Details of these transactions follow:

- a. The Group availed and 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). In 2019, additional advances amounting to ₱9.97 million was extended, while settlement received amounted to ₱79.96 million.
- c. As at December 31, 2019 and 2018 details and outstanding balances of due to and from related parties follow:

| | 2019 | 2018 |
|--------------------------|---------------------|---------------------|
| Receivables | | |
| Stockholders | ₱726,054,930 | ₱796,064,315 |
| Affiliates | 66,774,704 | 66,234,337 |
| | 792,829,634 | 862,298,652 |
| Allowance for impairment | (74,911,862) | (51,183,326) |
| | ₱717,917,772 | ₱811,115,326 |
| Payables | | |
| Affiliates | ₱66,952,128 | ₱104,021,909 |
| Stockholders | 14,034,331 | 14,035,590 |
| | ₱80,986,459 | ₱118,057,499 |

For financial statements disclosure purposes, an affiliate is an entity under common control of the Group's stockholders.

The rollforward analysis of related party accounts follow:

| | 2019 | 2018 |
|--|---------------------|---------------------|
| Receivables | | |
| Balance at beginning of year | ₱811,115,326 | ₱821,835,699 |
| Liquidation during the year (Note 8) | (63,360,000) | (112,041,948) |
| Collections during the year | (38,071,311) | (37,556,012) |
| Advances made during the year | 31,962,293 | 150,342,991 |
| | 741,646,308 | 822,580,730 |
| Provision for impairment during the year | (23,728,536) | (11,465,404) |
| Balance at end of year | ₱717,917,772 | ₱811,115,326 |

| | 2019 | 2018 |
|-----------------------------------|---------------------|--------------|
| Payable | | |
| Balance at beginning of year | ₱118,057,499 | ₱46,752,073 |
| Advances received during the year | 7,814,924 | 76,686,015 |
| Payments made during the year | (36,901,907) | (5,380,589) |
| Reversal during the year | (7,984,057) | - |
| Balance at end of year | ₱80,986,459 | ₱118,057,499 |

- d. On July 2, 2014, the Parent Company executed a subscription agreement with Earthright Holdings, Inc. (EHI). Subject to the application to and approval by the SEC of the Parent Company's increase of its authorized capital stock (the "Increase"), EHI subscribed to ₱250.0 million worth of common shares at ₱1.00 per share and ₱37.5 million worth preferred shares at ₱0.01 per share. On May 22, 2019, the Parent Company and EHI executed an Amended Subscription Agreement amending the Subscription Agreement dated July 2, 2014 to increase the subscription of EHI from ₱250 million worth of common shares to ₱750 million worth of common shares. The amended number of subscribed common shares represent 25% of the required subscription out of the proposed increase. The deposit will be converted into equity once approval from the SEC have been obtained.

In 2019, the Parent Company received additional deposits amounting to ₱44.8 million. As at December 31, 2019, the Parent Company is awaiting approval by the SEC of the increase. The balance of the deposit for future stock subscription presented under current liabilities in the Group's consolidated statements of financial position amounted to ₱221.8 million and ₱177 million as at December 31, 2019 and 2018, respectively.

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

| Category | 2019 | | | |
|--|---------------|--------------------------------|---|---|
| | Amount | Balance - Asset (Liability) | Terms and Conditions/Settlement | Guaranty/ Provision |
| <u>Stockholders</u> | | | | |
| Receivables | | ₱726,054,930 | Noninterest-bearing; payable on demand and to be settled through liquidation | Unsecured; no significant warranties and covenants; with impairment |
| • Liquidation | (₱63,360,000) | | | |
| • Collections | (16,615,578) | | | |
| • Advances made | 9,966,193 | | | |
| • Allowance for Impairment | (8,508,931) | (8,508,931) | | |
| Payable | | (14,034,331) | Noninterest-bearing; payable on demand and to be settled in cash | Unsecured; no significant warranties and covenants |
| • Advances received | (941,197) | | | |
| • Payments made | 942,456 | | | |
| Deposit for future stock subscriptions | (44,821,275) | (221,821,275) | Noninterest-bearing; no definite repayment dates; to be applied as future subscription of capital stock | Unsecured; no significant warranties and covenants |
| <u>Affiliates</u> | | | | |
| Receivable | | 66,774,704 | Noninterest-bearing; payable on demand and to be settled in cash | Unsecured; no significant warranties and covenants; with impairment |
| • Advances made | 21,966,100 | | | |
| • Collections received | (21,455,733) | | | |
| • Allowance for impairment | (15,219,605) | (66,402,931) | | |
| Payable | | (66,952,128) | Noninterest-bearing; payable on demand and to be settled in cash | Unsecured; no significant warranties and covenants |
| • Advances received | (6,873,727) | | | |
| • Payments made | 35,959,451 | | | |
| • Write-off | 7,984,057 | | | |

| 2018 | | | | |
|--|----------------|--------------------------------|---|---|
| Category | Amount | Balance - Asset (Liability) | Terms and Conditions/Settlement | Guaranty/ Provision |
| <u>Stockholders</u> | | | | |
| Receivables | | ₱796,064,315 | Noninterest-bearing; payable on demand and to be settled through liquidation | Unsecured; no significant warranties and covenants; no impairment |
| • Liquidation | (₱112,041,948) | | | |
| • Collection | (37,556,012) | | | |
| • Advances made | 150,309,547 | | | |
| Payable | | (14,035,590) | Noninterest-bearing; payable on demand and to be settled in cash | Unsecured; no significant warranties and covenants |
| • Advances received | (14,035,590) | | | |
| Deposit for future stock subscriptions | - | (177,000,000) | Noninterest-bearing; no definite repayment dates; to be applied as future subscription of capital stock | Unsecured; no significant warranties and covenants |
| <u>Affiliates</u> | | | | |
| Receivable | | 66,234,337 | Noninterest-bearing; payable on demand and to be settled in cash | Unsecured; no significant warranties and covenants; with impairment |
| • Advances made | 33,444 | | | |
| • Allowance for impairment | 11,465,404 | (51,183,326) | | |
| Payable | | (104,021,909) | Noninterest-bearing; payable on demand and to be settled in cash | Unsecured; no significant warranties and covenants |
| • Advances received | (62,650,425) | | | |
| • Payments made | 5,380,589 | | | |

f. Compensation paid to key management personnel for the years then ended December 31, 2019 and 2018 follows:

| | 2019 | 2018 |
|---|-------------------|------------|
| Short term benefits | | |
| Salaries and wages | ₱1,133,745 | ₱1,433,785 |
| 13 th month pay and other benefits | 87,826 | 126,529 |
| | ₱1,221,571 | ₱1,560,314 |

g. Below are the account balances as at December 31, 2019 and 2018 on the separate financial statements of the companies within the Group which were eliminated upon consolidation:

| 2019 | | | | | | |
|-------------|---------------------|--------------------|--------------------|-----------------|-----------------|---------------------|
| | Payable | | | | | Total |
| | TWMRSI | WGVI | SREDC | ADHI | LTSI | |
| Receivable: | | | | | | |
| GHI | ₱233,500,068 | ₱65,434,185 | ₱10,230,266 | ₱197,960 | ₱205,315 | ₱309,567,794 |
| WGVI | 120,870 | - | - | - | - | 120,870 |
| | ₱233,620,938 | ₱65,434,185 | ₱10,230,266 | ₱197,960 | ₱205,315 | ₱309,688,664 |
| 2018 | | | | | | |
| | Payable | | | | | Total |
| | TWMRSI | WGVI | SREDC | ADHI | LTSI | |
| Receivable: | | | | | | |
| GHI | ₱233,444,118 | ₱65,374,573 | ₱10,095,316 | ₱154,730 | ₱161,750 | ₱309,230,487 |
| WGVI | 120,870 | - | 182,213 | - | - | 303,083 |
| | ₱233,564,988 | ₱65,374,573 | ₱10,277,529 | ₱154,730 | ₱161,750 | ₱309,533,570 |

h. There are no other significant related party transactions in 2019 and 2018.

17. Equity

Capital Stock

Based on the Amended Articles of Incorporation dated September 11, 2014, the Parent Company's preferred shares have, among others, the following features: (a) voting, (b) right to receive dividends at the rate as may be deemed by the BOD under the prevailing market conditions, and (c) in liquidation, dissolution, and winding up of the 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 common shares.

The stockholders of the Parent Company shall have no pre-emptive rights to subscribe to or purchase any or all, issue or dispose of shares of any class of the Group.

Details of the capital stock as at December 31, 2019 and 2018 follow:

| | Preferred | | Common | |
|---|------------------|--------------|------------------|----------------|
| | Number of Shares | Amount | Number of Shares | Amount |
| Authorized – ₱0.10 par value per preferred share/ ₱1.0 par value per common share | 1,000,000,000 | ₱100,000,000 | 1,900,000,000 | ₱1,900,000,000 |
| Subscribed and issued | 1,000,000,000 | ₱100,000,000 | 1,703,278,572 | ₱1,703,278,572 |

There were no movements in the Group's common and preferred shares in 2019 and 2018.

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

| <u>Date of SEC Approval</u> | <u>Authorized shares</u> |
|-----------------------------|--------------------------|
| September 11, 2014 | 2,900,000,000 |
| 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 1,031 and 1,032 as at December 31, 2019 and 2018, 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 December 31, 2019 and 2018 are as follows:

| | 2019 | | 2018 | |
|--------|-------|-------|-------|-------|
| | High | Low | High | Low |
| First | ₱1.97 | ₱3.55 | ₱0.37 | ₱0.37 |
| Second | 2.24 | 2.92 | 0.37 | 0.37 |
| Third | 1.87 | 2.64 | 0.37 | 0.37 |
| Fourth | 1.80 | 2.54 | 2.02 | 1.97 |

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. In a Correspondence dated September 26, 2018, the PSE lifted the trading suspension and on November 5, 2018, the shares in the Parent Company resumed trading in the stock exchange (see Note 29).

18. Sales

Sales pertain to receipts from agri-tourism and sale of fruits and vegetables. These are currently the only sources of income of the Group.

The table shows the analysis of sales of the Group by major sources for the years ended December 31, 2019 and 2018:

| Category | 2019 | 2018 | 2017 |
|-------------------------------|-------------------|-------------------|-----------------|
| Sale of fruits and vegetables | ₱976,573 | ₱1,623,398 | ₱- |
| Agri-tourism | 669,030 | 1,823,675 | 519,503 |
| Total | ₱1,645,603 | ₱3,447,073 | ₱519,503 |

The performance obligation to provide tourism services is satisfied at a point in time which is upon render of service and delivery of the goods. There are no outstanding contract balances from the Group's sales. The Group has no liability related to these services.

Rental income

The Group leases its nine-hectare property situated at Rosario, Batangas effective from January 1, 2015 to December 31, 2015, and shall be automatically renewed for successive one-year periods unless terminated. Under the terms of the lease agreement, the rental shall be ₱30,000 per hectare per annum, exclusive of VAT and subject to an escalation of 10% per year starting from the second year of the lease agreement.

Rent receivable amounted to ₱1.6 million and ₱1.3 million as at December 31, 2019 and 2018, respectively (see Note 7). Refundable deposit under this lease agreement amounted to ₱270,000 as at December 31, 2019 and 2018 (see Note 15). Rental income amounted to ₱395,307, ₱359,370 and ₱326,700 in 2019, 2018 and 2017, respectively, presented in the Group's consolidated statements of comprehensive income (loss).

19. Cost of Sales

This account consists of:

| | 2019 | 2018 | 2017 |
|---------------|-------------------|-------------------|-------------------|
| Farm supplies | ₱2,083,709 | ₱2,203,849 | 1,997,489 |
| Meals | 691,062 | 242,514 | 16,165 |
| | ₱2,774,771 | ₱2,446,363 | ₱2,013,654 |

20. General and Administrative Expenses

This account consists of:

| | Note | 2019 | 2018 | 2017 |
|----------------------------------|------|--------------------|-------------|-------------|
| Depreciation and amortization | 13 | ₱12,844,793 | ₱12,814,521 | ₱131,480 |
| Contractual services | | 9,827,514 | 8,819,198 | 8,478,631 |
| Salaries and wages | | 5,184,433 | 1,858,289 | 852,791 |
| Utilities | | 2,629,038 | 2,543,972 | 2,583,472 |
| Listing and stock transfer fees | | 1,744,516 | 643,964 | 18,750 |
| Legal and professional | | 1,215,280 | 2,058,082 | 1,794,557 |
| Repairs and maintenance | | 1,092,051 | 1,143,089 | 772,239 |
| Transportation | | 737,656 | 911,978 | 694,808 |
| Materials and supplies | | 388,200 | 305,666 | 633,472 |
| Penalties and fines | | 370,049 | 5,336,289 | 778,710 |
| Taxes and licenses | | 231,824 | 120,406 | 1,353,739 |
| Representation and entertainment | | 108,531 | 435,338 | 1,375,558 |
| Brokers fee | | - | 803,266 | - |
| Handling cost | | - | 151,907 | - |
| Miscellaneous | | 229,352 | 510,883 | 219,633 |
| | | ₱36,603,237 | ₱38,456,848 | ₱19,687,840 |

Miscellaneous expenses include directors fee, advertising, service charges and other fees.

As at December 31, 2019, 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.

21. Income Taxes

- The current income tax expense in 2019, 2018, and 2017 pertains to MCIT.
- The reconciliation between the income tax expense computed at the statutory tax rate and the income tax shown in Group's consolidated statements of comprehensive income (loss) is as follows:

| | Notes | 2019 | 2018 | 2017 |
|---|--------------|----------------------|----------------|-------------|
| Income (loss) before income tax | | (₱56,583,066) | ₱2,819,026,759 | ₱21,506,853 |
| Multiplied by statutory tax rate | | 30% | 30% | 30% |
| Income tax expense computed at statutory tax rate | | (16,974,920) | 845,708,028 | 6,452,056 |
| Income tax effects of: | | | | |
| Provisions for impairment loss | 7, 9, 14, 16 | 8,320,433 | 4,221,181 | 221,128 |
| Applied NOLCO previously not recognized | | (739,888) | - | - |
| Nondeductible expenses | | 116,012 | 4,134,247 | 648,228 |
| Interest income subjected to final tax | 6 | (8,676) | (33,570) | (2,782) |
| Nontaxable income | | - | (863,682,600) | - |
| Equity in loss (income) of associate | 11 | - | 228,179 | (9,404,755) |
| Increase in fair value of biological assets | | - | (165,934) | - |
| Unrecognized deferred tax assets on: | | | | |
| NOLCO | | 9,287,039 | 9,434,535 | 2,252,059 |
| MCIT | | 165,449 | 28,443 | 231,426 |
| | | ₱165,449 | ₱28,443 | ₱231,426 |

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

| Year | Expiration | Applied/Expired | Balance | Tax effect |
|------|------------|-----------------|-------------|-------------|
| 2019 | 2022 | ₱ | ₱30,956,795 | ₱9,287,039 |
| 2018 | 2021 | - | 31,448,450 | 9,434,535 |
| 2017 | 2020 | - | 7,506,866 | 2,252,059 |
| 2016 | 2019 | 3,804,940 | - | - |
| | | ₱3,804,940 | ₱69,912,111 | ₱20,973,633 |

The Group incurred MCIT which can be claimed as deduction against future tax due as follows:

| Year | Expiration | Applied/Expired | Balance |
|------|------------|-----------------|----------|
| 2019 | 2022 | ₱- | ₱165,449 |
| 2018 | 2021 | - | 28,443 |
| 2017 | 2020 | - | 231,426 |
| 2016 | 2019 | 476,010 | - |
| | | ₱476,010 | ₱425,318 |

The income tax benefits of NOLCO and MCIT were not recognized in the consolidated financial statements as management believes that these could not be utilized prior to its expiration.

- d. The Group opted for the itemized deduction scheme for its income tax reporting in 2019, 2018 and 2017.

22. Basic Earnings (Loss) per Share

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

| | 2019 | 2018 | 2017 |
|--|---------------|----------------|---------------|
| Net income (loss) attributable to the equity holders of the Parent Company | (₱40,692,467) | ₱2,829,534,918 | ₱23,840,586 |
| Divided by: Weighted average number of common shares | 1,703,278,572 | 1,703,278,572 | 1,703,278,572 |
| Basic earnings (loss) per share | (₱0.02) | ₱1.77 | ₱0.01 |

The Group has no diluted loss per share for the year ended December 31, 2019, 2018 and 2017.

23. Non-controlling Interests

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

| | 2019 | | | |
|--------|------------------------------|---------------|--------------------------|------------------------|
| | Balance at beginning of year | Net loss | Other comprehensive loss | Balance at end of year |
| SREDC | ₱244,732,633 | (₱15,989,277) | ₱- | ₱228,743,356 |
| LSTI | 1,574 | (28,133) | - | (26,559) |
| TWMRSI | (115,439,805) | (38,638) | - | (115,478,443) |
| | ₱129,294,402 | (₱16,056,048) | ₱- | ₱113,238,354 |

| 2018 | | | | |
|--------|------------------------------|---------------|--------------------------|------------------------|
| | Balance at beginning of year | Net loss | Other comprehensive loss | Balance at end of year |
| SREDC | ₱254,612,499 | (₱10,481,626) | ₱601,760 | ₱244,732,633 |
| LSTI | 11,557 | (9,983) | - | 1,574 |
| TWMRSI | (115,394,812) | (44,993) | - | (115,439,805) |
| | ₱139,229,244 | (₱10,536,602) | ₱601,760 | ₱129,294,402 |

| 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 financial asset at FVOCI for the year attributable to non-controlling interest.

24. Financial Instruments

The following tables set forth the carrying values and estimated fair values of the Group's financial asset and liabilities recognized as at December 31, 2019 and 2018:

| 2019 | | | | | |
|--|------|----------------|----------------|--|---|
| | Note | Carrying value | Fair value | Quoted prices in active market (Level 1) | Significant observable inputs (Level 2) |
| Petty cash | 6 | ₱50,000 | ₱50,000 | ₱- | ₱50,000 |
| <i>Financial assets at amortized cost</i> | | | | | |
| Cash in banks | 6 | 1,270,074 | 1,270,074 | - | 1,270,074 |
| Nontrade receivables - net | 7 | 250,504,887 | 250,504,887 | - | 250,504,887 |
| Due from related parties - net | 16 | 717,917,772 | 717,917,772 | - | 717,917,772 |
| <i>Financial asset at FVOCI</i> | 10 | 2,461,005,166 | 2,461,005,166 | 2,461,005,166 | - |
| | | ₱3,430,747,899 | ₱3,430,747,899 | ₱2,461,005,166 | ₱969,742,733 |
| <i>Financial liabilities at amortized cost</i> | | | | | |
| Trade and other payables* | 15 | ₱14,690,690 | ₱14,690,690 | ₱- | ₱14,690,690 |
| Due to related parties | 16 | 80,986,459 | 80,986,459 | - | 80,986,459 |
| | | ₱95,677,149 | ₱95,677,149 | ₱- | ₱95,677,149 |

| 2018 | | | | | |
|---|------|----------------|----------------|--|---|
| | Note | Carrying value | Fair value | Quoted prices in active market (Level 1) | Significant observable inputs (Level 2) |
| Petty cash | 6 | ₱50,000 | ₱50,000 | ₱- | ₱50,000 |
| <i>Financial assets at amortized cost</i> | | | | | |
| Cash in banks and cash equivalent | 6 | 12,481,445 | 12,481,445 | - | 12,481,445 |
| Nontrade receivables - net | 7 | 250,142,630 | 250,142,630 | - | 250,142,630 |
| Due from related parties - net | 16 | 811,115,326 | 811,115,326 | - | 811,115,326 |
| <i>Financial assets at FVOCI</i> | 10 | 3,101,013,543 | 3,101,013,543 | 3,101,013,543 | - |
| | | ₱4,174,802,944 | ₱4,174,802,944 | ₱3,101,013,543 | ₱1,073,789,401 |

| | Note | 2018 | | | |
|--|------|---------------------|---------------------|--|---|
| | | Carrying value | Fair value | Quoted prices in active market (Level 1) | Significant observable inputs (Level 2) |
| <i>Financial liabilities at amortized cost</i> | | | | | |
| Trade and other payables* | 15 | ₱14,799,146 | ₱14,799,146 | ₱- | ₱14,799,146 |
| Due to related parties | 16 | 118,057,499 | 118,057,499 | - | 118,057,499 |
| | | ₱132,856,645 | ₱132,856,645 | ₱- | ₱132,856,645 |

*Excluding government payables amounting to ₱4.5 million in 2019 and ₱0.1 million in 2018 (see Note 15).

Methods and Assumption Used to Estimate Fair Value

The carrying values of the financial assets, except financial asset at FVOCI, and financial liabilities approximate their fair values due to their relatively short-term maturities or short-term nature of transactions. Financial assets at FVOCI pertaining to investment in a listed company included in level 1 is valued based at published prices. The fair value of financial assets and financial liabilities included in level 2 which are not traded in active market are determined based on the expected cash flows of the underlying asset and liability based on the investment where the significant inputs required to determine the fair value of such instrument are directly or indirectly observable.

There are no transfers to and from level 1 and 2 categories during 2019 and 2018.

25. Financial Risk Management Objectives and Policies

The Group is exposed to a variety of financial risks, which resulted from its investing and financing activities. The Group's principal financial instruments comprise of cash in banks, nontrade receivables, financial asset at FVOCI, trade and other payables, 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 Group's policies and guidelines cover credit risk, liquidity risk, interest rate risk, equity price 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 is the risk that a counterparty will not meet its obligation under a financial instrument or customer contract, resulting in financial loss to the Group. The Group is exposed to credit risk primarily from cash in banks, nontrade receivables, due from related parties and financial asset at FVOCI.

With respect to credit risk arising from the Group's financial assets, 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.

Credit risk exposure

The table below shows the gross maximum exposure to credit risk of the Group as at December 31, 2019 and 2018, without considering the effects of credit risk mitigation techniques.

| | 2019 | 2018 |
|---------------------------|-----------------------|----------------|
| Cash in banks | ₱1,270,074 | ₱12,481,445 |
| Nontrade receivables | 251,757,957 | 251,395,700 |
| Due from related parties | 792,829,634 | 862,298,652 |
| Financial assets at FVOCI | 2,461,005,166 | 3,101,013,543 |
| | ₱3,506,862,831 | ₱4,227,189,340 |

Credit quality per class of financial asset

Below is the credit quality per class of financial assets as at December 31, 2019 and 2018.

| | 2019 | | | | |
|--------------------------|-------------------------------|----------------|--------------|-------------|----------------|
| | Neither past due nor impaired | | Past due but | | Total |
| | High grade | Standard grade | not impaired | Impaired | |
| Cash in banks | ₱1,158,522 | ₱111,552 | ₱- | ₱- | ₱1,270,074 |
| Nontrade receivables | - | 361,707 | 250,143,180 | 1,253,070 | 251,757,957 |
| Due from related parties | - | 717,917,772 | - | 74,911,862 | 792,829,634 |
| Financial asset at FVOCI | 2,461,005,166 | - | - | - | 2,461,005,166 |
| | ₱2,462,163,688 | ₱718,391,031 | ₱250,143,180 | ₱76,164,932 | ₱3,506,862,831 |

| | 2018 | | | |
|---------------------------|-------------------------------|----------------|-------------|----------------|
| | Neither past due nor impaired | | Impaired | Total |
| | High grade | Standard grade | | |
| Cash in banks | ₱3,082,607 | ₱9,398,838 | ₱- | ₱12,481,445 |
| Nontrade receivables | - | 250,142,630 | 1,253,070 | 251,395,700 |
| Due from related parties | 150,342,991 | 660,772,335 | 51,183,326 | 862,298,652 |
| Financial assets at FVOCI | 3,101,013,543 | 3,101,013,543 | - | 3,101,013,543 |
| | ₱3,254,439,141 | ₱4,021,327,346 | ₱52,436,396 | ₱4,227,189,340 |

High grade cash in banks are placed, invested, or deposited in local banks belonging to the top 10 banks in the Philippines in terms of resources and profitability. Due from related parties under high grade accounts considered to be of high value.

Standard grade accounts are active accounts with propensity of deteriorating to mid-range age buckets. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly.

Investment in shares of stocks under high grade classification are assigned to financial assets at FVOCI invested to well-established and financially sound company.

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. The Group is not exposed to large concentration of credit risks.

Impairment assessment

The Group applies general approach for determining the ECLs of cash in banks, nontrade receivables and due from related parties. A credit loss is the difference between the cash flows that are expected to be received discounted at the original effective interest rate and contractual cash flows in accordance with the contract. The loss allowance for financial assets are based on the assumptions about risk of default and expected loss rates. The management has assessed that due from related parties amounting to ₱74.9 million is uncollectible.

- 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:

| 2019 | | | | |
|--------------------------------|---------------------|------------------------|--|-----------------------|
| | On demand | Due within one year | Due beyond one year but not more than five years | Total |
| Financial assets | | | | |
| Cash in banks | R1,270,074 | R- | R- | R1,270,074 |
| Nontrade receivables – net | 250,504,887 | - | - | 250,504,887 |
| Due from related parties – net | 717,917,772 | - | - | 717,917,772 |
| Financial asset at FVOCI | - | - | 2,461,005,166 | 2,461,005,166 |
| | R969,692,733 | R- | R2,461,005,166 | R3,430,697,899 |
| Financial liabilities | | | | |
| Trade and other payables* | R- | R14,690,690 | R- | R14,690,690 |
| Due to related parties | 80,986,459 | - | - | 80,986,459 |
| | R80,986,459 | R14,690,690 | R- | R95,677,149 |

| 2018 | | | | |
|--------------------------------|-----------------------|------------------------|--|-----------------------|
| | On demand | Due within one year | Due beyond one year but not more than five years | Total |
| Financial assets | | | | |
| Cash in banks | R12,481,445 | R- | R- | R12,481,445 |
| Nontrade receivables – net | 250,142,630 | - | - | 250,142,630 |
| Due from related parties – net | 811,115,326 | - | - | 811,115,326 |
| Financial assets at FVOCI | - | - | 3,101,013,543 | 3,101,013,543 |
| | R1,073,739,401 | R- | R3,101,013,543 | R4,174,752,944 |
| Financial liabilities | | | | |
| Trade and other payables* | R- | R14,799,146 | R- | R14,799,146 |
| Due to related parties | 118,057,499 | - | - | 118,057,499 |
| | R118,057,499 | R14,799,146 | R- | R132,856,645 |

*Excluding government payables amounting to R4.5 million in 2019 and R0.1 million in 2018 (see Note 15).

- **Interest rate risk**

The Group is not exposed to interest rate fluctuations on their cash in banks and cash equivalents. Other financial assets and liabilities which principally arise in the ordinary course of its operations are generally short-term and noninterest-bearing.

Historically, the rate fluctuations relative to its cash in banks are minimal. Interest rates in 2019 and 2018 are less than 1%.

- **Equity Price Risk**

The Group's exposure to equity securities price risk pertains to its equity instrument financial asset at FVOCI. Equity securities price risk arises from the changes in the levels of equity indices and the value of stocks traded in the stock market.

At December 31, 2019 and 2018, if the quoted stock price for the securities using PSE index had increased by 38% and 41%, respectively, the Group's total equity would have been higher by about R932,259,431 and R1,261,649,299, respectively.

On the other hand, if the quoted market price for these securities had decreased by the same percentage, with all other variables held constant, total equity for the period would have been lower by the same amount. The analysis is based on the assumption that the quoted prices had changed by 38% and 41%, with all other variables held constant.

- 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 pertains to cash in banks are not significant in amount.

26. 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:

| | 2019 | 2018 |
|----------------------------|-----------------------|-----------------------|
| Capital stocks | ₱1,803,278,572 | ₱1,803,278,572 |
| Additional paid-in capital | 268,090,531 | 268,090,531 |
| Retained earnings | 1,753,401,814 | 1,793,486,641 |
| Due to related parties | 80,986,459 | 118,057,499 |
| | ₱3,905,757,376 | ₱3,982,913,243 |

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 December 31, 2019 and 2018 follow:

| | 2019 | 2018 |
|--------------|---------------|---------------|
| Total debt | ₱322,188,656 | ₱309,977,130 |
| Total equity | 3,299,970,894 | 3,994,757,786 |
| | 10% | 8% |

The Group had not been subjected to externally imposed capital requirements in 2019 and 2018. No changes were made in the objectives, policies, and processes during the years ended December 31, 2019 and 2018.

27. 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:

- The holding segment is engaged in investment holding;
- The renewal energy segment is engaged in the business and/or operation of renewable energy system and/or harnessing renewable energy resources;
- The waste management segment is engaged in the business of building, operating and managing waste recovery facilities;
- The real estate segment is engaged in the business of real estate development and improvement for agri-tourism; and
- 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.

Segment Financial Information

The segment financial information is presented as follows:

| | 2019 | | | | | | Total |
|--|----------------|------------------|------------------|------------------------------|------------------------|----------------|----------------|
| | Holding | Renewable energy | Waste management | Real estate and agri-tourism | Information technology | Elimination | |
| Income | | | | | | | |
| Revenue | ₱- | ₱- | ₱- | ₱2,040,910 | ₱- | ₱- | ₱2,040,910 |
| Gain on sale of financial asset at FVOCI | - | - | - | 220,000 | - | - | 220,000 |
| Interest income | 3,787 | 255 | - | 24,875 | - | - | 28,917 |
| Reversal of payables | 8,160,559 | 91,798 | 20,123 | 182,213 | - | (182,213) | 8,272,480 |
| | 8,164,346 | 92,053 | 20,123 | 2,467,998 | - | (182,213) | 10,562,307 |
| Expense | | | | | | | |
| General and administrative expenses | (6,098,390) | (309,140) | (98,573) | (33,025,360) | (57,414) | 182,213 | (39,406,664) |
| Impairment loss | (23,433,095) | - | - | (11,956,004) | - | 7,654,321 | (27,734,778) |
| Unrealized forex loss | (3,931) | - | - | - | - | - | (3,931) |
| Provision for income tax | (163,211) | (1,836) | (402) | - | - | - | (165,449) |
| Net loss | (21,534,281) | (218,923) | (78,852) | (42,513,366) | (57,414) | 7,654,321 | (56,748,515) |
| Net loss attributable to: | | | | | | | |
| Equity holders of the Parent Company | (21,534,281) | (218,923) | (40,214) | (26,524,089) | (29,281) | 7,654,321 | (40,692,467) |
| Noncontrolling interest | - | - | (38,638) | (15,989,277) | (28,133) | - | (16,056,048) |
| | (₱21,534,281) | (₱218,923) | (₱78,852) | (₱42,513,366) | (₱57,414) | ₱7,654,321 | (₱56,748,515) |
| Assets and Liabilities | | | | | | | |
| Segment assets | ₱3,412,959,641 | ₱235,680 | ₱- | ₱577,309,605 | ₱266,170 | (₱368,611,546) | ₱3,622,159,550 |
| Segment liabilities | ₱316,410,377 | ₱66,998,157 | ₱233,796,863 | ₱15,218,415 | ₱321,355 | (₱310,556,511) | ₱322,188,656 |

2018

| | Holding | Renewable energy | Waste management | Real estate and agri-tourism | Information technology | Elimination | Total |
|--|----------------|------------------|------------------|------------------------------|------------------------|----------------|----------------|
| Income | | | | | | | |
| Revenue | ₱- | ₱- | ₱- | ₱3,806,443 | ₱- | ₱- | ₱3,806,443 |
| Gain on: | | | | | | | |
| Reclassification of investment | 2,613,537,267 | - | - | - | - | - | 2,613,537,267 |
| Dilution of investment in associate | 186,436,244 | - | - | - | - | - | 186,436,244 |
| Sale of investment | 78,968,491 | - | - | - | - | - | 78,968,491 |
| Equity in net loss of associate | (760,596) | - | - | - | - | - | (760,596) |
| Exchange differences on translation of foreign translation | (9,337,832) | - | - | - | - | - | (9,337,832) |
| Interest income | 1,053 | 253 | - | 110,595 | - | - | 111,901 |
| Other income | 14,000 | - | - | 14,285 | 30,741 | - | 59,026 |
| Unrealized forex gain | 3,029 | - | - | - | - | - | 3,029 |
| | 2,868,861,656 | 253 | - | 3,931,323 | 30,741 | - | 2,872,823,973 |
| Expense | | | | | | | |
| General and administrative expenses | (10,311,077) | (105,322) | (91,823) | (30,487,155) | (50,500) | - | (41,045,877) |
| Impairment loss | (11,465,404) | - | - | (1,285,933) | - | - | (12,751,337) |
| Provision for income tax | (341) | - | - | (27,487) | (615) | - | (28,443) |
| Net income (loss) | 2,847,084,834 | (105,069) | (91,823) | (27,869,252) | (20,374) | - | 2,818,998,316 |
| Net income (loss) attributable to: | | | | | | | |
| Equity holders of the Parent Company | 2,847,084,834 | (105,069) | (46,830) | (16,389,386) | (10,391) | - | 2,829,534,918 |
| Noncontrolling interest | - | - | (44,993) | (9,879,866) | (9,983) | - | (10,536,602) |
| | ₱2,847,084,834 | (₱105,069) | (₱91,823) | (₱26,269,252) | (₱20,374) | ₱- | ₱2,818,998,316 |
| Assets and Liabilities | | | | | | | |
| Segment assets | ₱4,029,724,904 | ₱417,637 | ₱- | ₱615,968,354 | ₱266,170 | (₱341,642,149) | ₱4,304,734,916 |
| Segment liabilities | ₱308,071,545 | ₱66,961,192 | ₱233,718,010 | ₱11,363,798 | ₱263,941 | (₱310,401,356) | ₱309,977,130 |

2017

| | Holding | Renewable energy | Waste management | Real estate and agri-tourism | Information technology | Elimination | Total |
|--------------------------------------|----------------|------------------|------------------|------------------------------|------------------------|----------------|----------------|
| Income | | | | | | | |
| Revenue | ₱- | ₱- | ₱- | ₱12,090,630 | ₱- | ₱- | ₱12,090,630 |
| Equity in net income of associate | 31,349,184 | - | - | - | - | - | 31,349,184 |
| Increase in FV of biological asset | - | - | - | 553,115 | - | - | 553,115 |
| Interest income | 434 | 252 | - | 8,588 | - | - | 9,274 |
| Unrealized forex gain | 128 | - | - | - | - | - | 128 |
| | 31,349,746 | 252 | - | 12,652,333 | - | - | 44,002,331 |
| Expense | | | | | | | |
| General and administrative expenses | (3,228,320) | (72,247) | (97,192) | (18,304,548) | (56,076) | - | (21,758,383) |
| Impairment loss | - | - | - | (737,095) | - | - | (737,095) |
| Provision for income tax | (3) | - | - | (231,423) | - | - | (231,426) |
| Net income (loss) | 28,121,423 | (71,995) | (97,192) | (6,620,733) | (56,076) | - | 21,275,427 |
| Net income (loss) attributable to: | | | | | | | |
| Equity holders of the Parent Company | 28,121,423 | (71,995) | (49,567) | (4,130,676) | (28,599) | - | 23,840,586 |
| Noncontrolling interest | - | - | (47,625) | (2,490,057) | (27,477) | - | (2,565,159) |
| | ₱28,121,423 | (₱71,995) | (₱97,192) | (₱6,620,733) | (₱56,076) | ₱- | ₱21,275,427 |
| Assets and Liabilities | | | | | | | |
| Segment assets | ₱1,142,978,356 | ₱816,210 | ₱- | ₱651,977,675 | ₱316,170 | (₱368,746,174) | ₱1,427,342,237 |
| Segment liabilities | ₱231,650,973 | ₱67,254,696 | ₱233,626,187 | ₱21,093,478 | ₱293,567 | (₱310,309,400) | ₱243,609,501 |

28. Events After Reporting Period

In a move to contain the COVID-19 pandemic, on March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine throughout the island of Luzon until April 30, 2020, unless earlier lifted or extended. These measures have caused disruptions to businesses and economic activities, and its impact on businesses still continue to evolve.

The pandemic has less significant impact on the Group's business as it only affected the Group's administrative work, being a holding Company, and delayed the shipment of Hanergy solar products (see Note 1) which was postponed until after community quarantine period. While management recognizes that the COVID-19 pandemic poses potential impact on the Group's activities in terms of risks related to exposures to industries severely affected by COVID-19, the related amount of financial effect cannot be reliably and reasonably determined or estimated.

The Group's management and BOD will continuously monitor the impact and will plan accordingly to minimize and (or) mitigate further risk on the Group's consolidated financial performance and position.

29. 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 in a Freeze Order issued by the Court of Appeals.

After careful review of the *Request to Lift* and the documents in support thereof as well as the conduct of a due diligence review of the Parent Company's disclosures and reports, the PSE granted the *Request to Lift* the trading suspension.

On November 5, 2018, the shares of the Parent Company resumed trading in the PSE.

On Civil Forfeiture

On December 15, 2015 the RTC 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 January 22, 2016, the Parent Company and the 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 on-going proceedings with the Court; however, the Parent Company wishes to draw attention to the disclosures dated June 30, 2014 and July 1, 2, 3, 7 and 10, 2014 (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.

On July 19, 2018, the Parent Company received an *Order* dated July 9, 2018 (the "*Discharge Order*") from the Court. In the *Discharge Order*, the Court ruled that "the funds in the subject accounts of respondents Greenergy et al. are not related to the unlawful activity of violation of R.A. 3019 and R.A. 7080." Thus, the bank accounts of the Parent Company and SREDC were "orders discharged from the effects of the *Asset Preservation Order* (APO) dated December 15, 2015." With the *Order*, which was immediately executory, the Parent Company regained access and control over the Subject Bank Accounts.

On August 9, 2018, the Parent Company received a copy of the *Motion for Reconsideration* dated August 3, 2018 (the "*Motion for Reconsideration*") filed by the Republic of the Philippines ("Petitioner") with the Regional Trial Court assailing the *Discharge Order*.

In an *Order* dated July 9, 2018 (*Order*), the Court categorically ruled that "the funds in the subject accounts of respondents Greenergy et al. are not related to the unlawful activity of violation of R.A. 3019 and R.A. 7080". Thus, the bank account of the Parent Company and SREDC was "ordered Discharged from the effects of the *Asset Preservation Order* (APO) dated December 15, 2015."

Thereafter, the Petitioner, through the Office of the Solicitor General, filed a *Motion for Reconsideration* (to the *Order* dated July 9, 2018) dated August 3, 2018 on even date to which the Parent Company and SREDC filed its *Comment/Opposition* (to the *Motion for Reconsideration*) dated December 11, 2018 on even date.

On July 1, 2019, the RTC Manila issued the *Order* of even date, denying the Petitioner's *Motion for Reconsideration* dated August 3, 2019 for lack of merit. In this connection, the Petitioner' has sixty (60) days from its receipt of the said *Order* within which to assail the same through a petition for *certiorari* with the Court of Appeals. As of date however, the Parent Company has not yet received any notice that the Petitioner filed such a petition for *certiorari*.

Considering the lapse of the reglementary period to file a petition for *certiorari*, the Parent Company has been advised that both the *Orders* dated July 9, 2018 and July 1, 2019 are final and executory and a confirmatory certification will be obtained by the Company.

INDEPENDENT AUDITOR'S REPORTS ON COMPONENTS
OF FINANCIAL SOUNDNESS INDICATORS

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The Stockholders and Board of Directors
Greenery Holdings Incorporated and Subsidiaries
No. 54 National Road, Dampol II-A
Pulilan, Bulacan

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Greenery Holdings Incorporated and Subsidiaries (the Group), as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, and have issued our report thereon dated June 30, 2020. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by the Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 and no material exceptions were noted.

CONSTANTINO AND PARTNERS
BOA Registration No. 0213, valid until November 15, 2022
SEC Accreditation No. (A.N.) 0003-FR-4, valid until December 7, 2020 (Group A)
BIR A.N. 08-001507-000-2017, valid until December 21, 2020

By:



Edwin F. Ramos
Partner
CPA Certificate No. 0091293
SEC A.N. 1795-A, valid until November 10, 2022 (Group A)
TIN 134-885-074-000
BIR A.N. 08-001507-008-2017, valid until December 21, 2020
PTR No. 8135201, issued on January 14, 2020, Makati City

Makati City, Philippines
June 30, 2020

ASSURANCE · TAX · ADVISORY · ACCOUNTING

Constantino and Partners trading as Baker Tilly is a member of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities.

GREENERGY HOLDINGS INCORPORATED AND SUBSIDIARIES
INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2019

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GREENERGY HOLDINGS INCORPORATED AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2019

| | Carrying Value | Fair Value |
|-------------------------------------|------------------------|------------------------|
| Cash on hand | ₱ 50,000 | ₱ 50,000 |
| Financial assets at amortized costs | | |
| Cash in banks | 1,270,074 | 1,270,074 |
| Nontrade receivables – net | 250,504,887 | 250,504,887 |
| Due from related parties – net | 717,917,772 | 717,917,772 |
| Financial asset at FVOCI | 2,461,005,166 | 2,461,005,166 |
| | ₱ 3,430,747,899 | ₱ 3,430,747,899 |

GREENERGY HOLDINGS INCORPORATED AND SUBSIDIARIES
SCHEDULE B – AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS,
EMPLOYEES, RELATED PARTIES AND PRINCIPAL
STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2019 AND 2018

| | 2019 | 2018 |
|--------------------------|----------------------|---------------|
| Receivables: | | |
| Stockholders | ₱ 726,054,930 | ₱ 796,064,315 |
| Affiliates | 66,774,704 | 66,234,337 |
| | 792,829,634 | 862,298,652 |
| Allowance for impairment | (74,911,862) | (51,183,326) |
| | ₱ 717,917,772 | ₱ 811,115,326 |

GREENERGY HOLDINGS INCORPORATED AND SUBSIDIARIES
SCHEDULE C – AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE
ELIMINATED DURING CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Intercompany Receivable and Payables

| | 2019 | | | | | |
|-------------------|----------------------|---------------------|---------------------|------------------|------------------|----------------------|
| | Payables | | | | | |
| | TWMRSI | WGVI | SREDC | ADHI | LTSI | Total |
| Receivable | | | | | | |
| GHI | P 233,500,068 | P 65,434,185 | P 10,230,266 | P 197,960 | P 205,315 | P 309,567,794 |
| WGVI | 120,870 | - | - | - | - | 120,870 |
| | P 233,620,938 | P 65,434,185 | P 10,230,266 | P 197,960 | P 205,315 | P 309,688,664 |

| | 2018 | | | | | |
|--------------------|----------------------|---------------------|---------------------|------------------|------------------|----------------------|
| | Payables | | | | | |
| | TWMRSI | WGVI | SREDC | ADHI | LTSI | Total |
| Receivables | | | | | | |
| GHI | P 233,444,118 | P 65,374,573 | P 10,095,316 | P 154,730 | P 161,750 | P 309,230,487 |
| WGVI | 120,870 | - | 182,213 | - | - | 303,083 |
| | P 233,564,988 | P 65,374,573 | P 10,277,529 | P 154,730 | P 161,750 | P 309,533,570 |

GREENERGY HOLDINGS INCORPORATED AND SUBSIDIARIES
SCHEDULE H – CAPITAL STOCK
DECEMBER 31, 2019

| Title of Issue | Number of Shares | | No. of Shares Reserved for Options, etc. | Number of Shares Held by | | |
|------------------------------------|----------------------|------------------------|--|--------------------------|------------------------------------|----------------------|
| | Authorized | Issued and Outstanding | | Affiliates | Directors, Officers, and Employees | Others |
| Common share at P1 par value | 1,900,000,000 | 1,703,278,572 | - | 207,768,560 | 333,522,007 | 1,161,988,005 |
| Preferred share at P0.10 par value | 1,000,000,000 | 1,000,000,000 | - | 1,000,000,000 | - | - |
| | 2,900,000,000 | 2,703,278,572 | - | 1,207,768,560 | 333,522,007 | 1,161,988,005 |

GREENERGY HOLDINGS INCORPORATED AND SUBSIDIARIES
SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE
ELIMINATED DURING CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Intercompany Receivable and Payables

| | 2019 | | | | | |
|-------------------|----------------------|---------------------|---------------------|------------------|------------------|----------------------|
| | Payables | | | | | |
| | TWMRSI | WGVI | SREDC | ADHI | LTSI | Total |
| Receivable | | | | | | |
| GHI | P 233,500,068 | P 65,434,185 | P 10,230,266 | P 197,960 | P 205,315 | P 309,567,794 |
| WGVI | 120,870 | - | - | - | - | 120,870 |
| | P 233,620,938 | P 65,434,185 | P 10,230,266 | P 197,960 | P 205,315 | P 309,688,664 |

| | 2018 | | | | | |
|--------------------|----------------------|---------------------|---------------------|------------------|------------------|----------------------|
| | Payables | | | | | |
| | TWMRSI | WGVI | SREDC | ADHI | LTSI | Total |
| Receivables | | | | | | |
| GHI | P 233,444,118 | P 65,374,573 | P 10,095,316 | P 154,730 | P 161,750 | P 309,230,487 |
| WGVI | 120,870 | - | 182,213 | - | - | 303,083 |
| | P 233,564,988 | P 65,374,573 | P 10,277,529 | P 154,730 | P 161,750 | P 309,533,570 |

GREENERGY HOLDINGS INCORPORATED AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

| RATIO | FORMULA | 2019 | 2018 |
|--|--|---------------|-------------|
| Current / Liquidity Ratio | | | |
| Current ratio | $\frac{\text{Current Assets}}{\text{Current Liabilities}}$ | 3.04 | 3.48 |
| Quick asset ratio | $\frac{\text{Current Assets} - \text{Other current assets}}{\text{Current Liabilities}}$ | 3.02 | 3.48 |
| Solvency Ratio / Debt to equity ratio | | | |
| | $\frac{\text{Total Liabilities}}{\text{Total Equity}}$ | 0.10 | 0.08 |
| Asset to equity ratio | | | |
| | $\frac{\text{Total Assets}}{\text{Total Equity}}$ | 1.10 | 1.08 |
| Interest rate coverage ratio | | | |
| | $\frac{\text{Income Before Tax}}{\text{Finance Cost}}$ | N/A | N/A |
| Profitability Ratios | | | |
| Return on assets | $\frac{\text{Net Income (Loss)}}{\text{Average Total Assets}}$ | (0.01) | 0.99 |
| Return on equity | $\frac{\text{Net Income (Loss)}}{\text{Average Total Equity}}$ | (0.02) | 1.09 |

GREENERGY HOLDINGS INCORPORATED AND SUBSIDIARIES
LIST OF TOP 20 STOCKHOLDERS OF RECORD

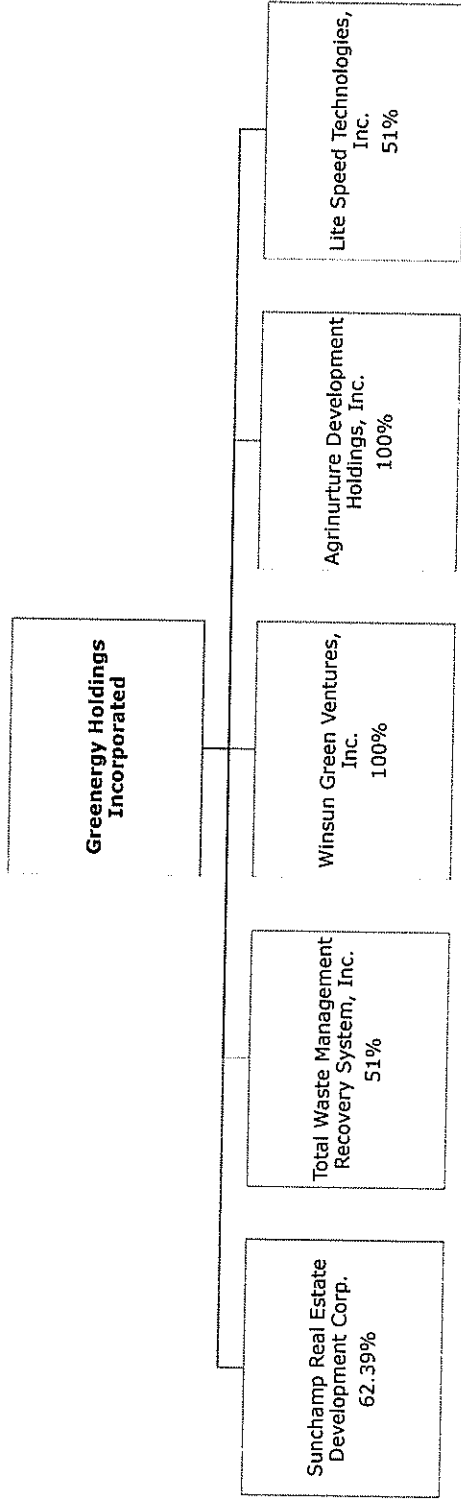
| Name of Stockholder | Subscribed | Outstanding |
|--|----------------------|----------------|
| Common | | |
| PCD Nominee Corporation (Filipino) | 351,716,317 | 19.53% |
| ThomasLloyd Cleantech Infrastructure Fund GMBH | 207,768,560 | 11.54% |
| Earthright Holdings, Inc. | 187,500,000 | 10.41% |
| Jian-Cheng Cai | 160,000,000 | 8.89% |
| Three Star Capital Limited (BVI) | 110,000,000 | 6.11% |
| PCD Nominee Corporation (Non-Filipino) | 95,860,229 | 5.32% |
| PPARR Management & Holdings Corporation | 58,000,000 | 3.22% |
| Southern Field Limited (BVI) | 55,000,000 | 3.05% |
| Jerry Go Yu | 52,000,000 | 2.89% |
| Ann Loraine Buencamino | 51,500,000 | 2.86% |
| ARC Estate & Project Corporation | 50,000,000 | 2.78% |
| Mark Kenrich Duca | 50,000,000 | 2.78% |
| Hung Kamtin | 40,000,000 | 2.22% |
| Paul Vincent Lee | 36,000,000 | 2.00% |
| Fab People, Inc. | 31,000,000 | 1.72% |
| Jaime L. Tiu | 30,000,000 | 1.67% |
| James L. Tiu | 30,000,000 | 1.67% |
| Prestejenchrisdan (PSJCD) Inc. | 30,000,000 | 1.67% |
| Sure Anthony T. Ching | 30,000,000 | 1.67% |
| Jose Marie E. Fabella | 30,000,000 | 1.67% |
| Others | 114,433,466 | 6.35% |
| | 1,800,778,572 | 100.00% |

| Name of Stockholder | Total Numbers of Shares Subscribed | Percent to Total Outstanding |
|---------------------------|---------------------------------------|---------------------------------|
| Preferred | | |
| Earthright Holdings, Inc. | 1,000,000,000 | 100.00% |

GREENERGY HOLDINGS INCORPORATED AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
FOR THE YEAR ENDED DECEMBER 31, 2019

| | |
|---|------------------------|
| Unappropriated retained earnings, as adjusted, beginning | P 1,793,486,641 |
| Net loss based on the face of audited financial statements closed to retained earnings | (40,692,467) |
| Net Loss Actual/Realized | (40,692,467) |
| Retained earnings, as adjusted, ending | P 1,752,794,174 |

GREENERGY HOLDINGS INCORPORATED AND SUBSIDIARIES
GROUP CHART



COVER SHEET

for
QUARTERLY 17-Q

SEC Registration Number

A S 0 9 2 - 0 0 5 8 9

COMPANY NAME

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

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

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

Form Type

1 7 Q 1

Department requiring the report

M S R D

Secondary License Type, if Applicable

N / A

COMPANY INFORMATION

Company's Email Address

greenergy@ghi.com.ph

Company's Telephone Number

(02) 8 997-5184

Mobile Number

N/A

No. of Stockholders

1,032

Annual Meeting (Month / Day)

Second Friday of June

Fiscal Year (Month / Day)

DECEMBER 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Mr. Kenneth S. Tan

Email Address

kenneth.tan@ani.com.ph

Telephone Number/s

(02) 8 997-5184

Mobile Number

N/A

CONTACT PERSON'S ADDRESS

Unit 112 Cedar Mansion II, No. 7 St Jose Ma. Escriva Drive, Ortigas Center,
Barangay San Antonio, 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.

NOTE 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 : **31 March 2020**
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) 8997-5184**
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: | P322,985,261 |
11. Are any or all of these securities listed on the Philippine Stock Exchange
Yes [] No []
The Issuer has 464,760,002 shares listed in the Philippine Stock Exchange.

¹ As of 31 March 2020

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]

No []

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

Yes]

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 31 March 2020 (with comparative figures as of 31 December 2019 and for the period ended 31 March 2019) 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 31 March 2020.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Interim 1st quarter

Balance Sheet

Cash and cash equivalent amounted to P1.24 million as at March 31, 2020 from P1.32 million consolidated at December 31, 2019. The decrease in cash is due to several payments of payables during the quarter.

Receivables increased to P252.64 million in March 31, 2020 from P252.20 million as of December 31, 2018 mainly due to additional recognition of rental income and sales during the quarter.

Due from related parties decreased to P714.07 million in March 31, 2020 from P717.92 million consolidated at December 31, 2019 as a result of liquidation and collections during the quarter.

Other current assets slightly increased to P9.31 million in March 31, 2020 from P9.28 million consolidated at December 31, 2018 due to increase in Input VAT during the quarter.

Financial assets at fair value through other comprehensive income decreased during the quarter from P2.46 billion to P1.15 billion due to decrease in market price based on published price in the stock market.

Property and equipment, decreased to P151.31 million in March 31, 2020 from P154.52 million as at December 31, 2019 mainly due to liquidation of advances from a stockholder that resulted to an increase in land in 2019.

Trade and Other Payables decreased to P18.98 million in March 31, 2020 compared to the December 31, 2019 amounting to P19.22 million due to payments of payables and accruals during the quarter.

Non-controlling interest decreased to P110.93 million in March 31, 2020 from P113.24 million as at December 31, 2019 due to net loss results of the operations of subsidiaries under common control.

Income Statement

Revenue recorded for the first three (3) months of 2020 is P0.34 million, which includes Agri-tourism revenue and rental income from P0.53 million last quarter of 2019. The decrease is due to lower of tourist visitors during the quarter as compared to last quarter of 2019.

Expenses such as contractual services, utilities, repairs and maintenance, materials and supplies, transportation, legal and professional and taxes and licenses decreases by P1.88 million during the 1st quarter of 2020 as compared to last quarter of 2019.

As a result of the above, the Company had a Consolidated Operating Loss of P7.46 million for the period March 31, 2020.

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.

On July 17, 2019, the Parent Company also entered into a Memorandum of Agreement with RYM Business Management Corp. ("RYM") and certain landowners in connection with an investment in Prime Media Holdings, Inc. ("Prime"). Under the MOA, properties in, among others, the Province of Rizal will be invested, infused and contributed to Prime in exchange for primary common shares to be issued from the latter's unissued authorized capital stock (the "Investment"). The Investment is subject to verification and validation by RYM of the titles and ownership rights of the landowners.

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.

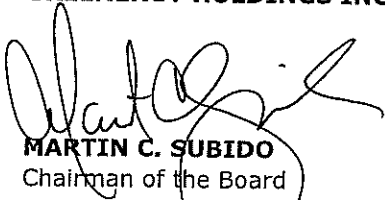
PART II--OTHER INFORMATION

None.

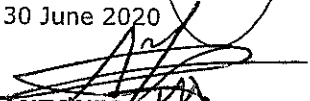
SIGNATURES

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

Issuer **GREENERGY HOLDINGS INCORPORATED**

Signature and Title 
MARTIN C. SUBIDO
Chairman of the Board

Date 30 June 2020

Signature and Title 
ANTONIO L. TIO
President

Date 30 June 2020

Signature and Title 
KENNETH S. TAN
Chief Financial Officer

Date 30 June 2020

Greenergy Holdings Incorporated
SEC Form 17-Q

GREENERGY HOLDINGS INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2020 AND DECEMBER 31, 2019
(Amounts in Philippine Pesos)

| | 2020 | 2019 |
|--|-----------------|-----------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalent (Note 6) | P 1,240,761 | P 1,320,074 |
| Receivables – net (Note 7) | 252,639,711 | 252,196,139 |
| Due from related parties – net (Note 16) | 714,069,567 | 717,917,772 |
| Other current assets – net (Note 9) | 9,312,468 | 9,281,497 |
| Total Current Assets | 977,262,507 | 980,715,482 |
| Noncurrent Assets | | |
| Deposits for land acquisition (Note 8) | 19,600,000 | 19,600,000 |
| Financial asset at fair value through other comprehensive income (FVOCI) (Note 10) | 1,148,469,077 | 2,461,005,166 |
| Investment properties – net (Note 14) | 6,320,465 | 6,320,465 |
| Property and equipment – net (Note 13) | 151,308,088 | 154,518,437 |
| Total Noncurrent Assets | 1,325,697,630 | 2,641,444,068 |
| | P 2,302,960,137 | P 3,622,159,550 |
| LIABILITIES AND EQUITY | | |
| Current Liabilities | | |
| Trade and other payables (Note 15) | P 18,983,382 | P 19,215,473 |
| Due to related parties (Note 16) | 82,015,155 | 80,986,459 |
| Income tax payable | 165,449 | 165,449 |
| Deposit for future stock subscription (Note 16) | 221,821,275 | 221,821,275 |
| Total Current Liabilities | 322,985,261 | 322,188,656 |

(Forward)

(Carryforward)

| | 2020 | 2019 |
|--|------------------------|------------------------|
| Equity | | |
| Attributable to equity holders of Parent Company | | |
| Capital stock (Note 17) | | |
| Common – P1.00 par value | | |
| Authorized – 1,900,000,000 shares in 2019 and 2018 | | |
| Subscribed and paid – 1,703,278,572 shares | | |
| in 2019 and 2018 | P 1,703,278,572 | P 1,703,278,572 |
| Preferred – P0.10 par value | | |
| Authorized and subscribed | | |
| 1,000,000,000 shares | 100,000,000 | 100,000,000 |
| Additional paid-in capital | 268,090,531 | 268,090,531 |
| Cumulative fair value gain (loss) on financial asset at FVOCI (see Note 10) | (1,950,574,466) | (638,038,377) |
| Retained earnings | 1,748,247,253 | 1,753,401,814 |
| | 1,869,041,890 | 3,186,732,540 |
| Non-controlling interests | 110,932,986 | 113,238,354 |
| Total Equity | 1,979,974,876 | 3,299,970,894 |
| | P 2,302,960,137 | P 3,622,159,550 |

See accompanying Notes to Consolidated Financial Statements.

GREENERGY HOLDINGS INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019
(Amounts in Philippine Pesos)

| | 2020 | 2019 |
|--|----------------------|---------------|
| SALES (Note 18) | ₱ 340,745 | ₱ 525,942 |
| COST OF SALES (Note 19) | 344,135 | 329,675 |
| GROSS INCOME (LOSS) | (3,390) | 196,267 |
| GENERAL AND ADMINISTRATIVE EXPENSES (Note 20) | (7,554,138) | (9,434,492) |
| OPERATING LOSS | (7,557,528) | (9,238,225) |
| OTHER INCOME (CHARGES) – Net | | |
| Rental income (Note 18) | 98,827 | 89,843 |
| Interest income (Note 6) | 358 | 25,375 |
| Unrealized foreign exchange gain (loss) (Note 6) | 323 | (587) |
| | 99,508 | 114,631 |
| LOSS BEFORE INCOME TAX | (7,458,020) | (9,123,594) |
| INCOME TAX EXPENSE (Note 21) | 1,909 | 5,722 |
| NET LOSS | (₱ 7,459,929) | (₱ 9,129,316) |

(Forward)

(Carryforward)

| | 2020 | 2019 |
|---|--------------------------|------------------------|
| OTHER COMPREHENSIVE INCOME (OCI) | | |
| <i>Not reclassifiable subsequently to profit or loss</i> | | |
| Increase (decrease) in fair value of financial asset at FVOCI (Note 10) | (P 1,312,536,089) | (P 375,531,159) |
| <i>Reclassifiable subsequently to profit or loss</i> | | |
| Exchange differences on translation of foreign operations (Note 11) | - | - |
| | (P 1,312,536,089) | (P 375,531,159) |
| TOTAL COMPREHENSIVE INCOME (LOSS) | (P 1,319,996,018) | (P 384,660,475) |
| NET LOSS ATTRIBUTABLE TO: | | |
| Equity holders of the Parent Company | (P 5,154,561) | (P 6,309,179) |
| Non-controlling interests (Note 23) | (2,305,368) | (2,820,137) |
| | (P 7,459,929) | (P 9,129,316) |
| TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO: | | |
| Equity holders of the Parent Company | (P 1,317,690,650) | (P 381,840,338) |
| Non-controlling interests (Note 23) | (2,305,368) | (2,820,137) |
| | (P 1,319,996,018) | (P 384,660,475) |
| LOSS PER SHARE (Note 22) | (P 0.00) | (P 0.00) |

See accompanying Notes to Consolidated Financial Statements.

GREENERGY HOLDINGS INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019
(Amounts in Philippine Pesos)

| | 2020 | 2019 |
|--|------------------------|-----------------|
| EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT COMPANY | | |
| CAPITAL STOCK (Note 17) | | |
| <i>Common</i> | | |
| Authorized – 1.9 billion shares | | |
| Par value – P1.00 per share | | |
| Issued and | | |
| subscribed – 1,800,778,572 shares | P 1,800,778,572 | P 1,800,778,572 |
| Subscription receivable | (97,500,000) | (97,500,000) |
| | 1,703,278,572 | 1,703,278,572 |
| <i>Preferred</i> | | |
| Authorized – 1 billion shares | | |
| Par value – P0.10 per share | | |
| Issued – 1,000,000,000 shares | 100,000,000 | 100,000,000 |
| ADDITIONAL PAID-IN CAPITAL | 268,090,531 | 268,090,531 |
| CUMULATIVE FAIR VALUE GAIN (LOSS) ON FINANCIAL ASSET AT FVOCI | | |
| Balance at beginning of the period | (638,038,377) | 607,640 |
| Unrealized gain (loss) during the period | (1,312,536,089) | (375,081,159) |
| Balance at end of the period (Note 10) | (1,950,574,466) | (374,473,519) |
| RETAINED EARNINGS (DEFICIT) | | |
| Balance at beginning of year | 1,753,401,814 | 1,793,486,641 |
| Net income (loss) during the year | (5,154,561) | (6,309,179) |
| Balance at end of year | 1,748,247,253 | 1,787,177,462 |
| | P 1,869,041,890 | P 3,484,073,046 |

(Forward)

(Carryforward)

| | 2020 | 2019 |
|----------------------------------|------------------------|-----------------|
| NON-CONTROLLING INTERESTS | | |
| Balance at beginning of year | P 113,238,354 | P 129,294,402 |
| Net loss during the year | (2,305,368) | (2,820,137) |
| Balance at end of year (Note 23) | 110,932,986 | 126,474,265 |
| | P 1,979,974,876 | P 3,610,547,311 |

See accompanying Notes to Consolidated Financial Statements.

GREENERGY HOLDINGS INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019
(Amounts in Philippine Pesos)

| | 2020 | 2019 |
|---|----------------------|---------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Loss before income tax | (P 7,458,020) | (P 9,123,594) |
| Adjustments for: | | |
| Depreciation and amortization (Note 13) | 3,210,349 | 3,177,307 |
| Interest income (Note 6) | (358) | (25,375) |
| Unrealized foreign exchange loss (gain) (Note 6) | (323) | 587 |
| Operating loss before working capital changes | (4,248,352) | (5,971,075) |
| Changes in operating assets and liabilities: | | |
| Increase in: | | |
| Receivables (Note 7) | (443,572) | (616,784) |
| Other current assets (Note 9) | (30,971) | (71,387) |
| Decrease in trade and other payables (Note 15) | (232,091) | (116,561) |
| Net cash used in operations | (4,954,986) | (6,775,807) |
| Interest received (Note 6) | 358 | 25,375 |
| Income taxes paid | (1,909) | - |
| Net cash used in operating activities | (4,956,537) | (6,750,432) |

(Forward)

(Carryforward)

| | 2020 | 2019 |
|--|--------------------|--------------|
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Collections from related parties (Note 16) | P 3,848,805 | P 5,222,328 |
| Advances made to related parties (Note 16) | (600) | (10,006,794) |
| Net cash provided by (used in) investing activities | 3,848,205 | (4,784,466) |
| CASH FLOWS FROM A FINANCING ACTIVITY | | |
| Advances received from related parties (Note 16) | 1,028,696 | 1,203,369 |
| Net cash provided by financing activities | 1,028,696 | 1,203,369 |
| EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENT | 323 | (587) |
| NET DECREASE IN CASH AND CASH EQUIVALENT | (79,313) | (10,332,116) |
| CASH AND CASH EQUIVALENT AT BEGINNING OF YEAR (Note 6) | 1,320,074 | 12,531,445 |
| CASH AND CASH EQUIVALENT AT END OF YEAR (Note 6) | P 1,240,761 | P 2,199,329 |

See accompanying Notes to Consolidated Financial Statements.

GREENERGY HOLDINGS INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in Philippine Pesos)

1. Corporate Information

Greenenergy 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 Greenenergy 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 or 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 system, agriculture and real estate, information technology and waste management.

The Parent Company's registered address and principal place of business is at 54 National Road, Dampol II-A, Pulilan Bulacan. The Parent Company'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:

| Subsidiary | Country of Incorporation | Nature of Business | Principal Place of Business | Ownership | |
|---|--------------------------|-----------------------------|-----------------------------|-----------|---------|
| | | | | 2019 | 2018 |
| Winsun Green Ventures, Inc. (WGVI) | Philippines | Renewable Energy System | Pulilan, Bulacan | 100.00% | 100.00% |
| Agrinurture Development Holdings, Inc. (ADHI) | Philippines | Investment Holding | Makati City | 100.00% | 100.00% |
| Sunchamp Real Estate Development Corp. (SREDC) | Philippines | Real Estate and Agriculture | Makati City | 62.39% | 62.39% |
| Lite Speed Technologies, Inc. (LSTI) | Philippines | Information Technology | Makati City | 51.00% | 51.00% |
| Total Waste Management Recovery System, Inc. (TWMRSI) | Philippines | Waste Management Facility | Pulilan, Bulacan | 51.00% | 51.00% |

Going Concern

The Group's financial statements have been prepared on a going concern basis, which assumes that the Group will be able to continue towards increasing revenues and improving operations despite significant losses incurred over the years. 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.

On April 11, 2019, the Parent Company entered into an International Distributorship Agreement (IDA) with Hanergy Thin Film Power Asia Pacific Limited (Hanergy). Hanergy is engaged in the business of manufacturing and selling solar-powered related products. Under the Agreement, the Parent Company is appointed as Hanergy's distributor in the Philippines for the promotion and sale of all Hanergy solar products such as, but not limited to, the new and innovative Film Flat SOLARtile. The Agreement has a term of one (1) year, with an option to renew for another year upon expiration of the original term. On April 10, 2020, the Agreement was extended for a period of thirty (30) days or until May 10, 2020. On May 11, 2020, the parties mutually agreed to have the Parent Company, through its wholly-owned subsidiary, WGVI, to continue as distributor of Hanergy's solar products in the Philippines, on even date, WGVI and Hanergy executed an IDA. The Agreement has a term of one (1) year with an option to renew for another one (1) year.

On July 17, 2019, the Parent Company also entered into a Memorandum of Agreement with RYM Business Management Corp. ("RYM") and certain landowners in connection with an investment in Prime Media Holdings, Inc. ("Prime"). Under the MOA, properties in, among others, the Province of Rizal will be invested, infused and contributed to Prime in exchange for primary common shares to be issued from the latter's unissued authorized capital stock (the "Investment"). The Investment is subject to verification and validation by RYM of the titles and ownership rights of the landowners. On October 15, 2019, the Parties agreed to the extension of the prescribed periods provided in the Agreement. However, upon review of the pertinent documents related to the parcels of land and the Investment, additional period is required to finalize the due diligence audit, to complete the appraisal report, and to implement the Investment. In view thereof, on March 3, 2020, the Parties have agreed to further extend the following periods in relation to the MOA:

1. An additional period of one hundred twenty (120) days from March 3, 2020 for the validation and verification of titles and the issuance of the appraisal reports;
2. An additional period of one hundred fifty (150) days from March 3, 2020 to execute the first (1st) tranche of the Investment; and
3. An additional period of two hundred ten (210) days from March 3, 2020 to execute the second (2nd) tranche of the Investment.

On January 30, 2019, the Parent Company entered into a Memorandum of Agreement "MOA" with Thebizlink Philippines, Inc. and Thebizlink Co. Ltd. (Thebizlink Group) for the development of a transport hub, smart-farming agriculture area, smart-city commercial and/or mixed-use developments and other related developments (the "Project"). Under the MOA, within ninety (90) days from the execution thereof, Thebizlink Group shall provide the Parent Company a funding facility in the initial amount of 350 million US Dollars, provided, that the legal, financial and technical due diligence on the Project to be conducted by Thebizlink Group will not result in any material adverse findings involving the Project. The funding facility will have a term of five (5) years with a fixed interest rate of 3% per annum. On the fifth anniversary of the execution of the funding facility, the Parent Company has the option to convert the loan into equity. On June 10, 2019, the terms and conditions of the MOA was extended until July 10, 2019. In July 2019, the Company has decided to terminate the MOA in view of Thebizlink Group's failure to comply with its obligation under the MOA within the prescribed period.

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.

The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amount and classification of liabilities that may result from the outcome of this uncertainty.

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.

In a Correspondence dated September 26, 2018, the PSE lifted the trading suspension and on November 5, 2018, the shares in the Parent Company resumed trading in the stock exchange (see Note 29).

Subsidiaries

The principal activities of the subsidiaries are as follows:

WGVI

WGVI was incorporated on June 22, 2012 with the primary purpose engaging in the business of renewable energy projects. In 2014, WGVI's AFS investment amounting to ₱22.5 million was fully provided for impairment. In addition, WGVI has a capital deficiency amounting to ₱66.8 million as at March 31, 2020 and December 31, 2019.

On February 22, 2019, the Board of Directors (BOD) approved the Parent Company's additional investment to WGVI amounting to ₱100 million to finance the latter in its "green" projects involving solar power and liquefied natural gas.

On May 11, 2020, WGVI executed an International Distributorship Agreement ("Agreement") with Hanergy Thin Film Power Asia Pacific Limited to be the latter's distributor of its solar products in the Philippines. The Agreement has a term of one (1) year, with an option to renew for another year upon expiration of the original term.

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

ADHI

On June 17, 2014, ADHI was incorporated to serve as the Group's holding company for its agricultural portfolio. However, it has not yet started its commercial operations as at reporting date. Accordingly, the Parent Company's investment in ADHI was provided with full impairment provision.

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). As at March 31, 2020 and December 31, 2019, operations resulted to loss amounting to ₱6.1 million and ₱42.5 million, respectively. Accordingly, the Parent Company's investment in SREDC was provided with impairment allowance amounting to ₱7.3 million in 2019.

LSTI

LSTI was registered with the SEC on August 14, 2014 to engage in the business of information and communications technology. However, it has not yet started commercial operations as at reporting date. Accordingly, the Parent Company's investment in LSTI was provided with full impairment provision.

TWMRSI

TWMRSI 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 machinery 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 amounted to ₱233.8 million as at March 31, 2020 and December 31, 2019. Due to these circumstances, the Parent Company's investment and advances to TWMRSI were provided with full impairment allowance.

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

Approval of consolidated financial statements

The consolidated financial statements as at and for the period ended March 31, 2020 were approved and authorized for issue by the BOD on June 30, 2020.

2. Basis of Preparation

The consolidated financial statements of the Group have been prepared on a historical cost basis except for financial asset at fair value through other comprehensive income (FVOCI) which is measured at fair value. The Group presents all items of income and expenses in a single statement of comprehensive income. These consolidated financial statements and 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 Parent controls an investee if it 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 Parent has less than a majority of the voting or similar rights of an investee, it 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 Parent re-assesses its control over 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 Parent 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) accounts 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.

Non-controlling interests represent interests in certain subsidiaries not held by the Parent Company and are presented separately in the consolidated statements of comprehensive income (loss) 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

The following are standards, amendments and improvements to PFRS, PAS and Interpretation which became effective in 2019.

- PFRS 16, "Leases"
Under the new standard, lessees will no longer classify their lease as either operating or finance leases in accordance with PAS 17. Rather, leases will apply the single-asset model, wherein lessees will recognize the assets and the related liabilities for most leases in their balance sheets 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 which the underlying asset is of low value are exempted from these requirements.

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

- *Amendments to PFRS 9, Prepayment Features with Negative Compensation*
The narrow-scope amendments made to PFRS 9 Financial Instruments in 2017 enable entities to measure certain pre-payable financial assets with negative compensation at amortized cost. These assets, which include some loan and debt securities, would otherwise have to be measured at fair value through profit or loss.

To qualify for amortized cost measurement, the negative compensation must be 'reasonable compensation for early termination of the contract' and the asset must be held within a 'held to collect' business model.

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

- *Amendments to PAS 28, Long-term Interests in Associates and Joint Ventures*
The amendments clarify the accounting for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture, but to which equity accounting is not applied. Entities must account for such interests under PFRS 9 *Financial Instruments* before applying the loss allocation and impairment requirements in PAS 28 *Investments in Associates and Joint Ventures*.

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

- *Amendment to PAS 19, Plan Amendment, Curtailment or Settlement*
The amendments clarify the accounting when a plan amendment, curtailment or settlement occurs and specifies how companies determine pension expenses when changes to a defined benefit pension plan occur. The amendments require the Group to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan.

The amendments are applied prospectively to plan amendments, settlements or curtailments that occur on or after the beginning of the annual period in which amendments to PAS 19 are first applied. The amendments to PAS 19 must be applied to annual periods beginning on or after January 1, 2019, but earlier application is permitted.

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

- *Amendments to PFRS 3, Business Combinations and PFRS 11, Joint Arrangements*
The amendments clarify how a Group accounts for obtaining control (or joint control) of a business that is a joint operation if the Group already holds an interest in that business. On PFRS 3, the Group remeasures its previously held interest in a joint operation when it obtains control of the business. On PFRS 11, the Group does not remeasure its previously held interest in a joint operation when it obtains joint control of the business. The amendments are effective for business combinations with acquisition date on or after the beginning of annual periods beginning on or after January 1, 2019.

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

- *Amendments to PAS 12, Income Tax Consequence of Payments on Financial Instruments Classified as Equity*
The amendments clarify that the requirements in paragraph 52B of PAS 12 apply to all income tax consequences of dividends. The Group accounts for all income tax consequences of dividend payments in the same way. The amendments should be applied for annual periods beginning on or after January 1, 2019 to the income tax consequences of dividends recognized on or after the beginning of the earliest comparative period.

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

- **Amendments to PAS 23, *Borrowing Costs Eligible for Capitalization***
The amendments to PAS 23 clarify which borrowing costs are eligible for capitalization in particular circumstances. The Group treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

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

New and Amended Standards Issued but not yet Effective

The standards and amendments which have been issued but are not yet effective are discussed below and in the subsequent pages. The Group will adopt these standards and amendments 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 to have a significant impact on its financial statements.

Effective in 2020

- **Amendments to PFRS 3, *Definition of a Business***
The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020 with earlier application permitted.

- **Amendments to PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material***
The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgments.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective in 2021

- **PFRS 17, *Insurance Contracts***
This standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of PFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

Deferred

- **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.

No mandatory effective date

- **PFRS 9, *Financial Instruments*** (Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39)

The Group will continue to assess the relevance and impact of the above standards, amendments and improvements 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 and financial reporting policies adopted in preparing the 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.

Current and Noncurrent Classification

The Group presents assets and liabilities in the 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,
- expected to be settled on demand, or
- cash and cash equivalent 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. Deferred tax assets are classified as noncurrent assets.

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,
- it is expected to be settled on demand, or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are considered noncurrent. Deferred tax liabilities are classified as noncurrent liabilities.

Fair Value Measurement

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

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

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

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

Day 1 Difference

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a Day 1 difference) in the statements of comprehensive income unless it qualifies for recognition as some other type of asset or liability. In cases where an unobservable data is used, the difference between the transaction price and model value is only recognized in the statements of comprehensive income (loss) when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference amount.

Financial Assets and Liabilities

Date of recognition

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

Initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus or minus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL, if any, are expensed in profit or loss.

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 a similar instrument 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.

Classification of financial assets

The Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value [either through other comprehensive income (OCI) or through profit or loss], and
- Those to be measured at amortized cost.

Financial assets at FVOCI

Financial assets at FVOCI comprise:

- o Equity instruments
Equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to be recognized in this category. These are strategic investments and the Group considers this classification to be more relevant. Gains and losses on these financial assets are never recycled to profit or loss.

Dividends are recognized as other income in the statements of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group classifies its investment in shares of stocks as financial asset at FVOCI as at March 31, 2020 and December 31, 2019 (see Note 10).

- o Debt instruments
Debt securities where the contractual cash flows are solely principal and interest and the objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets. For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statements of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Group has no debt instruments at FVOCI as at March 31, 2020 and December 31, 2019.

Financial assets at FVPL

The Group classifies the following financial assets at FVPL:

- o debt investments that do not qualify for measurement at either amortized cost or FVOCI
- o equity investments that are held for trading, and
- o equity investments for which the entity has not elected to recognize fair value gains and losses through OCI.

Financial assets at FVPL are carried in the statements of financial position at fair value with net changes in fair value recognized in the statements of comprehensive income. This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at FVOCI. Dividends on listed equity investments are also recognized as other income in the statements of profit or loss when the right of payment has been established.

The Group has no financial assets at FVPL as at March 31, 2020 and December 31, 2019.

Financial assets at amortized cost

The amortized cost of a financial asset is the present value of future cash receipts discounted at the effective interest rate. The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVPL:

- o it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- o its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

This classification includes the Group's cash and cash equivalent, nontrade receivables and due from related parties as March 31, 2020 and December 31, 2019 (see Notes 6, 7 and 16).

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Subsequent measurement of financial assets

- Debt instruments
 - There are three measurement categories into which the Group classifies its debt instruments:
 - o *Amortized cost:* Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains (losses) together with foreign exchange gains and losses. Impairment losses, if any, are presented as separate line item in the statements of profit or loss. Short-term receivables with no stated interest rate are measured at their invoice amounts or expected amounts of settlement without discounting, when the effect of not discounting is immaterial.
 - o *FVOCI:* Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains or losses. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains or losses and impairment expenses are presented as separate line item in the statements of profit or loss.
 - o *FVPL:* Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains and losses in the period in which it arises.

- Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Impairment of financial assets

The Group recognizes an expected credit loss (ECL) for all debt instruments not held at FVPL. ECLs are based in the difference between the contractual cash flows due in accordance with the contract and all the cash flows of that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

In measuring ECL, the Group must reflect:

- An unbiased evaluation of a range of possible outcomes and their probabilities of occurrence;
- Discounting for the time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Group may apply the simplified approach which requires expected lifetime losses to be recognized from initial recognition of the trade receivable and contract assets, if any. It also allows the Group to use a simplified "provision matrix" for calculating expected losses. The provision matrix is based on the Group's historical default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. Forward-looking information are considered as economic inputs, such as gross domestic product (GDP) or gross national income (GNI), exchange rate, interest rate, inflation rate and other economic indicators.

For cash in banks and cash equivalent, nontrade receivables and due from related parties, the Group applies the general approach in calculating ECLs. The Group recognizes a loss allowance based on either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk on its cash in banks, nontrade receivables and due from related parties since initial recognition.

For trade receivables, if any, the Group applies the simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Classification and subsequent measurement of financial liabilities

The Group classifies its financial liabilities in the following categories:

- *Financial Liabilities at FVPL*

Financial liabilities are classified in this category if these result from trading activities or derivatives transactions that are not accounted for as accounting hedges, or the Group elects to designate a financial liability under this category. Financial liabilities at FVPL are measured at fair value and net gains and losses, including interest expense, are recognized in profit or loss.

As at March 31, 2020 and December 31, 2019, the Group has no financial liabilities at FVPL.

- *Financial liabilities at amortized cost*

This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon inception of the liability. These include liabilities arising from operations (e.g. payables excluding statutory regulated payables) or borrowing (e.g. long-term debt). The financial liabilities are initially recorded at fair value less directly attributable transaction costs.

After initial recognition, other financial liabilities are subsequently measured at amortized cost using effective interest method. These include liabilities arising from operations and borrowings. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gains and losses on derecognition are also recognized in profit or loss.

As at March 31, 2020 and December 31, 2019, this category includes the Group's trade and other payables and due to related parties (see Notes 15 and 16).

Short-term payables with no stated interest rate are measured at their invoice amounts or expected amounts of settlement without discounting, when the effect of not discounting is immaterial.

The classification depends on the purpose for which the financial liabilities are acquired and whether they are quoted in an active market. Management determines the classification at initial recognition and, where allowed and appropriate, reevaluates this classification at every reporting date.

Derecognition of Financial Instruments

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.

On disposal of debt investments, any related balance within the FVOCI reserve is reclassified to profit or loss. On disposal of equity investments, any related balance within the FVOCI reserve is reclassified to retained earnings.

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 profit or loss.

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 Group's 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 Group's consolidated statements of financial position.

Cash and Cash Equivalent

Cash pertains to cash on hand and in banks which are stated at face value. Cash equivalent are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisition and that are subject to an insignificant risk of change in value. These are initially recognized at face value and are subsequently measured at amortized cost (undiscounted amount to be received less any impairment).

Advances for Waste Recycling Project

Advances for waste recycling project are initially recorded at cost and subsequently stated at cost less any impairment in value. The advances are mainly for the acquisitions of steel structures, machinery and equipment to be used for the construction of waste recycling facilities. The facilities will be transferred to property and equipment and shall be subject to depreciation and impairment upon their completion and put into operation.

Advances to Officers and Employees

Advances represent amount advanced to officers and employees for business expenses subject for liquidation on which future economic benefits are expected to flow to the Group within the normal operating cycle or within 12 months from the end of financial reporting period. These are initially recorded at actual cash advanced to officers and employees and are subsequently applied against actual purchases of related assets, costs or expenses incurred.

Other Current Assets

This account comprises the following:

- *Prepayments* are costs and expenses which are paid in advance of actually incurring them and regularly recurring in the normal course of the business. Prepaid expenses are initially recorded at actual amount paid for expenses and are amortized as the benefits of the payments are received by the Group and are charged to expense in the applicable period of expiration.
- *Input value added tax (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 cost (actual amount paid for) and subsequently stated at its net recoverable amount (unutilized amount of input VAT less impairment). Input VAT that is considered not recoverable permanently is derecognized and written-off to expense.

Deposits for Land Acquisition

Deposit for land acquisition mainly represents usufruct rights over a property. This is initially recorded at the cash amount deposited and subsequently stated at cost, less impairment losses, if any.

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 (loss) reflect 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. Equity in net losses of an associate is recognized only up to the extent of acquisition costs. Equity in net income of an associate is not available for dividends declaration until actually received.

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 shall discontinue the use of the equity method from the date when it ceases to have significant influence over an associate and shall account for the retained investment in accordance with PFRS 9 from that date, provided the associate does not become a subsidiary or a joint venture as defined in PAS 31. On the loss of significant influence, the Group shall measure at fair value any investment the investor retains in the former associate.

The Group shall recognize in profit or loss any difference between:

- a. The fair value of any retained investment and any proceeds from disposing of the part interest in the associate; and
- b. The carrying amount of the investment at the date when significant influence is lost.

When an investment ceases to be an associate and is accounted for in accordance with PFRS 9, the fair value of the investment at the date when it ceases to be an associate shall be recognized as its fair value on initial recognition as a financial asset in accordance with PFRS 9.

If the Group loses significant influence over an associate, the associate shall account for all amounts recognized in other comprehensive income in relation to that associate on the same basis as would be required if the associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by an associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over the associate.

If a Group's ownership interest in an associate is reduced, the investor shall reclassify to profit or loss only a proportionate amount of the gain or loss previously recognized in other comprehensive income.

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

Biological Assets and Agricultural Produce

Biological assets or agricultural produce are recognized only when the Group controls the assets as a result of past events, it is probable that future economic benefits associated with the assets will flow to the Group and the fair value or cost of the assets can be measured reliably.

The Group measures its biological assets at cost on initial recognition and at fair value less estimated costs to sell at the end of each reporting date. The Group uses the income approach, particularly the present value method, in computing for the fair value of the biological assets. This approach reflects the expectations about the cash flows from the biological assets from reporting period date to harvest period. The fair value measurement is categorized at level 2, which uses inputs that are not based on observable market data. The cash inflow would typically be the present value of the forecasted gross revenue from sale of harvested biological assets, which is a function of the price, expected production and the applicable discount rate given the nature of the biological assets. The forecasted gross revenue will be reduced by the forecasted costs, which will be the incremental, cost to sell and spoilage costs. The excess of the forecasted gross revenue over the forecasted costs will be the fair value of the biological assets. Cost to sell are the incremental costs directly attributable to the disposal of the agricultural produce, excluding finance costs and income taxes. Subsequent gains or losses arising from changes in fair value less cost to sell of the assets, resulting from fluctuations in population, growth, price and other factors, are credited or charged to profit or loss for the period. Costs incurred in maintaining or enhancing the biological assets are recognized as expenses when incurred.

Gains or losses arising from the changes in fair value less estimated point-of-sale costs of a biological asset are included in the Group's statements of comprehensive income (loss) for the period in which they arise.

Investment Properties

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

Subsequent to initial recognition, investment property is carried at cost less any impairment in value.

Investment property is derecognized when disposed of or when the investment property is permanently withdrawn from use and there is no future economic benefit expected to arise from the continued use of the properties. Any gain or loss on the retirement or disposal of said properties are recognized in the statements of profit or loss in the year of retirement or disposal.

Transfers to, or from, investment property shall be made when, and only when, there is a change in use, evidenced by: (a) commencement of owner-occupation, for a transfer from investment property to owner-occupied property; (b) commencement of development with a view to sale, for a transfer from investment property to inventories; (c) end of owner occupation, for a transfer from owner-occupied property to investment property; or, (d) commencement of an operating lease to another party, for a transfer from inventories to investment property. Transfers to or from investment properties are measured at the carrying value of the assets transferred.

Property and Equipment

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

The initial cost of property and equipment comprises its purchase price or construction cost and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into 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 equipment and machineries | 5 |
| Furniture, fixtures and office equipment | 5 |
| Bearer assets | 5 |

The estimated recoverable reserves, useful lives and depreciation and amortization methods are reviewed periodically to ensure the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Group's consolidated statements of comprehensive income (loss) in the year the asset is derecognized. Transfers to or from property and equipment are measured at carrying value of the assets transferred.

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

Impairment of Nonfinancial Assets

An assessment is made at each financial reporting period to determine whether there is any indication of impairment of nonfinancial assets. Where an indicator of impairment exists, the Group makes an estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Estimating the value in use amount requires management to make an estimate of the expected future cash flows and to choose a suitable discount rate in order to calculate the present value of those cash flows. A previously recognized impairment loss is reversed by a credit to current operations to the extent that it does not restate the asset to a carrying amount in excess of what would have been determined (net of any accumulated depreciation and amortization) had no impairment loss been recognized for the asset in prior years.

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.

Refundable Deposits

Refundable deposit refers to the security deposit received from a lessee for the lease of the Group's property. This is classified as financial liability measured at amortized cost. In case the future cash flows for purposes of computing amortization cannot be readily determined and reasonably measured, deposits are carried at cost less any impairment in value.

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.
- *Subscriptions receivable* pertains to the uncollected portion of subscribed and paid, or issued.
- *Cumulative fair value gain (loss)* on fair market value of financial asset at FVOCI are recognized immediately in other comprehensive income in equity in the period in which they arise and cannot be reclassified to profit or loss in subsequent periods.
- *Retained earnings (deficit)* include all current and prior period results of operations as disclosed in the Group's consolidated statements of comprehensive income (loss).

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 stocks 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.

Basic Earnings (Loss) per share (EPS)

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

The Group recognizes revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Group applies the following five steps:

1. Identify the contract(s) with a customer;
2. Identify the performance obligations in the contract. Performance obligations are promises in a contract to transfer to a customer goods or services that are distinct;
3. Determine the transaction price. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. If the consideration promised in a contract includes a variable amount, an entity must estimate the amount of consideration to which it expects to be entitled in exchange for transferring the promised goods or services to a customer;
4. Allocate the transaction price to each performance obligation on the basis of the relative stand-alone selling prices of each distinct good or service promised in the contract;
5. Recognize revenue when a performance obligation is satisfied by transferring a promised good or service to a customer (which is when the customer obtains control of that good or service). A performance obligation may be satisfied at a point in time (typically for promises to transfer goods to a customer) or over time (typically for promises to transfer services to a customer). For a performance obligation satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognized as the performance obligation is satisfied.

The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal in all of its revenue arrangements. The following specific revenue recognition criteria must also be met before revenue is recognized:

- *Agri-tourism revenue* is recognized when the related service is rendered.
- *Sale of fruits and vegetables* in the ordinary course of business is measured at the fair value of the consideration received or receivable, net of trade discounts, if any.
- *Rental income* is recognized on a straight-line basis over the term of the lease.
- *Gain on sale of asset* is recognized when the sale transactions occur.
- *Interest income*, which is presented net of final taxes paid or withheld, 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 (loss) when decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

Employee Benefits

- *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, SSS, PHIC and HDMF contributions, short-term compensated absences, bonuses and nonmonetary benefits.

- *Retirement Benefits*

The Group does not have a formal retirement benefit plan. However, the Group will provide retirement benefits in compliance with Republic Act (RA) 7641. No actuarial computations were obtained during the year as the amount of provisions for retirement benefits will not materially affect the fair presentation of the financial statements considering that there were no qualified employees as of reporting date.

Foreign Currency Transactions and Translations

The Group's consolidated financial statements are presented in Philippine Pesos, which is the Group's functional and presentation currency. Items included in the Group's 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's consolidated statements of comprehensive income (loss). 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 Group's consolidated statements of comprehensive income (loss) 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 Group's consolidated 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

Policies beginning January 1, 2019

The Group assesses whether the contract is, or contains, a lease. To assess whether a contract conveys the right to control the use of an identified assets for a period of time, the Group assesses whether, throughout the period of use, it has the right to obtain substantially all the economic benefits from the use of the identified asset and the right to direct the use of the asset. If the Group has the right to control the use of an identified asset only for a portion of the term of the contract, the contract contains a lease for that portion of the term.

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.

Policies prior to January 1, 2019

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. Rental expenses under operating leases are recognized as expense in the profit or loss on a straight-line basis over the term of the lease.

A reassessment is made after inception of the lease only if one of the following applies:

- a. There is a change in contractual terms, other than renewal or extension of the arrangement;
- b. A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
- c. There is a change in the determination of whether fulfillment is dependent on specified asset; and
- d. There is a substantial change in the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Group as lessor

Leases which do not transfer from the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized as income on a monthly basis as this accrue in accordance with the substance of the contractual agreement. Contingent rents are recognized as revenue in the period in which they are earned.

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.

Segment Reporting

For management purposes, the Group is organized into operating segments according to the nature of the sales and the services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in the consolidated financial statements (see Note 27).

Provisions

Provisions are recognized only when the following conditions are met: a) there exists a present obligation (legal or constructive) as a result of past event; b) it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and c) reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each end of financial reporting period and adjusted to reflect the current best estimate.

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 the 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 consolidated 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 consolidated 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 consolidated 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 its control over an investee in 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.

- *Classification of Financial Instruments and Measurement Criteria*
The Group classifies financial assets at initial recognition depends on the financial assets contractual cash flows characteristics of the Group's business model for managing them. The Group determines the classification at initial recognition and reevaluates this designation at every reporting date.

- *Operating and Finance Leases*
The Group has entered into a lease agreement as a lessor. Critical judgment was exercised by management to distinguish the lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreement. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

As at March 31, 2020 and December 31, 2019, the Group's lease agreement is an operating lease.

- *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 March 31, 2020 and December 31, 2019 is shown in Note 24.

- *Assessment of Retirement Liability*
Management has reviewed its obligation for retirement benefit costs in view of the requirements under Republic Act (RA) 7641. Management has assessed that the current employees have not meet the minimum requirements under RA 7641 to be eligible for retirement benefits. Accordingly, no provision for retirement benefit costs is recognized in the financial statements as at March 31, 2020 and December 31, 2019.

Management, however, will continue to have a yearly assessment of its obligation, if any, to pay retirement benefit costs.

- *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.

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 of Financial Assets*

The Group applies general approach for determining the expected credit losses of cash in banks, nontrade receivables and due from related parties.

A credit loss is the difference between the cash flows that are expected to be received discounted at the original effective interest rate and contractual cash flows in accordance with the contract. The loss allowance for financial assets are based on the assumptions about risk of default and expected loss rates. In addition, management's assessment of the credit risk on the financial assets as at the reporting date is high.

Accordingly, additional impairment of due from related parties amounting to ₱23.7 million were recognized as at December 31, 2019 (see Note 16).

The Group's allowance for impairment amounted to ₱76.2 million as at March 31, 2020 and December 31, 2019 (see Notes 7 and 16).

The carrying values of financial assets as at March 31, 2020 and December 31, 2019 are shown in Notes 6, 7 and 16.

- *Estimation of Impairment of Financial Asset at FVOCI*
The Group carries the financial asset at fair value, which requires the use of accounting estimates and judgment, in cases when active market quotes are not available, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net base of the instrument.

The amount of changes in fair value would differ if the Group utilized different valuation methods and assumptions. Any change in fair value of these financial assets would affect other comprehensive income.

The carrying values of financial asset at FVOCI as at March 31, 2020 and December 31, 2019 are shown in Note 10.

- *Estimation of Useful Lives of Property and Equipment*
The useful life of each of the Group's property and equipment 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, if any. 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. 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 useful lives of the property and equipment in 2020 and 2019.

- *Estimation of Impairment of Nonfinancial Assets*
The Group reviews its nonfinancial assets included in advances to officers and employees, other current assets, deposits for land acquisition, advances for waste recycling project, investment properties, property and equipment 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 its nonfinancial assets included in receivables, other current assets, deposits for land acquisition, advances for waste recycling project, investment properties, property and equipment.

The Group's allowance for impairment loss for nonfinancial assets amounted to ₱239.8 million as at March 31, 2020 and December 31, 2019 (see Notes 7, 9, 12 and 14).

- *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 and liability was recognized in the Group's consolidated financial statements 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 March 31, 2020 and December 31, 2019.

6. Cash and Cash Equivalent

This account consists of:

| | 2020 | 2019 |
|------------------------------|-------------------|-------------------|
| Savings and current deposits | ₱1,190,761 | ₱1,270,074 |
| Cash on hand | 50,000 | 50,000 |
| Time deposit | - | - |
| | ₱1,240,761 | ₱1,320,074 |

Savings and current accounts generally earn interest based on prevailing respective bank deposit rates of less than 1% annually. Cash equivalent pertains to time deposit made for a period of three months and earns interest at 2.75% which matured in February 2019.

Interest income on cash in banks and cash equivalent recognized in profit or loss in the Group's consolidated statements of comprehensive loss amounted to ₱358 in 2020 and ₱25,375 in 2019.

Cash in banks denominated in foreign currency amounted to €500 with Peso equivalent of ₱28,197 in 2020 and ₱28,176 in 2019 and \$1,078 with Peso equivalents of ₱55,025 in 2020 and ₱54,683 in 2019.

The balances have been translated at a rate of ₱56.39 to €1 as at March 31, 2020 and ₱56.35 as at December 31, 2020 and ₱51.04 to US\$1 as at March 31, 2020 and ₱50.74 to US\$1 as at December 31, 2019. Foreign exchange gain (loss) amounted to ₱323 in 2020 and (₱587) in 2019.

On May 11, 2015, the CA ordered the freezing of two (2) bank accounts of the Parent Company. Thereafter, the said bank accounts with a total deposit of ₱80,261 was subsequently included in the civil forfeiture case docketed as Anti-Money Laundering Council Case No. 15-007-53 pending with the Regional Trial Court (RTC) of Manila, Branch 53. The bank account became the subject of a Provisional Asset Preservation Order and subsequently an Asset Preservation Order (APO) issued by the RTC on November 13, 2015 and December 15, 2015, respectively.

In an Order dated July 9, 2018 (Order), the RTC categorically ruled that "the funds in the subject accounts of respondent Greenergy et al. are not related to the unlawful activity of violation of R.A. 3019 and R.A. 7080". Thus, bank account of the Parent Company and SREDC was "ordered Discharged from the effects of the APO" dated December 31, 2015.

With the Order, which was immediately executory, the Parent Company regained access and control over the Subject Bank Accounts (see Note 29).

Thereafter, the Petitioner, through the Office of the Solicitor General, filed a *Motion for Reconsideration* (to the Order dated July 9, 2018) dated August 3, 2018 on even date to which the Parent Company and SREDC filed its *Comment/Opposition* (to the *Motion for Reconsideration*) dated December 11, 2018 on even date.

In this connection, the Petitioner has sixty (60) days from its receipt of the said Order within which to assail the same through a petition for *certiorari* with the Court of Appeals. As of date however, the Parent Company has not yet received any notice that the Petitioner filed such a petition for *certiorari*. Considering the lapse of the reglementary period to file a petition for *certiorari*, the Orders dated July 9, 2018 and July 1, 2019 are deemed final and executory and a confirmatory certification will be obtained by the Parent Company and SREDC.

As a consequence of the Order, the above-mentioned bank account of the Parent Company remains to be discharged from the effects of the APO.

7. Receivables

This account consists of:

| | 2020 | 2019 |
|------------------------------------|---------------------|--------------|
| Nontrade receivables | ₱251,856,235 | ₱251,757,957 |
| Advances to officers and employees | 5,516,482 | 5,171,188 |
| | 257,372,717 | 256,929,145 |
| Allowance for impairment loss: | | |
| Advances to officers and employees | (3,479,936) | (3,479,936) |
| Nontrade receivables | (1,253,070) | (1,253,070) |
| | ₱252,639,711 | ₱252,196,139 |

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. (ZFTC) on December 29, 2014, subject to the consent of the Parent Company. Nontrade receivable also include rent receivable (see Note 18).

The Parent Company agreed to the assignment of receivables to ZFTC under the following terms and 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 ZFTC and the Parent Company.

As at March 31, 2020, the nontrade receivables from ZFTC are not yet settled. However, management assessed that these are still fully recoverable in the last quarter of 2020.

Advances to officers and employees are unsecured and noninterest-bearing advances made for various business-related expenses which are subject to liquidation on demand.

The movement of allowance for impairment losses is shown below:

| | 2020 | 2019 |
|------------------------------|------------|------------|
| Balance at beginning of year | ₱4,733,006 | ₱1,285,933 |
| Provision during the year | - | 3,447,073 |
| Written off during the year | - | - |
| Balance at end of year | ₱4,733,006 | ₱4,733,006 |

8. Deposits for Land Acquisition

On January 18, 2013, the Group, through SREDC, entered into an agreement (the "Agreement") with Mr. Laureano R. Gregorio Jr. ("Mr. Gregorio"), a third party, for the transfer of all the rights, 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 sq. m.) | ₱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 SREDC's 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 16):

- 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 SREDC was extended for another three years or until January 17, 2018. No liquidation was made until January 17, 2018. To allow Mr. Gregorio more time to meet the conditions of the Agreement, on January 5, 2018, the Agreement was extended for another five years from January 17, 2018 or until January 16, 2023.

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 2019, several lands amounting to ₱63.4 million were acquired through liquidation of the advances made to stockholder (see Note 13) for the following:

In the last quarter 2017, SREDC started its operation which offers agri-tourism and lifestyle center activities. The Group recognized revenue amounting to ₱0.3 million in 2020 and ₱0.5 million in 2019 which includes income from field trips and other recreational events, room services and other sale of agricultural products.

On February 22, 2019, the Parent Company was authorized to enter in a joint venture agreement with a third party and the landowners he represents, for the acquisition of land and/or real estate development, including but not limited to a transport hub. Accordingly, the Parent Company made a deposit amounting to ₱4.6 million in 2018. In September 2019, the Parent Company made an additional investment amounting to ₱4.0 million.

9. Other Current Assets

This account consists of:

| | 2020 | 2019 |
|-------------------------------|------------------|------------|
| Input VAT | ₱9,840,316 | ₱9,807,436 |
| Prepaid tax | 31,321 | 33,230 |
| | 9,871,637 | 9,840,666 |
| Less allowance for impairment | 559,169 | 559,169 |
| | 9,312,468 | ₱9,281,497 |

Impaired input VAT amounting to ₱28,656 were written off in 2019.

10. Financial Asset at FVOCI

Below is the rollforward analysis of this account:

| | 2020 | 2019 |
|-----------------------------------|-----------------------|-----------------------|
| Balance at beginning of year | P2,461,005,166 | P3,101,013,543 |
| Increase (decrease) in fair value | (1,312,536,089) | (638,038,377) |
| Disposal during the year | - | (1,970,000) |
| Balance at end of year | P1,148,469,077 | P2,461,005,166 |

Investment in shares of stocks with carrying value of P1,970,000 as at December 31, 2018 which represent quoted equity investments of a 62.39% owned subsidiary acquired in 2014 was sold for P2.2 million recognizing a gain amounting to P220,000 in 2019. Accordingly, cumulative fair value gain as at December 31, 2018 amounting to P970,000 previously recognized for these specific shares was reclassified to retained earnings.

Rollforward analysis of fair market value of this investment, which is shown as "Cumulative fair value gain (loss) on financial asset at FVOCI" in the equity section of the consolidated statements of financial position is shown below:

| | 2020 | 2019 |
|---|-------------------------|-----------------------|
| Balance at beginning of year | (P638,038,377) | P970,000 |
| Fair value gain during the year | (1,312,536,089) | (638,038,377) |
| Reclassification to retained earnings due to disposal during the year | - | (970,000) |
| Balance at end of year | (P1,950,574,466) | (P638,038,377) |

The rollforward analysis of the Parent Company's investment in ANI in 2020 is shown below:

| | |
|---------------------------------|-----------------------|
| Balance at beginning of year | P2,461,005,166 |
| Fair value loss during the year | (1,312,536,089) |
| Balance at end of year | P1,148,469,077 |

There are no financial assets at FVOCI that are pledged as securities for liabilities.

11. Investment in Associate

This pertains to investment in ANI, a company incorporated in the Philippines. The Group holds 188,125,379 shares or 30.26% equity ownership with carrying value amounting to P319,154,639 as at December 31, 2017.

In May and June 2018, the Parent Company sold 5,828,700 shares of its investment in ANI for net proceeds of P88.9 million at an average price of P15.24 per share. Gain on sale recognized in the Group's consolidated statements of comprehensive income amounted to P79.0 million. The sale resulted to the decrease in the Parent Company's ownership in ANI from 28.16% to 23.73%.

Furthermore, the Parent Company waived its right to subscribe additional shares in ANI when the SEC approved ANI's increase in authorized capital stock from 1.0 billion common shares with par value of P1.00 per share to 2.0 billion common shares with par value of P1.00 per share on December 28, 2018. The investment was diluted to 17.90%, as a result of the waiver of its right to subscribe additional shares in 2018.

On the date the Parent Company's investment ceased to be an associate, it re-measured the investment balance at fair value. The Parent Company recognized as gain on reclassification of investment in associate to financial asset at FVOCI in profit or loss the difference between:

- a. The fair value of the retained investment; and
- b. The carrying amount of the investment (at cost) at the date when significant influence is lost.

As at December 31, 2018, the remaining investment in ANI at fair value is accounted for in accordance with PFRS 9. Accordingly, the fair value of the remaining investment in ANI was

reclassified to financial asset at FVOCI (see Note 10). The fair value of the remaining investment at the date it ceases to be an associate is the amount recognized on initial recognition as financial asset at FVOCI.

There were no significant changes in the carrying value of the net assets of ANI from December 28 to 31, 2018 when the Parent Company's investment in ANI was reclassified from associate to financial asset at FVOCI as a result of dilution (see Note 10). Gain on reclassification of the investment recognized in profit or loss in the consolidated statements of comprehensive income (loss) amounted to ₱2.6 billion (see Note 10). The gain was mainly due to the different measurements between the two types of investments.

The rollforward analysis of the carrying value of this account in 2018 is shown below:

| | |
|---|------------------------|
| Balance at beginning of year | ₱319,154,639 |
| Carrying value of shares sold during the year | (9,888,387) |
| Equity in other comprehensive loss of an associate during the year | (9,435,624) |
| <u>Equity in net loss of an associate</u> | <u>(760,596)</u> |
| Carrying value of the remaining investment in ANI at date of cease of significant influence (deemed disposal) | 299,070,032 |
| Gain on deemed disposal | 186,436,244 |
| <u>Gain on reclassification of investment in associate to financial asset at FVOCI</u> | <u>2,613,537,267</u> |
| Fair value of the remaining investment in ANI at date of cease of significant influence | 3,099,043,543 |
| <u>Reclassification of investment in associate to financial asset at FVOCI (see Note 10)</u> | <u>(3,099,043,543)</u> |
| <u>Balance at end of year</u> | <u>₱-</u> |

The fair value of remaining investment in ANI at the date it ceases to be an associate amounted to ₱3.10 billion based on the quoted price per share is the amount recognized on initial recognition as financial asset at FVOCI.

12. Advances for Waste Recycling Project

Advances for waste recycling project amounting to ₱235.0 million as at December 31, 2013 represents TWMRSI's machinery and 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 TWMRSI 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. However, management believed that the cost of advances for the Facility may no longer be recovered. Accordingly, a full impairment provision was made in 2014.

13. Property and Equipment

The rollforward analysis of this account is shown below:

| | 2020 | | | | | | | Total |
|---|-------------|-------------------|-----------------------|--|--|---------------|--------------|-------|
| | Land | Land improvements | Building improvements | Transportation equipment and machineries | Furniture, fixtures and office equipment | Bearer assets | | |
| Cost: | | | | | | | | |
| Balance at beginning of year | ₱64,001,278 | ₱55,720,907 | ₱45,515,296 | ₱13,529,242 | ₱159,119 | ₱4,032,131 | ₱182,957,973 | |
| Additions during the year | - | - | - | - | - | - | - | |
| Balance at end of year | 64,001,278 | 55,720,907 | 45,515,296 | 13,529,242 | 159,119 | 4,032,131 | 182,957,973 | |
| Accumulated depreciation and amortization: | | | | | | | | |
| Balance at beginning of year | - | 7,722,056 | 12,203,726 | 6,741,783 | 159,119 | 1,612,852 | 28,439,536 | |
| Depreciation and amortization | - | 928,683 | 1,552,850 | 527,209 | - | 201,607 | 3,210,349 | |
| Balance at end of year | - | 8,650,739 | 13,756,576 | 7,268,992 | 159,119 | 1,814,459 | 31,649,885 | |
| Net book value | ₱64,001,278 | ₱47,070,168 | ₱31,758,720 | ₱6,260,250 | ₱- | ₱2,217,672 | ₱151,308,088 | |

| | 2019 | | | | | | | Total |
|---|-------------|-------------------|-----------------------|--|--|---------------|--------------|-------|
| | Land | Land improvements | Building improvements | Transportation equipment and machineries | Furniture, fixtures and office equipment | Bearer assets | | |
| Cost: | | | | | | | | |
| Balance at beginning of year | ₱641,278 | ₱55,720,907 | ₱45,515,296 | ₱13,271,882 | ₱159,119 | ₱4,032,131 | ₱119,340,613 | |
| Additions during the year | 63,360,000 | - | - | 257,360 | - | - | 63,617,360 | |
| Balance at end of year | 64,001,278 | 55,720,907 | 45,515,296 | 13,529,242 | 159,119 | 4,032,131 | 182,957,973 | |
| Accumulated depreciation and amortization: | | | | | | | | |
| Balance at beginning of year | - | 4,007,329 | 6,104,339 | 4,520,929 | 155,720 | 806,426 | 15,594,743 | |
| Depreciation and amortization | - | 3,714,727 | 6,099,387 | 2,220,854 | 3,399 | 806,426 | 12,844,793 | |
| Balance at end of year | - | 7,722,056 | 12,203,726 | 6,741,783 | 159,119 | 1,612,852 | 28,439,536 | |
| Net book value | ₱64,001,278 | ₱47,998,851 | ₱33,311,570 | ₱6,787,459 | ₱- | ₱2,419,279 | ₱154,518,437 | |

As at December 31, 2019, additions amounting to ₱63,360,000 pertain to the liquidation of the advances extended to one of the stockholders (see Note 8). Fully depreciated assets amounting to ₱2,454,419 are still being used in operations.

Depreciation and amortization expense for the period ended March 31, 2020 and 2019 are shown as part of general and administrative expenses in the Group's consolidated statements of comprehensive income (loss) (see Note 20).

The Group's management had reviewed the carrying values of the property and equipment as at March 31, 2020 and December 31, 2019 for any impairment. Based on the evaluation, there are no indications that the property and equipment might be significantly 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. Investment Properties

As at March 31, 2020 and December 31, 2019 the account consists of the following:

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

The land located in Rosario, Batangas, and in Cabuyao Laguna and Olongapo City were acquired in 2013 and 2008, respectively. These properties with total land area of 35,886 square meters are intended to be held for capital appreciation. The estimated fair value as at December 31, 2018 amounted to ₱6.32 million using the Market Data Approach based on available market information. This approach was used for the land as it is commonly used in the property market since inputs and data for this approach are available.

Fair value of the property was not determined as at March 31, 2020. However, the management believes that there were no conditions present in 2020 and 2019 that would significantly reduce the recoverable values of investment property from its net carrying value and that fair value of the investment approximates its carrying value.

The Group's management had reviewed the carrying values of the investment properties for any impairment as at March 31, 2020 and December 31, 2019. Allowance for impairment amounted to ₱0.74 million as at March 31, 2020 and December 31, 2019.

There are no contractual commitments to purchase or construct investment property. There is also no investment property that are pledged as securities as at March 31, 2020 and December 31, 2019. Furthermore, there is no property whose title is restricted from use of the Group in both years.

15. Trade and Other Payables

This account consists of:

| | Note | 2020 | 2019 |
|--------------------------------------|------|--------------------|-------------|
| Trade | | ₱13,620,384 | ₱13,857,584 |
| Government payables | | 4,529,892 | 4,524,783 |
| Accrued expenses | | 484,580 | 484,580 |
| Refundable deposit | 18 | 270,000 | 270,000 |
| Advances from officers and employees | | 78,526 | 78,526 |
| | | ₱18,983,382 | ₱19,215,473 |

Trade payables are unsecured and noninterest-bearing which arise from purchases of materials, supplies and services in the ordinary course of business that are settled within 90 days.

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.

Accrued expenses include accruals of professional fees, taxes and penalties.

Advances from officers and employees are noninterest-bearing which arise from rendering of services to the Group are payable on demand.

16. Related Party Transactions

The Group entered into transactions with related parties. Details of these transactions follow:

- a. The Group availed and 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). In 2020, additional settlement received amounted to ₱3.8 million.
- c. As at March 31, 2020 and December 31, 2019 details and outstanding balances of due to and from related parties follow:

| | 2020 | 2019 |
|--------------------------|---------------------|--------------|
| Receivables | | |
| Stockholders | ₱722,206,125 | ₱726,054,930 |
| Affiliates | 66,775,304 | 66,774,704 |
| | 788,981,429 | 792,829,634 |
| Allowance for impairment | (74,911,862) | (74,911,862) |
| | ₱714,069,567 | ₱717,917,772 |
| Payables | | |
| Affiliates | ₱67,980,824 | ₱66,652,128 |
| Stockholders | 14,034,331 | 14,034,331 |
| | ₱82,015,155 | ₱80,986,459 |

For financial statements disclosure purposes, an affiliate is an entity under common control of the Group's stockholders.

The rollforward analysis of related party accounts follow:

| | 2020 | 2019 |
|--|---------------------|--------------|
| Receivables | | |
| Balance at beginning of year | ₱717,917,772 | ₱811,115,326 |
| Liquidation during the year (Note 8) | (3,848,805) | (63,360,000) |
| Collections during the year | - | (38,071,311) |
| Advances made during the year | 600 | 31,962,293 |
| | 714,069,567 | 741,646,308 |
| Provision for impairment during the year | - | (23,728,536) |
| Balance at end of year | ₱714,069,567 | ₱717,917,772 |

| | 2019 | 2018 |
|-----------------------------------|-------------|--------------|
| Payable | | |
| Balance at beginning of year | ₱80,986,459 | ₱118,057,499 |
| Advances received during the year | 1,028,696 | 7,814,924 |
| Payments made during the year | - | (36,901,907) |
| Reversal during the year | - | (7,984,057) |
| Balance at end of year | ₱82,015,155 | ₱80,986,459 |

- d. On July 2, 2014, the Parent Company executed a subscription agreement with Earthright Holdings, Inc. (EHI). Subject to the application to and approval by the SEC of the Parent Company's increase of its authorized capital stock (the "Increase"), EHI subscribed to P250.0 million worth of common shares at P1.00 per share and P37.5 million worth preferred shares at P0.01 per share. On May 22, 2019, the Parent Company and EHI executed an Amended Subscription Agreement amending the Subscription Agreement dated July 2, 2014 to increase the subscription of EHI from P250 million worth of common shares to P750 million worth of common shares. The amended number of subscribed common shares represent 25% of the required subscription out of the proposed increase. The deposit will be converted into equity once approval from the SEC have been obtained

In 2019, the Parent Company received additional deposits amounting to ₱44.8 million. As at June 26, 2020, the Parent Company is awaiting approval by the SEC of the increase. The balance of the deposit for future stock subscription presented under current liabilities in the Group's consolidated statements of financial position amounted to ₱221.8 million as at March 31, 2020 and December 31, 2019.

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

| Category | 2020 | | | |
|--|--------------|--------------------------------|---|--|
| | Amount | Balance - Asset (Liability) | Terms and Conditions/Settlement | Guaranty/ Provision |
| <u>Stockholders</u> | | | | |
| Receivables | | ₱722,206,125 | Noninterest-bearing; payable | Unsecured; no |
| • Liquidation | (₱3,848,805) | | on demand and to be | significant warranties |
| • Collections | - | | settled through liquidation | and covenants; with |
| • Advances made | 600 | | | impairment |
| • Allowance for impairment | - | | | |
| Payable | | (14,034,331) | Noninterest-bearing; payable | Unsecured; no |
| • Advances received | - | | on demand and to be | significant warranties |
| • Payments made | 3,000 | | settled in cash | and covenants |
| Deposit for future stock subscriptions | - | (221,821,275) | Noninterest-bearing; no definite repayment dates; to be applied as future subscription of capital stock | Unsecured; no significant warranties and covenants |
| <u>Affiliates</u> | | | | |
| Receivable | | 66,775,304 | Noninterest-bearing; payable | Unsecured; no |
| • Advances made | 600 | | on demand and to be | significant warranties |
| • Collections received | - | | settled in cash | and covenants; with |
| • Allowance for impairment | - | (66,402,931) | | impairment |
| Payable | | (67,980,824) | Noninterest-bearing; payable | Unsecured; no |
| • Advances received | - | | on demand and to be | significant warranties |
| • Payments made | 1,328,696 | | settled in cash | and covenants |
| • Write-off | - | | | |

| 2019 | | | | |
|--|---------------|--------------------------------|---|---|
| Category | Amount | Balance - Asset (Liability) | Terms and Conditions/Settlement | Guaranty/ Provision |
| <u>Stockholders</u> | | | | |
| Receivables | | ₱726,054,930 | Noninterest-bearing; payable on demand and to be settled through liquidation | Unsecured; no significant warranties and covenants; with impairment |
| • Liquidation | (₱63,360,000) | | | |
| • Collections | (16,615,578) | | | |
| • Advances made | 9,966,193 | | | |
| • Allowance for impairment | (8,508,931) | (8,508,931) | | |
| Payable | | (14,034,331) | Noninterest-bearing; payable on demand and to be settled in cash | Unsecured; no significant warranties and covenants |
| • Advances received | (941,197) | | | |
| • Payments made | 942,456 | | | |
| Deposit for future stock subscriptions | (44,821,275) | (221,821,275) | Noninterest-bearing; no definite repayment dates; to be applied as future subscription of capital stock | Unsecured; no significant warranties and covenants |
| <u>Affiliates</u> | | | | |
| Receivable | | 66,774,704 | Noninterest-bearing; payable on demand and to be settled in cash | Unsecured; no significant warranties and covenants; with impairment |
| • Advances made | 21,966,100 | | | |
| • Collections received | (21,455,733) | | | |
| • Allowance for impairment | (15,219,605) | (66,402,931) | | |
| Payable | | (66,952,128) | Noninterest-bearing; payable on demand and to be settled in cash | Unsecured; no significant warranties and covenants |
| • Advances received | (6,873,727) | | | |
| • Payments made | 35,959,451 | | | |
| • Write-off | 7,984,057 | | | |

f. Compensation paid to key management personnel for the years then ended March 31, 2020 and 2019 follows:

| | 2020 | 2019 |
|---|-----------------|-----------------|
| Short term benefits | | |
| Salaries and wages | ₱401,678 | ₱358,446 |
| 13 th month pay and other benefits | 40,782 | 31,632 |
| | ₱442,460 | ₱390,078 |

g. There are no other significant related party transactions in 2020 and 2019.

17. Equity

Capital Stock

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 common shares.

The stockholders of the Parent Company shall have no pre-emptive rights to subscribe to or purchase any or all, issue or dispose of shares of any class of the Group.

Details of the capital stock as at March 31, 2020 and December 31, 2019 follow:

| | Preferred | | Common | |
|---|------------------|--------------|------------------|----------------|
| | Number of Shares | Amount | Number of Shares | Amount |
| Authorized – ₱0.10 par value per preferred share/ ₱1.0 par value per common share | 1,000,000,000 | ₱100,000,000 | 1,900,000,000 | ₱1,900,000,000 |
| Subscribed and issued | 1,000,000,000 | ₱100,000,000 | 1,703,278,572 | ₱1,703,278,572 |

There were no movements in the Group's common and preferred shares in 2020 and 2019.

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 | 2,900,000,000 |
| 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 1,031 as at March 31, 2020 and December 31, 2019.

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 March 31, 2020 and 2019 are as follows:

| | 2020 | | 2019 | |
|--------|-------|-------|-------|-------|
| | High | Low | High | Low |
| First | ₱0.80 | ₱0.75 | ₱1.97 | ₱3.55 |
| Second | - | - | - | - |
| Third | - | - | - | - |
| Fourth | - | - | - | - |

18. Sales

Sales pertain to receipts from agri-tourism and sale of fruits and vegetables. These are currently the only sources of income of the Group.

The table shows the analysis of sales of the Group by major sources for the years ended March 31, 2020 and 2019:

| Category | 2020 | 2019 |
|-------------------------------|----------|----------|
| Sale of fruits and vegetables | ₱230,965 | ₱229,681 |
| Agri-tourism | 109,780 | 296,261 |
| Total | ₱340,745 | ₱525,942 |

The performance obligation to provide tourism services is satisfied at a point in time which is upon render of service and delivery of the goods. There are no outstanding contract balances from the Group's sales. The Group has no liability related to these services.

Rental income

The Group leases its nine-hectare property situated at Rosario, Batangas effective from January 1, 2015 to December 31, 2015, and shall be automatically renewed for successive one-year periods unless terminated. Under the terms of the lease agreement, the rental

shall be ₱30,000 per hectare per annum, exclusive of VAT and subject to an escalation of 10% per year starting from the second year of the lease agreement.

Rent receivable amounted to ₱1.7 million and ₱1.6 million as at March 31, 2020 and December 31, 2019, respectively (see Note 7). Refundable deposit under this lease agreement amounted to ₱270,000 as at March 31, 2020 and December 31, 2019 (see Note 15). Rental income amounted to ₱0.1 million and ₱0.09 in 2020 and 2019, respectively, presented in the Group's consolidated statements of comprehensive loss.

19. Cost of Sales

This account consists of:

| | 2020 | 2019 |
|---------------|-----------------|-----------------|
| Farm supplies | ₱294,070 | ₱250,689 |
| Meals | 50,065 | 78,986 |
| | ₱344,135 | ₱329,675 |

20. General and Administrative Expenses

This account consists of:

| | Note | 2020 | 2019 |
|----------------------------------|------|-------------------|-------------------|
| Depreciation and amortization | 13 | ₱3,210,349 | ₱3,177,307 |
| Contractual services | | 1,853,726 | 2,705,797 |
| Salaries and wages | | 1,225,245 | 1,010,500 |
| Utilities | | 579,745 | 653,851 |
| Listing and stock transfer fees | | 315,064 | 250,000 |
| Materials and supplies | | 158,222 | 568,550 |
| Repairs and maintenance | | 116,977 | 313,901 |
| Representation and entertainment | | 51,651 | 44,247 |
| Transportation | | 23,916 | 189,477 |
| Legal and professional | | 15,000 | 264,000 |
| Taxes and licenses | | 3,000 | 202,219 |
| Penalties and fines | | - | 21,283 |
| Miscellaneous | | 1,243 | 33,360 |
| | | ₱7,554,138 | ₱9,434,492 |

Miscellaneous expenses include advertising, service charges and other fees.

As at March 31, 2020 and 2019, 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.

21. Income Taxes

- a. The current income tax expense in 2020 and 2019 pertains to MCIT.
- b. The reconciliation between the income tax expense computed at the statutory tax rate and the income tax shown in Group's consolidated statements of comprehensive income (loss) is as follows:

| | Notes | 2020 | 2019 |
|---|-------|---------------|---------------|
| Income (loss) before income tax | | (P7,458,020) | (P9,123,594) |
| Multiplied by statutory tax rate | | 30% | 30% |
| Income tax expense computed at statutory tax rate | | (2,237,406) | (2,737,078) |
| Income tax effects of: | | | |
| Interest income subjected to final tax | 6 | (107) | (7,613) |
| Unrecognized deferred tax assets on: | | | |
| NOLCO | | 2,239,422 | 2,750,413 |
| | | P1,909 | P5,722 |

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

| Year | Expiration | Applied/Expired | Balance | Tax effect |
|------|------------|-------------------|--------------------|--------------------|
| 2019 | 2022 | P | P30,956,795 | P9,287,039 |
| 2018 | 2021 | - | 31,448,450 | 9,434,535 |
| 2017 | 2020 | - | 7,506,866 | 2,252,059 |
| 2016 | 2019 | 3,804,940 | - | - |
| | | P3,804,940 | P69,912,111 | P20,973,633 |

The Group incurred MCIT which can be claimed as deduction against future tax due as follows:

| Year | Expiration | Applied/Expired | Balance |
|------|------------|-----------------|-----------------|
| 2019 | 2022 | P- | P165,449 |
| 2018 | 2021 | - | 28,443 |
| 2017 | 2020 | - | 231,426 |
| 2016 | 2019 | 476,010 | - |
| | | P476,010 | P425,318 |

The income tax benefits of NOLCO and MCIT were not recognized in the consolidated financial statements as management believes that these could not be utilized prior to its expiration.

- d. The Group opted for the itemized deduction scheme for its income tax reporting in 2020 and 2019.

22. Basic Earnings (Loss) per Share

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

| | 2020 | 2019 |
|---|---------------|---------------|
| Net loss attributable to the equity holders of the Parent Company | (P5,154,561) | (P6,309,179) |
| Divided by: Weighted average number of common shares | 1,703,278,572 | 1,703,278,572 |
| Basic loss per share | (P0.003) | (P0.003) |

The Group has no diluted loss per share for the year ended March 31, 2020 and 2019.

23. Non-controlling Interests

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

| | 2020 | | | |
|--------|------------------------------|--------------|--------------------------|------------------------|
| | Balance at beginning of year | Net loss | Other comprehensive loss | Balance at end of year |
| SREDC | P228,743,356 | (P2,304,828) | P- | P226,438,528 |
| LSTI | (26,559) | (270) | - | (26,829) |
| TWMRSI | (115,478,443) | (270) | - | (115,478,713) |
| | P113,238,354 | (P2,305,368) | P- | P110,932,986 |

| | 2019 | | | |
|--------|------------------------------|---------------|--------------------------|------------------------|
| | Balance at beginning of year | Net loss | Other comprehensive loss | Balance at end of year |
| SREDC | P244,732,633 | (P15,989,277) | P- | P228,743,356 |
| LSTI | 1,574 | (28,133) | - | (26,559) |
| TWMRSI | (115,439,805) | (38,638) | - | (115,478,443) |
| | P129,294,402 | (P16,056,048) | P- | P113,238,354 |

Other comprehensive loss pertains to fair value loss on financial asset at FVOCI for the year attributable to non-controlling interest.

24. Financial Instruments

The following tables set forth the carrying values and estimated fair values of the Group's financial asset and liabilities recognized as at March 31, 2020 and December 31, 2019:

| | Note | 2020 | | | |
|---|------|----------------|---------------|--|---|
| | | Carrying value | Fair value | Quoted prices in active market (Level 1) | Significant observable inputs (Level 2) |
| Petty cash | 6 | P50,000 | P50,000 | P- | P50,000 |
| <i>Financial assets at amortized cost</i> | | | | | |
| Cash in banks | 6 | 1,190,761 | 1,190,761 | - | 1,190,761 |
| Nontrade receivables – net | 7 | 250,603,165 | 250,603,165 | - | 250,603,165 |
| Due from related parties – net | 16 | 714,069,567 | 714,069,567 | - | 714,069,567 |
| Financial asset at FVOCI | 10 | 1,148,469,077 | 1,148,469,077 | 1,148,469,077 | - |

| | | ₱2,114,382,570 | ₱2,114,382,570 | ₱1,148,469,077 | ₱965,913,493 |
|--|----|----------------|----------------|----------------|--------------|
| <i>Financial liabilities at amortized cost</i> | | | | | |
| Trade and other payables* | 15 | ₱14,453,491 | ₱14,453,491 | ₱- | ₱14,453,491 |
| Due to related parties | 16 | 82,015,155 | 82,015,155 | - | 82,015,155 |
| | | ₱96,468,646 | ₱96,468,646 | ₱- | ₱96,468,646 |

| | | 2019 | | | |
|--|----------------|----------------|--|---|--------------|
| Note | Carrying value | Fair value | Quoted prices in active market (Level 1) | Significant observable inputs (Level 2) | |
| Petty cash | 6 | ₱50,000 | ₱50,000 | ₱- | ₱50,000 |
| <i>Financial assets at amortized cost</i> | | | | | |
| Cash in banks | 6 | 1,270,074 | 1,270,074 | - | 1,270,074 |
| Nontrade receivables – net | 7 | 250,504,887 | 250,504,887 | - | 250,504,887 |
| Due from related parties – net | 16 | 717,917,772 | 717,917,772 | - | 717,917,772 |
| <i>Financial asset at FVOCI</i> | 10 | 2,461,005,166 | 2,461,005,166 | 2,461,005,166 | - |
| | | ₱3,430,747,899 | ₱3,430,747,899 | ₱2,461,005,166 | ₱969,742,733 |
| <i>Financial liabilities at amortized cost</i> | | | | | |
| Trade and other payables* | 15 | ₱14,690,690 | ₱14,690,690 | ₱- | ₱14,690,690 |
| Due to related parties | 16 | 80,986,459 | 80,986,459 | - | 80,986,459 |
| | | ₱95,677,149 | ₱95,677,149 | ₱- | ₱95,677,149 |

*Excluding government payables amounting to ₱4.5 million in 2019 and ₱0.1 million in 2018 (see Note 15).

Methods and Assumption Used to Estimate Fair Value

The carrying values of the financial assets, except financial asset at FVOCI, and financial liabilities approximate their fair values due to their relatively short-term maturities or short-term nature of transactions. Financial assets at FVOCI pertaining to investment in a listed company included in level 1 is valued based at published prices. The fair value of financial assets and financial liabilities included in level 2 which are not traded in active market are determined based on the expected cash flows of the underlying asset and liability based on the investment where the significant inputs required to determine the fair value of such instrument are directly or indirectly observable.

There are no transfers to and from level 1 and 2 categories during 2020 and 2019.

25. Financial Risk Management Objectives and Policies

The Group is exposed to a variety of financial risks, which resulted from its investing and financing activities. The Group's principal financial instruments comprise of cash in banks, nontrade receivables, financial asset at FVOCI, trade and other payables, 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 Group's policies and guidelines cover credit risk, liquidity risk, interest rate risk, equity price 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 is the risk that a counterparty will not meet its obligation under a financial instrument or customer contract, resulting in financial loss to the Group. The Group is exposed to credit risk primarily from cash in banks, nontrade receivables, due from related parties and financial asset at FVOCI.

With respect to credit risk arising from the Group's financial assets, 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.

Credit risk exposure

The table below shows the gross maximum exposure to credit risk of the Group as at March 31, 2020 and December 31, 2019, without considering the effects of credit risk mitigation techniques.

| | 2020 | 2019 |
|--------------------------|-----------------------|----------------|
| Cash in banks | ₱1,190,761 | ₱1,270,074 |
| Nontrade receivables | 251,856,235 | 251,757,957 |
| Due from related parties | 788,981,429 | 792,829,634 |
| Financial asset at FVOCI | 1,148,469,077 | 2,461,005,166 |
| | ₱2,190,497,502 | ₱3,506,862,831 |

Credit quality per class of financial asset

Below is the credit quality per class of financial assets as at March 31, 2020 and December 31, 2019.

| | 2020 | | | | |
|--------------------------|-------------------------------|---------------------|---------------------|--------------------|-----------------------|
| | Neither past due nor impaired | | Past due but | | Total |
| | High grade | Standard grade | not impaired | Impaired | |
| Cash in banks | ₱1,079,209 | ₱111,552 | ₱- | ₱- | ₱1,190,761 |
| Nontrade receivables | - | 459,985 | 250,143,180 | 1,253,070 | 251,856,235 |
| Due from related parties | - | 714,069,567 | - | 74,911,862 | 788,981,429 |
| Financial asset at FVOCI | 1,148,469,077 | - | - | - | 1,148,469,077 |
| | ₱1,149,548,286 | ₱714,641,104 | ₱250,143,180 | ₱76,164,932 | ₱2,190,497,502 |

| | 2019 | | | | |
|--------------------------|-------------------------------|---------------------|---------------------|--------------------|-----------------------|
| | Neither past due nor impaired | | Past due but | | Total |
| | High grade | Standard grade | not impaired | Impaired | |
| Cash in banks | ₱1,158,522 | ₱111,552 | ₱- | ₱- | ₱1,270,074 |
| Nontrade receivables | - | 361,707 | 250,143,180 | 1,253,070 | 251,757,957 |
| Due from related parties | - | 717,917,772 | - | 74,911,862 | 792,829,634 |
| Financial asset at FVOCI | 2,461,005,166 | - | - | - | 2,461,005,166 |
| | ₱2,462,163,688 | ₱718,391,031 | ₱250,143,180 | ₱76,164,932 | ₱3,506,862,831 |

High grade cash in banks are placed, invested, or deposited in local banks belonging to the top 10 banks in the Philippines in terms of resources and profitability. Due from related parties under high grade accounts considered to be of high value.

Standard grade accounts are active accounts with propensity of deteriorating to mid-range age buckets. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly.

Investment in shares of stocks under high grade classification are assigned to financial assets at FVOCI invested to well-established and financially sound company.

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. The Group is not exposed to large concentration of credit risks.

Impairment assessment

The Group applies general approach for determining the ECLs of cash in banks, nontrade receivables and due from related parties. A credit loss is the difference between the cash flows that are expected to be received discounted at the original effective interest rate and contractual cash flows in accordance with the contract. The loss allowance for financial assets are based on the assumptions about risk of default and expected loss rates. The management has assessed that due from related parties amounting to R74.9 million is uncollectible.

• 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:

| | 2020 | | | |
|--------------------------------|---------------------|---------------------|--|-----------------------|
| | On demand | Due within one year | Due beyond one year but not more than five years | Total |
| <u>Financial assets</u> | | | | |
| Cash in banks | R1,190,761 | R- | R- | R1,190,761 |
| Nontrade receivables - net | 250,603,165 | - | - | 250,603,165 |
| Due from related parties - net | 714,069,567 | - | - | 714,069,567 |
| Financial asset at FVOCI | - | - | 1,148,469,077 | 1,148,469,077 |
| | R965,863,493 | R- | R1,148,469,077 | R2,114,332,570 |
| <u>Financial liabilities</u> | | | | |
| Trade and other payables* | R- | R14,453,491 | R- | R14,453,491 |
| Due to related parties | 82,015,155 | - | - | 82,015,155 |
| | R82,015,155 | R14,453,491 | R- | R96,468,646 |
| | 2019 | | | |
| | On demand | Due within one year | Due beyond one year but not more than five years | Total |
| <u>Financial assets</u> | | | | |
| Cash in banks | R1,270,074 | R- | R- | R1,270,074 |
| Nontrade receivables - net | 250,504,887 | - | - | 250,504,887 |
| Due from related parties - net | 717,917,772 | - | - | 717,917,772 |
| Financial asset at FVOCI | - | - | 2,461,005,166 | 2,461,005,166 |
| | R969,692,733 | R- | R2,461,005,166 | R3,430,697,899 |
| <u>Financial liabilities</u> | | | | |
| Trade and other payables* | R- | R14,690,690 | R- | R14,690,690 |
| Due to related parties | 80,986,459 | - | - | 80,986,459 |
| | R80,986,459 | R14,690,690 | R- | R95,677,149 |

*Excluding government payables amounting to R4.5 million in 2020 (see Note 15).

• Interest rate risk

The Group is not exposed to interest rate fluctuations on their cash in banks and cash equivalents. Other financial assets and liabilities which principally arise in the ordinary course of its operations are generally short-term and noninterest-bearing.

Historically, the rate fluctuations relative to its cash in banks are minimal. Interest rates in 2020 and 2019 are less than 1%.

- **Equity Price Risk**
The Group's exposure to equity securities price risk pertains to its equity instrument financial asset at FVOCI. Equity securities price risk arises from the changes in the levels of equity indices and the value of stocks traded in the stock market.

At March 31, 2020 and December 31, 2019, if the quoted stock price for the securities using PSE index had increased by 38% and 41%, respectively, the Group's total equity would have been higher by about ₱932,259,431 and ₱1,261,649,299, respectively.

On the other hand, if the quoted market price for these securities had decreased by the same percentage, with all other variables held constant, total equity for the period would have been lower by the same amount. The analysis is based on the assumption that the quoted prices had changed by 38% and 41%, with all other variables held constant.

- **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 pertains to cash in banks are not significant in amount.

26. 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:

| | 2020 | 2019 |
|----------------------------|-----------------------|-----------------------|
| Capital stocks | ₱1,803,278,572 | ₱1,803,278,572 |
| Additional paid-in capital | 268,090,531 | 268,090,531 |
| Retained earnings | 1,748,247,253 | 1,753,401,814 |
| Due to related parties | 82,015,155 | 80,986,459 |
| | ₱3,901,631,511 | ₱3,905,757,376 |

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 March 31, 2020 and December 31, 2019 follow:

| | 2020 | 2019 |
|--------------|---------------|---------------|
| Total debt | ₱322,985,262 | ₱322,188,656 |
| Total equity | 1,979,974,877 | 3,378,658,344 |
| | 16% | 10% |

The Group had not been subjected to externally imposed capital requirements in 2020 and 2019. No changes were made in the objectives, policies, and processes during the years ended March 31, 2020 and December 31, 2019.

27. 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.

Segment Financial Information

The segment financial information is presented as follows:

| | 2020 | | | | | | |
|--------------------------------------|----------------|---------------------|---------------------|---------------------------------|---------------------------|----------------|----------------|
| | Holding | Renewable energy | Waste management | Real estate and agri-tourism | Information technology | Elimination | Total |
| Income | | | | | | | |
| Revenue | R- | R- | R- | ₱439,572 | R- | R- | ₱439,572 |
| Unrealized forex gain | 323 | - | - | - | - | - | 323 |
| Interest income | 250 | - | - | 108 | - | - | 358 |
| | 573 | - | - | 439,680 | - | - | 440,253 |
| Expense | | | | | | | |
| General and administrative expenses | (1,330,619) | (550) | (550) | (6,566,004) | (550) | - | (7,898,273) |
| Unrealized forex loss | - | - | - | - | - | - | - |
| Provision for income tax | - | - | - | (1,909) | - | - | (1,909) |
| Net loss | (1,330,046) | (550) | (550) | (6,128,233) | (550) | - | (7,459,929) |
| Net loss attributable to: | | | | | | | |
| Equity holders of the Parent Company | (1,330,046) | (550) | (280) | (3,823,405) | (280) | - | (5,154,561) |
| Noncontrolling Interest | - | - | (270) | (2,304,828) | (270) | - | (2,305,368) |
| | (₱1,330,046) | (₱550) | (₱550) | (₱6,128,233) | (₱550) | R- | (₱7,459,929) |
| Assets and Liabilities | | | | | | | |
| Segment assets | ₱2,099,888,461 | ₱235,680 | R- | ₱571,181,372 | ₱266,170 | (₱368,611,546) | ₱2,302,960,137 |
| Segment liabilities | ₱317,205,331 | ₱66,998,707 | ₱233,797,413 | ₱15,218,415 | ₱321,905 | (₱310,556,511) | ₱322,985,260 |

| | 2019 | | | | | | Total |
|--|----------------|------------------|------------------|------------------------------|------------------------|----------------|----------------|
| | Holding | Renewable energy | Waste management | Real estate and agri-tourism | Information technology | Elimination | |
| Income | | | | | | | |
| Revenue | R- | R- | R- | R2,040,910 | R- | R- | R2,040,910 |
| Gain on sale of financial asset at FVOCI | - | - | - | 220,000 | - | - | 220,000 |
| Interest income | 3,787 | 255 | - | 24,875 | - | - | 28,917 |
| Reversal of payables | 8,160,559 | 91,798 | 20,123 | 182,213 | - | (182,213) | 8,272,480 |
| | 8,164,346 | 92,053 | 20,123 | 2,467,998 | - | (182,213) | 10,562,307 |
| Expense | | | | | | | |
| General and administrative expenses | (6,098,390) | (309,140) | (98,573) | (33,025,360) | (57,414) | 182,213 | (39,406,664) |
| Impairment loss | (23,433,095) | - | - | (11,956,004) | - | 7,654,321 | (27,734,778) |
| Unrealized forex loss | (3,931) | - | - | - | - | - | (3,931) |
| Provision for income tax | (163,211) | (1,836) | (402) | - | - | - | (165,449) |
| Net loss | (21,534,281) | (218,923) | (78,852) | (42,513,366) | (57,414) | 7,654,321 | (56,748,515) |
| Net loss attributable to: | | | | | | | |
| Equity holders of the Parent Company | (21,534,281) | (218,923) | (40,214) | (26,524,089) | (29,281) | 7,654,321 | (40,692,467) |
| Noncontrolling interest | - | - | (38,638) | (15,989,277) | (28,133) | - | (16,056,048) |
| | (R21,534,281) | (R218,923) | (R78,852) | (R42,513,366) | (R57,414) | R7,654,321 | (R56,748,515) |
| Assets and Liabilities | | | | | | | |
| Segment assets | R3,491,647,091 | R235,680 | R- | R577,309,605 | R266,170 | (R368,611,546) | R3,700,847,000 |
| Segment liabilities | R316,410,377 | R66,998,157 | R233,796,863 | R15,218,415 | R321,355 | (R310,556,511) | R322,188,656 |

28. Events After Reporting Period

In a move to contain the COVID-19 pandemic, on March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine throughout the island of Luzon until April 30, 2020, unless earlier lifted or extended. These measures have caused disruptions to businesses and economic activities, and its impact on businesses still continue to evolve.

The pandemic has less significant impact on the Group's business as it only affected the Group's administrative work, being a holding Company, and delayed the shipment of Hanergy solar products (see Note 1) which was postponed until after community quarantine period. While management recognizes that the COVID-19 pandemic poses potential impact on the Group's activities in terms of risks related to exposures to industries severely affected by COVID-19, the related amount of financial effect cannot be reliably and reasonably determined or estimated.

The Group's management and BOD will continuously monitor the impact and will plan accordingly to minimize and (or) mitigate further risk on the Group's consolidated financial performance and position.

29. 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 in a Freeze Order issued by the Court of Appeals.

After careful review of the *Request to Lift* and the documents in support thereof as well as the conduct of a due diligence review of the Parent Company's disclosures and reports, the PSE granted the *Request to Lift* the trading suspension.

On November 5, 2018, the shares of the Parent Company resumed trading in the PSE.

On Civil Forfeiture

On December 15, 2015 the RTC 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 January 22, 2016, the Parent Company and the 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 on-going proceedings with the Court; however, the Parent Company wishes to draw attention to the disclosures dated June 30, 2014 and July 1, 2, 3, 7 and 10, 2014 (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.

On July 19, 2018, the Parent Company received an *Order* dated July 9, 2018 (the "*Discharge Order*") from the Court. In the *Discharge Order*, the Court ruled that "the funds in the subject accounts of respondents Greenergy et al. are not related to the unlawful activity of violation of R.A. 3019 and R.A. 7080." Thus, the bank accounts of the Parent Company and SREDC were "orders discharged from the effects of the *Asset Preservation Order (APO)* dated December 15, 2015." With the *Order*, which was immediately executory, the Parent Company regained access and control over the Subject Bank Accounts.

On August 9, 2018, the Parent Company received a copy of the *Motion for Reconsideration* dated August 3, 2018 (the "*Motion for Reconsideration*") filed by the Republic of the Philippines ("Petitioner") with the Regional Trial Court assailing the *Discharge Order*.

In an *Order* dated July 9, 2018 (*Order*), the Court categorically ruled that "the funds in the subject accounts of respondents Greenergy et al. are not related to the unlawful activity of violation of R.A. 3019 and R.A. 7080". Thus, the bank account of the Parent Company and SREDC was "ordered Discharged from the effects of the *Asset Preservation Order (APO)* dated December 15, 2015."

Thereafter, the Petitioner, through the Office of the Solicitor General, filed a *Motion for Reconsideration* (to the *Order* dated July 9, 2018) dated August 3, 2018 on even date to which the Parent Company and SREDC filed its *Comment/Opposition* (to the *Motion for Reconsideration*) dated December 11, 2018 on even date.

On July 1, 2019, the RTC Manila issued the *Order* of even date, denying the Petitioner's *Motion for Reconsideration* dated August 3, 2019 for lack of merit. In this connection, the Petitioner' has sixty (60) days from its receipt of the said *Order* within which to assail the same through a petition for *certiorari* with the Court of Appeals. As of date however, the Parent Company has not yet received any notice that the Petitioner filed such a petition for *certiorari*.

Considering the lapse of the reglementary period to file a petition for *certiorari*, the Parent Company has been advised that both the *Orders* dated July 9, 2018 and July 1, 2019 are final and executory and a confirmatory certification will be obtained by the Company.