COVER SHEET
for
QUARTERLY 17-Q

SEC Registration Number

AS 0 9 2 0 0 0 5 8 9

COMPANY NAME

GREENERGY HOLDINGS INC. AND SUBSIDIARIES

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

No. 54 National Road, Dampol II-A, Pulilan, Bulacan

Form Type	Department requiring the report	Secondary License Type, If Applicable
17Q-3	CRM	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
www.ghi.com.ph	(02) 8997-5184	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
1,032	Second Friday of June	DECEMBER 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Kenneth S. Tan	kenneth.tan@ani.com.ph	(02) 8997-5184	N/A

CONTACT PERSON's ADDRESS

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

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1.	For the quarterly period ended	:	**30 September 2019**
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:	₱324,163,737

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

Yes [**x**] No [ ]

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

[1] As of 30 September 2019

12. Indicate by check mark whether the registrant:

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

Yes [**x**] No []

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

Yes [**x**] No [ ]

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

The unaudited consolidated financial statements of Greenergy Holdings Incorporated and subsidiaries as of and for the period ended 30 September 2019 (with comparative figures as of 31 December 2018 and for the period ended 30 September 2018) are filed as part of this SEC Form 17-Q as Annex "A".

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

The following Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the attached unaudited consolidated financial statements of Greenergy Holdings Incorporated and subsidiaries as of and for the period ended 30 September 2019.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Interim 3rd quarter

Balance Sheet
Cash and cash equivalent amounted to ₱1.12 million as at September 30, 2019 from ₱12.53 million consolidated at December 31, 2018. The decrease in cash is due to the expiration of time deposit of one of the subsidiary as of March 2019 as well as payment of payables during the quarter.

Receivables increased to ₱255.29 million in September 30, 2019 from ₱253.59 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 ₱503.56 million in September 30, 2019 from ₱811.12 million consolidated at December 31, 2018 as a result of liquidation and collections during the quarter.

Other current assets increased to ₱0.98 million in September 30, 2019 from ₱0.82 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 ₱3.10 billion to ₱2.92 billion due to decrease in market price based on published price in the stock market.

Property and equipment, increased to ₱411.08 million in September 30, 2019 from ₱103.75 million as at December 31, 2018 mainly due to liquidation of advances from a stockholder that resulted to an increase in land during the 1st quarter.

Trade and Other Payables decreased to ₱14.58 million in September 30, 2019 compared to the December 31, 2018 amounting to ₱14.92 million due to payments of payables and accruals during the quarter.

Non-controlling interest decreased to ₱120.26 million in September 30, 2019 from ₱129.29 million as at December 31, 2018 due to net loss results of the operations of subsidiaries under common control.

Income Statement

Revenue recorded for the first nine (9) months of 2019 is ₱1.43 million, which includes Agri-tourism revenue and rental income from ₱2.92 million last quarter of 2018. The decrease is due to lower of tourist visitors during the quarter as compared to last quarter of 2018.

Expenses such as depreciation and amortization, contractual services, salaries and wages, utilities, repairs and maintenance and materials and supplies increases by ₱10.84 million during the 3rd quarter of 2019 as compared to last quarter of 2018. Main increase is the depreciation expense because of additional property and equipment recognized during the last quarter of 2018.

Other income (charges) during the quarter includes loss on revaluation of financial assets at fair value through other comprehensive income amounting to ₱182.30 million since its investment in an associate, Agrinurture, Inc. was reclassified to financial assets at fair value after a partial sale and cease of significant influence last quarter of 2018. The valuation is based on the market price based on published price in the stock market.

As a result of the above, the Company had a Consolidated Operating Loss of ₱208.80 million for the period September 30, 2019.

The Company estimates that its Gross Profit Margins will improve in the next year when returns on the Company's investments become visible especially on the increase in service income for agri-tourism and sale of harvests from greenhouse projects in one of its subsidiaries. On January 30, 2019, the Group 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 Group 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 does not result in any material adverse findings involving the Project. The funding facility will have a term of five years with a fixed interest rate of 3% per annum. On the fifth (5th) anniversary of the execution of the funding facility, the Parent Company has the option to convert the loan into equity. On July 12, 2019, the Parent Company terminated the MOA in view of TheBizlink Group's failure to comply with its obligation under the MOA within the prescribed period.

Furthermore, on April 11, 2019, the Parent Company entered into an International Distributorship 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, 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. 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.

On 17 July 2019, the Parent Company 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.

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	**ANTONIO L. TIU** Chairman and President
Date	12 November 2019
Signature and Title	**KENNETH S. TAN** Chief Financial Officer
Date	12 November 2019

GREENERGY HOLDINGS INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2019 AND DECEMBER 31, 2018
(Amounts in Philippine Pesos)

	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalent (Note 6)	**₱ 1,115,896**	₱ 12,531,445
Receivables – net (Note 7)	**255,291,580**	253,589,703
Due from related parties – net (Note 17)	**503,557,940**	811,115,326
Other current assets – net (Note 9)	**984,444**	818,564
Total Current Assets	**760,949,860**	1,078,055,038
Noncurrent Assets		
Deposits for land acquisition (Note 8)	**15,600,000**	15,600,000
Financial asset at fair value through other comprehensive income (FVOCI) (Note 10)	**2,916,746,864**	3,101,013,543
Investment in associate (Note 11)	–	–
Investment properties – net (Note 15)	**6,320,465**	6,320,465
Property and equipment – net (Note 13)	**411,075,729**	103,745,870
Biological assets (Note 14)	–	–
Total Noncurrent Assets	**3,349,743,058**	3,226,679,878
	₱ 4,110,692,918	₱ 4,304,734,916
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 16)	**₱ 14,581,253**	₱ 14,918,675
Due to related parties (Note 17)	**122,074,678**	118,057,499
Deposit for future stock subscription (Note 17)	**187,500,000**	177,000,000
Income tax payable	**7,806**	956
Total Current Liabilities	**324,163,737**	309,977,130

(Forward)

(Carryforward)

	2019	2018
Equity		
Attributable to equity holders of Parent Company		
Capital stock (Note 18)		
Common – ₱1.00 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 – ₱0.10 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)	**-**	607,640
Retained earnings	**1,594,895,737**	1,793,486,641
	3,666,264,840	3,865,463,384
Non-controlling interests (Note 23)	**120,264,341**	129,294,402
Total Equity	**3,786,529,181**	3,994,757,786
	₱ 4,110,692,918	₱ 4,304,734,916

See accompanying Notes to Consolidated Financial Statements.

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GREENERGY HOLDINGS INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

(Amounts in Philippine Pesos)

	For the Quarter Ended September 30		For the Nine Months Ended September 30	
	2019	2018	**2019**	2018
REVENUE (Note 19)	**₱ 528,899**	₱ 1,424,976	**₱ 1,429,541**	₱ 2,917,127
COST OF SALES	**211,559**	628,909	**691,062**	1,121,588
GROSS INCOME	**₱ 317,340**	₱ 796,067	**738,479**	1,795,539
GENERAL AND ADMINISTRATIVE EXPENSES (Note 20)	**(9,394,158)**	(6,127,853)	**(27,157,788)**	(16,322,053)
OPERATING LOSS	**(9,076,818)**	(5,331,786)	**(26,419,309)**	(14,526,514)
OTHER INCOME (CHARGES) – Net				
Gain (Loss) on:				
Revaluation of investment in FVOCI (Notes 10 and 11)	**346,363,690**	–	**(182,296,679)**	–
Sale of investment in investment in associate	–	42,107,349	–	63,242,122
Sale of financial asset at FVOCI	**(350,000)**	–	**(350,000)**	–
Equity in net income of associate (Note 11)	–	2,917,050	–	5,177,084
Rental income (Note 19)	**73,043**	40,838	**277,928**	204,188
Interest income (Note 6)	**1,996**	50	**27,884**	786
Unrealized foreign exchange gain (Note 6)	**1,551**	–	**603**	–
	346,090,280	45,065,287	**(182,340,264)**	68,624,180
INCOME (LOSS) BEFORE INCOME TAX	**337,013,462**	39,733,501	**(208,759,573)**	54,097,666
INCOME TAX EXPENSE (Note 21)	**17,412**	82,412	**39,032**	107,652
NET INCOME (LOSS)	**₱ 336,996,050**	₱ 39,651,089	**(₱ 208,798,605)**	₱ 53,990,014

(Forward)

(Carryforward)

	2019	2018	**2019**	2018
NET INCOME (LOSS) ATTRIBUTABLE TO:				
Equity holders of the Parent Company	**₱ 339,964,548**	₱ 41,958,052	**(₱ 200,370,304)**	₱ 57,363,788
Non-controlling interests (Note 23)	**(2,968,498)**	(2,306,963)	**(8,428,301)**	(3,373,774)
	₱ 336,996,050	₱ 39,651,089	**(₱ 208,798,605)**	₱ 53,990,014
INCOME (LOSS) PER SHARE (Note 22)	**₱ 0.20**	₱ 0.03	**(₱ 0.12)**	₱ 0.03

See accompanying Notes to Consolidated Financial Statements.

GREENERGY HOLDINGS INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018
(Amounts in Philippine Pesos)

	2019	2018
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT COMPANY		
CAPITAL STOCK (Note 18)		
Common		
Authorized – 1.9 billion shares at ₱1.00 par value		
Issued		
Balance at beginning of year	**₱ 1,598,289,455**	₱ 1,598,289,455
Issuance during the year	–	–
Balance at end of year	**1,598,289,455**	1,598,289,455
Subscribed	**202,489,117**	202,489,117
Subscription receivable	**(97,500,000)**	(97,500,000)
	104,989,117	104,989,117
	1,703,278,572	1,703,278,572
Preferred		
Authorized – 1 billion shares at ₱0.10 par value		
Issuance during the year	–	–
Converted from common shares	–	–
Issued	**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 year	**607,640**	(390,600)
Reversal of cumulative fair value gain on financial asset at FVOCI due to disposal	**(607,640)**	–
Balance at end of year (Note 10)	**–**	(390,600)
SHARE IN OTHER COMPREHENSIVE INCOME OF AN ASSOCIATE		
Balance at beginning of year	–	1,687,040
Exchange differences on translation of foreign operations	–	7,081,338
Balance at end of year (Note 11)	–	8,768,378
RETAINED EARNINGS		
Balance at beginning of year	**1,793,486,641**	(1,037,637,525)
Reclassification due to disposal of share in increase in fair value of financial asset at FVOCI (Note 10)	**1,779,400**	
Net income (loss) during the year	**(200,370,304)**	57,363,788
Balance at end of year	**1,594,895,737**	(980,273,737)
	₱ 3,666,264,840	₱ 1,099,473,144

(Forward)

(Carryforward)

	2019	2018
NON-CONTROLLING INTERESTS		
Balance at beginning of year	**₱ 129,294,402**	₱ 139,229,244
Net loss during the year	**(8,428,301)**	(3,373,774)
Reversal in fair value of financial asset at FVOCI due to disposal (Note 10)	**(601,760)**	–
Balance at end of year (Note 23)	**120,264,341**	135,855,470
	₱ 3,786,529,181	₱ 1,235,328,614

See accompanying Notes to Consolidated Financial Statements.

GREENERGY HOLDINGS INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

(Amounts in Philippine Pesos)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	**(₱ 208,759,573)**	₱ 54,097,666
Adjustments for:		
Loss on:		
Revaluation of investment in FVOCI (Notes 10 and 11)	**182,296,679**	–
Depreciation and amortization (Note 13)	**9,525,120**	93,394
Gain on sale on investment in associate	–	(63,242,122)
Equity in net loss of an associate (Note 11)	–	(5,177,084)
Sales of financial assets at FVOCI	**350,000**	–
Interest income (Note 6)	**(27,884)**	(786)
Unrealized foreign exchange loss (Note 6)	**(603)**	–
Operating loss before working capital changes	**(16,616,261)**	(14,228,932)
Changes in operating assets and liabilities:		
Decrease (Increase) in:		
Receivables (Note 7)	**(1,701,877)**	(117,513)
Other current assets (Note 9)	**(165,880)**	(202,296)
Increase (decrease) in trade and other payables (Note 16)	**(337,422)**	876,109
Net cash used in operations	**(18,821,440)**	(13,672,632)
Income taxes paid	**(32,182)**	(231,424)
Interest received (Note 6)	**27,884**	786
Net cash used in operating activities	**(18,825,738)**	(13,903,270)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquistion of property and equipment (Note 13)	**(316,854,979)**	–
Advances made to related parties (Note 17)	**307,557,386**	(51,647,223)
Sale of an investment in associate and fair value at FVOCI	–	88,856,878
Proceeds from sale of financial assets at fair value at FVOCI	**2,190,000**	–
Deposit for land acquisition	**–**	–
Collections received from related parties (Note 17)		–
Net cash provided by (used in) investing activities	**(7,107,593)**	37,209,655

(Forward)

(Carryforward)

	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances received from related parties (Note 17)	**₱ 4,017,179**	(₱ 5,916,251)
Increase in deposit for future stocks subscription (Note 18)	**10,500,000**	–
Net cash provided by financing activities	**14,517,179**	(5,916,251)
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENT	**603**	–
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT	**(11,415,549)**	17,390,134
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (Note 6)	**12,531,445**	2,700,296
CASH AND CASH EQUIVALENT AT END OF YEAR (Note 6)	**₱ 1,115,896**	₱ 20,090,430

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 and associations, domestic or foreign, for whatever lawful purpose or purposes the same may have been organized and to pay therefore in money or by exchanging therefore stocks, bonds, or other evidence of indebtedness or securities of this or any other corporation, stocks, bonds, debentures, contracts, or obligations, to receive, collect, and dispose of the interest, dividends, proceeds and income arising from such property, and to possess and exercise in respect therefore all voting powers of any stock so owned, provided that the corporation shall not engage as stock brokers or dealers in securities.

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

The Group's registered address and principal place of business is at 54 National Road, Dampol II-A, Pulilan Bulacan. The Group's business address is at Unit 112 Cedar Mansion II, #7 St. 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	**100.0%**	100.0%
Agrinurture Development Holdings, Inc. (ADHI)	Philippines	Investment Holding	Makati City	**100.0%**	100.0%
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	**51.0%**	51.0%
Total Waste Management Recovery System, Inc. (TWMRSI)	Philippines	Waste Management Facility	Pulilan, Bulacan	**51.0%**	51.0%

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 January 30, 2019, the Group 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 Group 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 does not result in any material adverse findings involving the Project. The funding facility will have a term of five years with a fixed interest rate of 3% per annum. On the fifth (5th) anniversary of the execution of the funding facility, the Parent Company has the option to convert the loan into equity. On July 12, 2019, the Parent Company terminated the MOA in view of TheBizlink Group's failure to comply with its obligation under the MOA within the prescribed period. Furthermore, on April 11, 2019, the Parent Company entered into an International Distributorship 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, 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. 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.

On 17 July 2019, the Parent Company 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.

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 ₱66.58 million and ₱66.54 million as at September 30, 2019 and December 31, 2018, respectively.

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

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

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

As at reporting date, ADHI has not yet started its commercial operations. Accordingly, the Parent Company's investment in ADHI was provided with full impairment allowance.

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

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

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

LSTI has not yet started commercial operations as at reporting date. Accordingly, the Parent Company's investment in LSTI was provided with full impairment allowance.

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

In 2013, the Parent Company advanced ₱235.0 million to TWMRSI, which was used to acquire 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 amounting to ₱233.75 million as at September 30, 2019 and December 31, 2018. 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 for the period ended September 30, 2019 were approved and authorized for issue on November 12, 2019.

2. **Basis of Preparation**

The consolidated financial statements of the Group have been prepared on a historical cost basis except for financial asset at FVOCI which is measured at fair value and biological assets which are measured at fair value less cost to sell. The Group presents all items of income and expenses in a single statement of comprehensive income. These consolidated financial statements and 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 and consolidated statements of changes in equity and within equity in the consolidated statements of financial position, separately from equity attributable to the equity holders of Parent Company.

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

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

3. Changes in Accounting and Financial Reporting Policies

Changes in Accounting Policies

The accounting policies adopted by the Group are consistent with those of the previous financial years, except for the following standards, amendments and improvements to PFRS and PAS which became effective in 2018.

- PFRS 9, *"Financial Instruments: Classification and Measurement"*

  PFRS 9 replaces PAS 39, Financial Instruments: Recognition and Measurement, and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements and new hedge accounting. PFRS 9 includes revised guidance on the classification and measurement of financial assets that reflects the business model in which assets are managed and their cash flow characteristics, including a new forward-looking expected credit loss for calculating impairment, and guidance on own credit risk on financial liabilities measured at fair value. PFRS 9 incorporates new hedge accounting requirements and represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

  The Group adopted the said standard without restating comparative information as permitted by PFRS 9. The adoption of PFRS 9 which includes the new classification and measurement rules of financial instruments and impairment rules of financial assets did not result to significant adjustment to the account balances as at January 1, 2018. It affected the disclosures of classification and measurement category of the financial assets and liabilities only.

  Presented below is the impact of adoption of PFRS 9 as at January 1, 2018 on the Group's financial statements.

	Note	Original measurement category under PAS 39	New measurement category under PFRS 9	Original carrying amount under PAS 39	New carrying amount under PFRS 9
Financial assets:					
Cash in banks	6	Loans and receivables at amortized cost	Financial assets at amortized cost	₱2,321,823	₱2,321,823
Nontrade receivables	7	Loans and receivables at amortized cost	Financial assets at amortized cost	251,177,220	251,177,220
Due from related parties - net	18	Loans and receivables at amortized cost	Financial assets at amortized cost	821,835,699	821,835,699
Investment in shares of stocks	10	Available-for-sale investments at FVOCI	Financial assets at FVOCI	370,000	370,000
				₱1,075,704,742	₱1,075,704,742

	Note	*Original measurement category under PAS 39*	*New measurement category under PFRS 9*	*Original carrying amount under PAS 39*	*New carrying amount under PFRS 9*
Financial liabilities:					
Trade and other payables*	16	Other financial liabilities at amortized cost	Financial liabilities at amortized cost	₱19,573,395	₱19,573,395
Due to related parties	18	Other financial liabilities at amortized cost	Financial liabilities at amortized cost	46,752,073	46,752,073
				₱66,325,468	₱66,325,468

**Excluding nonfinancial liabilities amounting to ₱52,610.*

The accounting of the Group's financial liabilities remains largely the same as it was under PAS 39.

- PFRS 15, *Revenue from Contracts with Customers*
  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018.

  The adoption of this new standard has no significant impact on the Group's financial statements.

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*
  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met.

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

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*
  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity, associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate, or joint venture first becomes a parent.

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

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

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

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*
  The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a nonmonetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or nonmonetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

  The interpretation has no significant impact on the Group's financial statements.

New and Amended Standards and Interpretations Issued but not yet Effective
Standards issued but not yet effective up to the date of the Group's financial statements are listed below. Unless otherwise indicated, the Group does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have a significant impact on its financial statements. The Group intends to adopt the following pronouncements when they become effective.

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. The new standard is effective for annual periods beginning on or after January 1, 2019, with an early adoption.

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

  The adoption of the new standard in 2019 is not expected to have significant impact on the Group's financial statements.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
  Prepayment Features with Negative Compensation amends the existing requirements in PFRS 9 regarding termination rights in order to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. Under the amendments, the sign of the prepayment amount is not relevant, i.e. depending on the interest rate prevailing at the time of termination, a payment may also be made in favor of the contracting party effecting the early repayment. The calculation of this compensation payment must be the same for both the case of an early repayment penalty and the case of an early repayment gain.

  The amendments are to be applied retrospectively for fiscal years beginning on or after January 1, 2019, i.e. one year after the first application of PFRS 9 in its current version. Early application is permitted so entities can apply the amendments together with PFRS 9 if they wish so. Additional transitional requirements and corresponding disclosure requirements must be observed when applying the amendments for the first time.

  The amendments are not expected to have significant impact on the Group's financial statements.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
  The amendments to PAS 28 clarify that an entity applies PFRS 9, Financial Instruments including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture. The amendments are effective for periods beginning on or after January 1, 2019, with early application permitted. The amendments are to be applied retrospectively but they provide transition requirements similar to those in PFRS 9 for entities that apply the amendments after they first apply PFRS 9. They also include relief from restating prior periods for entities electing, in accordance with PFRS 4 Insurance Contracts, to apply the temporary exemption from PFRS 9. Full retrospective application is permitted if that is possible without the use of hindsight.

  The adoption of this new standard in 2019 is not expected to have significant impact on the Group's financial statements.

Amended standards and interpretations effective in 2019 adopted by the FRSC but not yet approved by the Board of Accountancy (BOA)

- Philippine Interpretations IFRIC 23, *Uncertainty over Income Tax Treatments*
  The Interpretation clarifies application of recognition and measurement requirements in PAS 12, Income Taxes when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following: a) whether an entity considers uncertain tax treatments separately; b) the assumptions an entity makes about the examination of tax treatments by taxation authorities; c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and d) how an entity considers changes in facts and circumstances.

  Philippine IFRIC 23 is effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted. The Interpretation may be applied retrospectively using PAS 8, only if the application is possible without the use of hindsight or may be applied retrospectively with the cumulative effect of the initial application recognized as an adjustment to equity on the date of initial application. In this approach, comparative information is not restated. The date of initial application is the beginning of the annual reporting period in which an entity first applies this Interpretation.

  The interpretations were adopted by the FRSC on July 12, 2017 but are still subject to the approval by the BOA.

- *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 amendment was adopted by the FRSC on March 14, 2018 but still subject to the approval by the BOA.

Annual Improvements to PFRSs 2015-2017 Cycle
The following amendments were adopted by the FRSC on March 14, 2018 but are still subject to the approval by the BOA:

- 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. Earlier application is permitted.

- 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 are effective for transactions resulting in obtaining joint control on or after the beginning of annual periods beginning on or after January 1, 2019. Earlier application is permitted.

- 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 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. Earlier application is permitted.

New and amended standards effective subsequent to 2019 adopted by the FRSC but not yet approved by the BOA

- Amendments to PFRS 3, Definition of Business
- PFRS 17, Insurance Contracts
- Amendments to PAS 1 and PAS 8, Definition of Material

Deferred

- Philippine Interpretation IFRIC 15, *"Agreements for the Construction of Real Estate"*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The Philippine SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

  Management will continuously assess the impact of this interpretation. Currently, the Group has no activities to which this interpretation will apply.

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

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

4. Summary of Significant Accounting and Financial Reporting Policies

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

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statements of financial position based on current or noncurrent classification.

An asset is current when it is:

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

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

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

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

Financial Assets and Liabilities

Date of recognition

The Group recognizes a financial asset or liability in the consolidated 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
From January 1, 2018, 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:

- 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 FVOCI are not subject to impairment assessment**.**

- 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 September 30, 2019 and December 31, 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 consolidated statements of financial position at fair value with net changes in fair value recognized in the consolidated 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.

Financial assets at amortized cost
The amortized cost of a financial asset or financial liability is the present value of future cash receipts (payments) discounted at the effective interest rate. The amortized cost of a financial asset or liability is the amount at which the financial asset or liability 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 in banks, nontrade receivables and due from related parties as at January 1, 2019 and September 30, 2019 (see Notes 6, 7 and 17).

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.

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.

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

<u>*Subsequent measurement of financial assets*</u>

- 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 (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 (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 (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
From January 1, 2018, 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).

For cash in banks, nontrade receivables and due from related parties, the Group applies the general approach in calculating ECLs. The Group recognizes a loss allowance based on ether 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, 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.

The Group has determined that the application of impairment requirements of PFRS 9 at January 1, 2019 and September 30, 2019 did not result into any additional impairment losses in the Group's cash in banks, nontrade receivables and due from related parties which are measured at amortized cost.

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 September 30, 2019 and December 31, 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 is also recognized in profit or loss.

  As at September 30, 2019, this category includes the Group's trade and other payables and due to related parties (see Notes 16 and 17).

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 consolidated statements of comprehensive income (loss).

Accounting policies for financial instruments until December 31, 2017
The Group has applied PFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy as mentioned in the succeeding pages.

Recognition of Financial Instruments
Financial instruments are recognized initially at fair value of the consideration given (in case of an asset) or received (in case of liability). The initial measurement of financial instruments, except those categorized at FVPL, includes transaction cost.

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

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

Subsequent measurement and classification

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

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

Assets classified in this category are carried at fair value in the consolidated statements of financial position. Changes in the fair value of such assets are accounted for in consolidated statements of comprehensive income (loss). Financial instruments held at fair value though profit or loss are classified as current if they are expected to be realized within 12 months from the end of financial reporting period.

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

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

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

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

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

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

<u>Financial Liabilities</u>

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

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

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

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

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

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

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

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

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

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

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

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.

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.

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

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

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 recoverable amount (unutilized amount of input VAT less impairment).

Deposits for Land Acquisition
Deposits for land acquisition mainly represents usufruct rights over a property and its stated initially at actual amount paid for as deposit and subsequently at cost less any impairment.

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, 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.

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 income 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, including legal and brokerage fees, import duties and non-refundable purchases taxes, after deducting trade discounts and rebates, and any directly attributable costs of bringing the asset to its location and condition necessary for it to be capable of operating in the manner intended by management. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance including the cost of day-to-day servicing of an item of property and equipment, are normally charged to operations in the period in which the costs are incurred.

In situation where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

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

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

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

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

Biological Assets

Biological assets comprise of breeding stocks. Breeding stocks are initially recognized at cost and subsequently carried at fair value less cost to sell. The cost and expenses incurred up to the start of the productive stage are accumulated and amortized over the estimated productive stage are accumulated and amortized over the estimated productive lives of the breeding stocks.

Impairment of Nonfinancial Assets

The carrying values of nonfinancial assets such as nonfinancial assets included in receivables, other current assets, deposits for land acquisition, investment in associate, advances for waste recycling project, investment properties, property and equipment, biological assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists, and if the carrying value exceeds the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of net selling price or value in use.

The net selling price is the amount obtainable from the sale of an asset in an arm's-length transaction less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is charged to operations in the period in which it arises unless the asset is carried at a revalued amount in which case the impairment is charged to the revaluation increment of the said asset.

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

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

Related Party Transactions and Relationships

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

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

Equity

- *Capital stock* is determined using the nominal value of shares that have been issued.
- *Additional paid-in capital* includes any premiums received on the initial issuance of capital stocks. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.
- *Cumulative unrealized 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 can 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 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 stock subscription as part of equity if and only if, all of the following elements are present as at the end of the period:

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

Earnings (Loss) per share

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

Revenue Recognition

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

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

Cost and Expense Recognition

Expenses are recognized in the Group's consolidated statements of comprehensive income (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.

VAT

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

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

Employee benefits

Short-term employee benefits

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

Retirement Benefits

The Group does not have a formal retirement benefit plan. However, the Group will provide retirement benefits in compliance with 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 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 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 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
The Group determines whether an arrangement is, or contains a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

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

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

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

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

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 28).

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to passage of time is recognized as a financial expense.

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

Events After End of Financial Reporting Period
Post year-end events that provide additional information about the Group's position at the end of financial reporting period, if any, are reflected in the 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*
  Under PFRS 9, 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 adoption of PFRS 9, has not had a significant effect on the Group's policy related to financial liabilities.

  Prior to the adoption of PFRS 9, the Group classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual agreement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position.

  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 of September 30, 2019 and December 31, 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 September 30, 2019 and December 31, 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 September 30, 2019 and December 31, 2018. 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.

<u>*Estimates*</u>
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 ₱11.5 million was recognized.

  Prior to adoption of PFRS 9, the Group provides an allowance for impairment losses on trade receivable and due from related parties at a level considered adequate for potential uncollectible amounts or are doubtful of collection. The level of allowance is evaluated by the management based on best available facts and circumstances, the length of the Group's relationship with its customers and debtors, the customers or debtors' payment behavior and known market factors.

These specific reserves are re-evaluated and adjusted as additional information received affects the amount estimated to be uncollectible. Any increase in allowance would increase operating expenses and decrease related accounts.

The Group's allowance for impairment amounted to ₱52.5 million as at September 30, 2019 (see Notes 7 and 17).

The carrying values of financial assets as at September 30, 2019 and December 31, 2018 are shown in Notes 6, 7 and 17.

- *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 amounted ₱2.9 billion and ₱3.1 billion as at September 30, 2019 and December 31, 2018, respectively (see 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.

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

  There are no significant changes in the estimated useful lives of the property and equipment in 2019 and 2018. The carrying values of depreciable property and equipment are shown in Note 13.

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

  As described in the accounting policy, the Group estimates the recoverable amount as the higher of the net selling price and value in use. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that may affect nonfinancial assets.

The Group's allowance for impairment loss for nonfinancial assets amounted to ₱235.8 million as at September 30, 2019 (see Notes 7, 12 and 15).

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

  No deferred tax asset was recognized for allowance for impairment; NOLCO and MCIT as the management believes that these could not be utilized prior to its expiration (see Note 21).

- *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 September 30, 2019 and December 31, 2018.

6. Cash and Cash Equivalent

This account consists of:

	2019	2018
Savings and current deposits	**₱1,065,896**	₱3,414,299
Cash on hand	**50,000**	50,000
Time deposit	–	9,067,146
	₱1,115,896	₱12,531,445

Cash equivalent pertains to time deposit made for a period of three months and earns interest at 2.75% per annum. Savings and current accounts generally earn interest based on prevailing respective bank deposit rates of less than 1% annually. Interest income on cash in banks and cash equivalent recognized in the Group's consolidated statements of comprehensive income amounted to ₱27,884 in 2019 and ₱786 in 2018.

Cash in banks denominated in foreign currency as at September 30, 2019 and December 31, 2018 amounted to $1,078 with Peso equivalents of ₱56,099 and ₱58,482, respectively. The balances have been translated at a rate of ₱52.04 to US$1 and ₱54.25 to US$1 as at September 30, 2019 and December 31, 2018, respectively.

On May 11, 2015, the Court of Appeals (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, the Parent Company and the said bank accounts were "ordered Discharged from the effects of the APO dated December 15, 2015.

With the Order, which was immediately executory, the Parent Company regained access and control over the Subject Bank Accounts (see Note 28).

7. Receivables

This account consists of:

	2019	2018
Nontrade receivables	**₱251,668,036**	₱251,395,700
Advances to officers and employees	**4,909,477**	3,479,936
	256,577,513	254,875,636
Allowance for impairment loss:		
Nontrade receivables	**(1,253,070)**	(1,253,070)
Advances	**(32,863)**	(32,863)
	₱255,291,580	₱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. The Parent Company agreed to the assignment of receivables to ZFTC under the following conditions:

a. ZFTCL shall pay the nontrade receivables on or before December 31, 2016 in cash and non-cash assets acceptable to the Parent Company; and

b. If the nontrade receivables will be paid with non-cash assets, the appraised value thereof shall be determined by an independent appraiser mutually acceptable to ZFTC and the Parent Company.

As at September 30, 2019, the nontrade receivables from ZFTC are not yet settled. However, management assessed that these are still fully recoverable this year.

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:

	2019	2018
Balance at beginning of year	**₱1,285,933**	₱347,627
Provision during the year	–	1,285,933
Written off during the year	–	(347,627)
Balance at end of year	**₱1,285,933**	₱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 square meter)	₱270,000,000
Buildings	75,823,000
Other land improvements	100,250,000
	₱446,073,000

On February 16, 2013, the Board of SREDC approved the proposed budget for the development of the Park, which included the construction and operation of at most sixty (60) greenhouses for high value crops and a twenty (20) - hectare asparagus farm. In connection with this, the BOD approved to advance ₱200.0 million to one of 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 17):

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

On December 10, 2014, the Agreement between Mr. Gregorio and the 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 2018, the following several properties were acquired as partial liquidation of the advances made to SREDC's stockholder (see Note 13):

Land improvements	₱54,257,894
Buildings and improvements	45,471,611
Machineries and equipment	10,910,841
Bearer assets	799,324
Land	641,278
	₱112,080,948

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 the last quarter 2017, SREDC started its operation which offers agri-tourism and lifestyle center activities. The Group recognized revenue amounting to ₱0.53 million in 2019 and ₱1.2 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.

9. Other Current Assets

This account consists of:

	2019	2018
Input VAT	**₱982,438**	₱785,334
Prepaid tax	**2,006**	33,230
	₱984,444	₱818,564

10. Financial Asset at FVOCI

Below is the rollforward analysis of this account:

	2019	2018
Balance at beginning of year	**₱3,101,013,543**	₱370,000
Increase in fair value	**570,000**	1,600,000
Disposal during the period	**(2,540,000)**	–
Loss on revaluation during the period	**(182,296,679)**	3,099,043,543
Balance at end of year	**₱2,916,746,864**	₱3,101,013,543

Investment in shares of stocks as at December 31, 2017 represent quoted equity investments of a subsidiary. These investments were acquired in 2014. As at June 30, 2019 and December 31, 2018, these amounted to ₱2.54 million and ₱1.97 million representing 1.0 million shares with a quoted market price of ₱2.54 and ₱1.97, respectively.

In July 29, 2019, the 1 million shares was sold at ₱2.19 resulting to a loss of ₱0.35 million.

Additions during the year pertain to the reclassification of the Parent Company's investment in an associate after a partial sale and cease of significant influence during the year. The balance consists of 182,296,679 shares representing 17.90% ownership (see Note 11). The fair value of this investment amounted to ₱2.9 billion at ₱16.0 per share as at September 30, 2019 based on the quoted price published by the PSE.

Details of additions by way of reclassification 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
Balance at end of year – as financial asset at FVOCI	₱3,099,043,543

Reconciliation of the change in 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 period	**570,000**	1,600,000
Disposal during the period	**(1,540,000)**	–
Balance at end of period	**₱–**	₱970,000

11. Investment in Associate

This account 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. This resulted to the decrease in its ownership to 17.90%.

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 from 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 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.

As at September 30, 2019 and December 31, 2018, the market value of investment in ANI amounted to₱2.9 billion and ₱3.10 billion, respectively based on the market price per share of ₱16.0 and ₱17.0 as at September 30, 2019 and December 31, 2018, respectively. As at reporting date, the market value of investment in ANI amounted to ₱2.5 billion at a price per share of ₱13.70.

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:

	2019						
	Land	Land improvements	Building improvements	Transportation equipment and machineries	Furniture, fixtures and office equipment	Bearer assets	Total
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
Reclassification (Note 14)	–	–	–	–	–	–	–
Additions during the period	316,810,000	–	–	–	44,979	–	316,854,979
Balance at end of period	317,451,278	55,720,907	45,515,296	13,271,882	159,119	4,032,131	436,195,592
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	–	2,712,896	4,573,229	1,630,776	3,399	604,820	9,525,120
Balance at end of period	–	6,720,225	10,677,568	6,151,705	159,119	1,411,246	25,119,863
Net book value	₱317,451,278	₱49,000,682	₱34,837,728	₱7,120,177	₱44,979	₱2,620,885	₱411,075,729

	2018						
	Land	Land improvements	Building improvements	Transportation equipment and machineries	Furniture, fixtures and office equipment	Bearer assets	Total
Cost:							
Balance at beginning of year	₱–	₱1,463,013	₱43,685	₱2,361,135	₱159,119	₱–	₱4,026,952
Reclassification (Note 14)	–	–	–	–	–	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

Transportation equipment with an original cost of ₱2,293,176 are fully depreciated but still in use as at December 31, 2018.

Depreciation and amortization expense for the years ended September 30, 2019 and December 31, 2018 are shown as part of general and administrative expenses in the Group 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 September 30, 2019 and December 31, 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. Biological Assets

This account consists of the Group's livestock and poultry originally intended for sale amounting to ₱3.2 million as at December 31, 2017. In 2018, the Group changed its intention of holding the assets to using these assets in its operations. Accordingly, these were reclassified to property and equipment in 2018.

The rollforward analysis of this account is shown below:

	Note	Amount
Balance at beginning of year		₱2,679,692
Increase in fair value due to price changes		553,115
Carrying value		3,232,807
Reclassification	13	(3,232,807)
Balance at end of year		₱–

15. Investment Properties

This account consists of the following:

	2019		
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

	2018		
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 of September 30, 2019 and 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.

The Group's management had reviewed the carrying values of the investment properties for any impairment as of September 30, 2019 and December 31, 2018.

16. **Trade and Other Payables**

This account consists of:

	Note	**2019**	2018
Trade		**₱13,541,976**	₱13,564,571
Accrued expenses		**483,500**	713,547
Refundable deposit	20	**270,000**	270,000
Advances from officers and employees		**251,028**	251,028
Government payables		**34,749**	119,529
		₱14,581,253	₱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.

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

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

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.

All trade and other payables are noninterest-bearing.

17. **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, a settlement received amounted to ₱333.44 million.

c. As at September 30, 2019 and December 31, 2018 details and outstanding balances of due to and from related parties follow:

	2019	2018
Receivables		
Stockholders	**₱466,625,346**	₱796,064,315
Affiliates*	**88,115,920**	66,234,337
	554,741,266	862,298,652
Allowance for impairment	**(51,183,326)**	(51,183,326)
	₱503,557,940	₱811,115,326
Payables		
Affiliates	**₱108,039,088**	₱104,021,909
Stockholders	**14,035,590**	14,035,590
	₱122,074,678	₱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:

	Note	2019	2018
Receivables			
Balance at beginning of year		**₱811,115,326**	₱821,835,699
Settlement during the year	8	**(333,438,969)**	(149,597,960)
Advances made during the year		**25,881,583**	150,342,991
		503,557,940	822,580,730
Provision for impairment during the year		**–**	(11,465,404)
Balance at end of year		**₱503,557,940**	₱811,115,326

	Note	2019	2018
Payable			
Balance at beginning of year		**₱118,057,499**	₱46,752,073
Advances received during the year		**4,017,179**	76,686,015
Payments made during the year		**–**	(5,380,589)
Balance at end of year		**₱122,074,678**	₱118,057,499

d. On July 2, 2014, the Parent Company executed a subscription agreement with Earthright Holdings, Inc. (EHI). Subject to the application and approval by the SEC of the Parent Company's increase of its authorized capital stock (the "Increase"), EHI subscribed ₱250.0 million worth of common shares at ₱1.00 per share and ₱37.5 million worth preferred shares at ₱0.01 per share. The deposit will be converted into equity once proper documentation and approval from the SEC have been obtained. As at September 30, 2019, the Parent Company has not filed its application for the Increase with the SEC. The balance of the deposit for future stock subscription presented under current liabilities in the Group's consolidated statements of financial position amounted to ₱187.5 million as at September 30, 2019 and December 31, 2018.

On May 22, 2019, the Board of Directors of the Parent Company approved, confirmed and/or ratified the amendment of Article VII of its Articles of Incorporation to increase the authorized capital stock of the Corporation from Two Billion Pesos (Php2,000,000,000.00) to Five Billion Pesos (Php5,000,000,000.00), divided into the following: (a) common shares, consisting of four billion nine hundred million (4,900,000,000) shares with a par value of One Peso (Php1.00) per share for a total par value of Four Billion Nine Hundred Million Pesos (Php4,900,000,000.00), and (ii) preferred shares, consisting of one billion (1,000,000,000) shares with a par value of Ten Centavos (Php0.10) per share for a total par value of One Hundred Million Pesos (Php100,000,000.00) ("Proposed Increase") pursuant to the authority granted by the

stockholders at the Annual Stockholders' Meeting held on December 12, 2012, and confirmed at the Annual Stockholders' Meeting held on December 20, 2017.

In relation thereto, the Parent Company executed an Amended Subscription Agreement dated May 22, 2019 with Earthright amending the Subscription Agreement dated 2 July 2014 to increase the subscription of Earthright from two hundred fifty (250) million common shares to seven hundred fifty (750) million common shares, to be issued out of the Proposed Increase at a subscription price of One Peso (Php1.00) per share.

On June 28, 2019, the stockholders of the Parent Company approved the issuance and listing of the additional Five Hundred Million Pesos (Php 500,000,000.00) worth of common shares included in the Amended Subscription Agreement dated May 22, 2019 between the Parent Company and EHI subject to the approval by the SEC of the proposed Increase.

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

	2019			
Category	Amount	Balance - Asset (Liability)	Terms and Conditions/Settlement	Guaranty/ Provision
Stockholders				
Receivables		₱466,625,346	Noninterest-bearing; payable on demand and to be settled through liquidation	Unsecured; no significant warranties and covenants; no impairment
• Settlement	(₱333,438,969)			
• Advances made	–			
Payable		(14,035,590)	Noninterest-bearing; payable on demand and to be settled in cash	Unsecured; no significant warranties and covenants
• Advances received	–			
Deposit for future stock subscriptions	10,500,000	(187,500,000)	Noninterest-bearing; no definite repayment dates; to be applied as future subscription of capital stock	Unsecured; no significant warranties and covenants
Affiliates				
Receivable		88,115,920	Noninterest-bearing; payable on demand and to be settled in cash	Unsecured; no significant warranties and covenants; with impairment
• Advances made	25,881,583			
• Allowance for impairment	–	(51,183,326)		
Payable		(108,039,088)	Noninterest-bearing; payable on demand and to be settled in cash	Unsecured; no significant warranties and covenants
• Advances received	(4,017,179)			
• Payments made	–			

Category	Amount	2018 Balance - Asset (Liability)	Terms and Conditions/Settlement	Guaranty/ Provision
Stockholders				
Receivables		₱796,064,315	Noninterest-bearing; payable on demand and to be settled through liquidation	Unsecured; no significant warranties and covenants; no impairment
• Settlement	(₱149,597,960)			
• 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	10,500,000	(187,500,000)	Noninterest-bearing; no definite repayment dates; to be applied as future subscription of capital stock	Unsecured; no significant warranties and covenants
Affiliates				
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 September 30, 2019 and 2018 follows:

	2019	2018
Short term benefits		
Salaries and wages	**₱1,075,338**	₱274,920
13th month pay and other benefits	**94,896**	64,560
	₱1,170,234	₱339,480

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

18. **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 September 30, 2019 and December 31, 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	1,800,778,572	₱1,800,778,572

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:

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 1,032 as at September 30, 2019 and December 31, 2018.

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 September 30, 2019 are as follows:

	High	Low
First	₱2.45	₱2.32
Second	2.60	2.51
Third	2.58	2.48
Fourth	–	–

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

On May 13, 2015, the Parent Company requested for a voluntary suspension in the trading of its securities in the PSE. 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 28).

19. **Revenue**

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 revenues of the Group by major sources for the period ended September 30, 2019 and 2018:

	2019	2018
Category		
Agri-tourism	**₱640,000**	₱2,649,618
Sale of fruits and vegetables	**789,541**	267,509
Total	**₱1,429,541**	₱2,917,127

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

Cost of sales mainly pertain to supplies and meals for the park employees.

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. Refundable deposit under this lease agreement amounted to ₱270,000 as at September 30, 2019 and December 31, 2018 (see Note 16). Rental income amounted to ₱277,928 in 2019 and ₱204,188 in 2018, presented in the Group's consolidated statements of comprehensive income (loss).

20. General and Administrative Expenses

This account consists of:

	Note	2019	2018
Depreciation and amortization	13	**₱9,525,120**	₱93,393
Contractual services		**6,942,635**	5,476,507
Salaries and wages		**3,146,161**	2,535,553
Utilities		**2,028,989**	1,918,023
Materials and supplies		**1,883,803**	1,171,079
Repairs and maintenance		**936,373**	784,494
Listing and stock transfer fees		**911,250**	256,000
Transportation		**534,948**	555,136
Legal and professional		**436,250**	949,233
Penalties and fines		**346,049**	1,548,929
Taxes and licenses		**237,299**	815,266
Representation and entertainment		**84,459**	185,188
Miscellaneous		**144,452**	33,252
		₱27,157,788	₱16,322,053

Miscellaneous expenses include advertising, service charges and other fees.

21. Income Taxes

a. The current income tax expense in 2019 pertains to MCIT amounting to ₱39,032.

b. 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
2018	2021	₱–	₱31,448,450	₱9,434,535
2017	2020	–	7,506,866	2,252,059
2016	2019	–	3,804,940	1,141,482
2015	2018	17,198,344	–	–
		₱17,198,344	₱42,760,256	₱12,828,076

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

Year	Expiration	Applied/Expired	Balance
2018	2021	₱–	₱28,443
2017	2020	–	231,426
2015	2018	5,633	–
		₱5,633	₱259,869

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 and 2018.

22. Basic Income (Loss) per Share

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

	2019	2018
Net income (loss) attributable to the equity holders of the Parent Company	**(₱200,370,304)**	₱57,363,788
Divided by: Weighted average number of common shares	**1,703,278,572**	1,703,278,572
Basic income (loss) per share	**(₱0.12)**	₱0.03

The Group has no diluted loss per share for the year ended September 30, 2019 and December 31, 2018.

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	(₱8,412,519)	(₱601,760)	₱235,718,354
LSTI	1,574	(245)	–	1,329
TWMRSI	(115,439,805)	(15,537)	–	(115,455,342)
	₱129,294,402	(₱8,428,301)	(₱601,760)	₱120,264,341

	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

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 September 30, 2019 and December 31, 2018:

		2019			
	Note	Carrying value	Fair value	Quoted prices in active market (Level 1)	Significant Observable Inputs (Level 2)
Cash on hand	6	₱50,000	₱50,000	₱–	₱50,000
PFRS 9 measurement category:					
Financial assets at amortized cost					
Cash in banks	6	1,065,896	1,065,896	–	1,065,896
Nontrade receivables – net	7	250,142,630	250,142,630	–	250,142,630
Due from related parties – net	17	503,557,940	503,557,940	–	503,557,940
Financial asset at FVOCI	10	2,916,746,864	2,916,746,864	2,916,746,864	–
		₱3,336,776,417	₱3,336,776,417	₱2,916,746,864	₱754,816,466
Financial liabilities at amortized cost					
Trade and other payables*	16	₱14,546,504	₱14,546,504	₱–	₱14,546,504
Due to related parties	18	122,074,678	122,074,678	–	122,074,678
		₱136,621,182	₱136,621,182	₱–	₱136,621,182

**Excludes government payables amounting to ₱34,749 as at September 30, 2019.*

		2018			
	Note	Carrying value	Fair value	Quoted prices in active market (Level 1)	Significant Observable Inputs (Level 2)
Cash on hand	6	₱50,000	₱50,000	₱–	₱50,000
PFRS 9 measurement category:					
Financial assets at amortized cost					
Cash in banks	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	18	811,115,326	811,115,326	–	811,115,326
Financial asset at FVOCI	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

Financial liabilities at amortized cost						
Trade and other payables*	16	₱14,799,146	₱14,799,146		₱–	₱14,799,146
Due to related parties	18	118,057,499	118,057,499		–	118,057,499
		₱132,856,645	₱132,856,645		₱–	₱132,856,645

**Excludes government payables amounting to ₱119,529 as at December 31, 2018.*

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

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

There are no transfers to and from Levels indicated above in 2019 and 2018.

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

The Group is exposed to a variety of financial risks, which resulted from its operating, investing and financing activities. The Group's principal financial instruments comprise of cash 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 main purpose of loan is to finance the Group's operations.

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

  Credit quality of financial assets
  Below is the credit quality per class of the Group's financial assets as at September 30, 2019 and December 31, 2018:

	2019			
	Neither past due nor impaired			
	High grade	Standard grade	Impaired	Total
Cash in banks	₱1,065,896	₱–	₱–	₱1,065,896
Nontrade receivables	–	250,142,630	1,253,070	251,395,700
Due from related parties	159,595,605	343,962,335	51,183,326	554,741,266
	₱160,661,501	₱594,104,965	₱52,436,396	₱807,202,862

	2018			
	Neither past due nor impaired			
	High grade	Standard grade	Impaired	Total
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
	₱153,425,598	₱920,313,803	₱52,436,396	₱1,126,175,797

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

Other high grade accounts are considered of high value.

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

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

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

The table below summarizes the maximum exposure to credit risk for the components of the Group's financial assets as at September 30, 2019 and December 31, 2018.

	2019	2018
Cash in banks	**₱1,065,896**	₱12,481,445
Nontrade receivables	**251,668,036**	251,395,700
Due from related parties – net	**503,557,940**	811,115,326
	₱756,291,872	₱1,074,992,471

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.

Impairment assessment
The Group was required to revise its impairment methodology under PFRS 9 for each of class of financial assets and has determined that there has been no significant impact of the change in impairment methodology on the Group's retained earnings and equity.

Upon adoption of PFRS 9, the Group applies general approach for determining the expected credit losses of cash in banks, nontrade receivables and 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.

Prior to adoption of PFRS 9, the Group applies specific/individual assessment in assessing and measuring impairment.

- 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	₱1,065,896	₱–	₱–	₱1,065,896
Nontrade receivables	251,395,700	–	–	251,395,700
Due from related parties – net	503,557,940	–	–	503,557,940
Financial asset at FVOCI	–	–	2,916,746,864	2,916,746,864
	₱756,019,536	₱–	₱2,916,746,864	₱3,672,766,400
Financial liabilities				
Trade and other payables*	₱–	₱14,546,504	₱–	₱14,546,504
Due to related parties	122,074,678	–	–	122,074,678
	₱122,074,678	₱14,546,504	₱–	₱136,621,182

	2018			
	On demand	Due within one year	Due beyond one year but not more than five years	Total
Financial assets				
Cash in banks	₱12,481,445	₱–	₱–	₱12,481,445
Nontrade receivables	251,395,700	–	–	251,395,700
Due from related parties – net	811,115,326	–	–	811,115,326
Financial asset at FVOCI	–	–	3,101,013,543	3,101,013,543
	₱1,074,992,471	₱–	₱3,101,013,543	₱4,176,006,014
Financial liabilities				
Trade and other payables*	₱–	₱14,799,146	₱–	₱14,799,146
Due to related parties	118,057,499	–	–	118,057,499
	₱118,057,499	₱14,799,146	₱–	₱132,856,645

- 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 is 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.

- 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 bank is 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	**1,594,895,737**	1,793,486,641
Due to related parties	**122,074,678**	118,057,499
	₱3,788,339,518	₱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 September 30, 2019 and December 31, 2018 follow:

	2019	2018
Total debt	**₱324,163,737**	₱309,977,130
Total equity	**3,786,529,181**	3,994,757,786
	9%	8%

The Group had not been subjected to externally imposed capital requirements in 2019 and 2018. No changes were made pin the objectives, policies, and processes during the period ended September 30, 2019 and December 31, 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:
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.

28. **Other Matters**

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

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 14 and 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." Being an interlocutory order, the *Discharge Order* is immediately executory.

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 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 Parent Company and SREDC and the said bank account was "ordered Discharged from the effects of the Asset Preservation Order (APO) dated December 15, 2015."

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

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

On July 25, 2019, the Parent Company received an Order dated July 1, 2019 wherein the Court denied the Motion filed by the Office of the Solicitor General on behalf of the Republic of the Philippines. The Court also affirmed the earlier Order dated July 9, 2018 which discharged the pertinent bank accounts of the Parent Company and SREDC, among others, from the effects of the Asset Preservation Order (APO) dated December 15, 2015."